

**OVATION SCIENCE INC.**

Consolidated Financial Statements

For the three and six months ended June 30, 2024 and 2023

*Expressed in Canadian dollars*

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

OVATION SCIENCE INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian dollars)  
(Unaudited)

	Notes	As at June 30, 2024	As at December 31, 2023
Current assets			
Cash		9,200	48,849
Trade and other receivables	3	42,462	5,077
Prepaid expenses	4	3,712	3,518
Inventory	5	28,205	17,243
Total current assets		83,579	74,687
Furniture and equipment	7	639	2,201
Total assets		84,218	76,888
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	8, 15	642,295	473,852
Derivative Liabilities	10,15	23,455	62,525
Convertible notes, current portion		184,715	151,807
Promissory note	9,15	25,992	22,541
Total current liabilities		876,457	710,725
Convertible notes, net of current portion	10,15	42,987	18,267
Total liabilities		919,444	728,992
Shareholders' equity			
Share capital	11	4,522,881	4,455,255
Reserves	12	1,466,258	1,462,422
Accumulated Other Comprehensive Income		19,215	21,959
Deficit		(6,843,580)	(6,591,740)
Total shareholders' equity		(835,226)	(652,104)
Total liabilities and shareholders' equity		84,218	76,888

Nature of business and going concern (Note 1)

These consolidated financial statements were approved by the Board of Directors on August 23, 2024:

"Doreen McMorran" Director

"Terry Howlett" Director

The accompany notes are an integral part of these consolidated financial statements.

OVATION SCIENCE INC  
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(Expressed in Canadian dollars)  
(Unaudited)

		Three months ended June 30		Six months ended June 30	
	NOTE	2024	2023	2024	2023
<b>Revenue</b>					
Product sales		\$ 42,229	\$ 2,037	\$ 82,671	\$ 9,007
Royalty fees		-	-	-	33,721
	14	42,229	2,037	82,671	42,728
Cost of sales	5	(1,110)	(1,513)	(21,482)	(1,513)
Gross Margin		41,119	524	61,189	41,215
<b>Operating expenses</b>					
Advertising and promotion		2,088	5,306	2,490	7,165
Depreciation	7	819	803	1,625	1,604
Management and director fees	15	73,909	84,976	151,408	179,437
Office and general		56,844	80,505	132,174	146,618
Product development		2,065	24,288	10,973	33,041
Professional fees		35,645	57,153	45,273	91,353
Total operating expenses		171,370	253,031	343,943	459,218
<b>Other income (expenses)</b>					
Interest expense	9,10, 15	(12,806)	(5,948)	(24,214)	(9,031)
Gain (Loss) on derivative	10,15	67,543	(3,555)	55,574	(1,146)
Foreign exchange loss (gain)		(299)	(33)	(446)	177
Net loss		(75,813)	(262,043)	(251,840)	(428,003)
Foreign currency translation to reporting currency		(2,820)	6,968	(2,744)	6,713
Net loss and comprehensive loss for the year		\$ (78,633)	\$ (255,075)	\$ (254,584)	\$ (421,290)
Basic and diluted loss per share		\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding		29,374,836	29,374,836	29,374,836	29,374,836

The accompany notes are an integral part of these consolidated financial statements.

OVATION SCIENCE INC  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Expressed in Canadian dollars)  
(Unaudited)

	Share capital							
	Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholder s' Equity		
Balance, December 31, 2022	29,374,836	\$ 4,280,458	\$ 1,400,950	\$ 14,231	\$ (5,778,591)	\$ (82,952)		
Convertible Note issuance	-	-	2,022	-	-	2,022		
Foreign currency translation adjustment	-	-	-	6,713	-	6,713		
Net loss for the year	-	-	-	-	(428,003)	(428,003)		
Balance, June 30, 2023	29,374,836	\$ 4,280,458	\$ 1,402,972	\$ 20,944	\$ (6,206,594)	\$ (502,220)		
Balance, December 31, 2023	33,894,681	\$ 4,455,255	\$ 1,462,422	\$ 21,959	\$ (6,591,740)	\$ (652,104)		
Shares issued for cash	1,350,000	67,626	-	-	-	67,626		
Convertible Note issuance	-	-	3,836	-	-	3,836		
Foreign currency translation adjustment	-	-	-	(2,744)	-	(2,744)		
Net loss for the year	-	-	-	-	(251,840)	(251,840)		
Balance, June 30, 2024	35,244,681	\$ 4,522,881	\$ 1,466,258	\$ 19,215	\$ (6,843,580)	\$ (835,226)		

The accompany notes are an integral part of these consolidated financial statements.

OVATION SCIENCE INC.  
CONSOLIDATED STATEMENTS OF CASHFLOWS  
(Expressed in Canadian dollars)  
(Unaudited)

	Six months ended June 30, 2024	Six months ended June 30, 2023
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(251,840)	(428,004)
Non-cash items		
Unrealized foreign exchange (gain) loss	-	(1,324)
Depreciation	1,625	1,604
Interest expense	13,902	2,760
Gain (loss) on derivative liability	(55,574)	1,820
Changes in non-cash operating working capital:		
Trade and other receivables	(39,326)	(340)
Prepaid expenses	10,676	(4,812)
Inventory	(10,285)	(32,392)
Accounts payable and accrued liabilities	147,392	333,581
Net cash used in operating activities	(183,430)	(127,107)
<b>FINANCING ACTIVITIES</b>		
Proceeds received for the sale of common stock	67,626	-
Proceeds received for convertible note	64,947	101,987
Net cash provided by financing activities	132,573	101,987
	11,208	(1,581)
Effect of foreign exchange		
Change in cash	(39,649)	(26,701)
Cash, beginning	48,849	28,901
Cash, ending	9,200	2,200

The accompany notes are an integral part of these consolidated financial statements.

## **OVATION SCIENCE INC.**

Consolidated Statements of Cash Flows

For the six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars)

(Unaudited)

### **1. NATURE OF BUSINESS AND GOING CONCERN**

Ovation Science Inc. (the “Company” or “Ovation”) 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” and the US exchange OTCQB under the symbol “OVATF”.

As of December 31, 2023, the Company had four licenses in place including MidWest Roots in Missouri; Planet 13 in Nevada; PA Options for Wellness in Pennsylvania and Stash House Distribution for Oklahoma, New Mexico and Mississippi with In addition, the Company has two Supply and Distribution Agreements including Golfer’s CBD Ltd. and VenWell; both online US marketers.

The Company’s head office and registered office is located at Suite 1003 – 1166 Alberni Street, Vancouver, B.C. V6E 3Z3.

The Company’s wholly owned subsidiary, Ovation Science USA Inc.’s operations are located in Las Vegas, Nevada.

These consolidated 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 June 30, 2024, the Company’s current liabilities exceeded its current assets by \$792,878. The Company is not able to finance day to day activities through operations and has incurred losses since inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and/or issuance of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statements of financial position.

### **2. MATERIAL ACCOUNTING POLICY INFORMATION**

The accounting policies followed by the Company are set out in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2023 and have been consistently followed in the preparation of these condensed consolidated interim financial statements. Except as summarized below, the Company used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2023.

#### **Basis of preparation**

##### *Statement of compliance*

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

The consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2024.

##### *Basis of measurement*

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

##### *Basis of consolidation*

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

**OVATION SCIENCE INC.**

## Consolidated Statements of Cash Flows

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

**Significant estimates and judgments***Significant estimates*

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

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

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

*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.

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

**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 three revenue categories, being product sales, license fees and research services. 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 revenue consists of development fees, packaging fees and any other fees associated with the License. Research services revenue consists of research and development fees.

Development and packaging 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.



**OVATION SCIENCE INC.**

## Consolidated Statements of Cash Flows

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(Expressed in Canadian dollars)

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**Accounting standards issued but not yet effective**

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

**3. TRADE AND OTHER RECEIVABLES**

		June 30, 2024	December 31, 2023
Trade receivables	\$	37,129	\$ 3,025
GST receivable		5,333	2,052
	\$	42,462	\$ 5,077

**4. PREPAIDS**

		June 30, 2024	December 31, 2023
Prepaid expenses	\$	3,712	\$ 3,518
	\$	3,712	\$ 3,518

**5. INVENTORY**

		June 30, 2024	December 31, 2023
Finished goods	\$	28,205	\$ 17,243
	\$	28,205	\$ 17,243

During the three and six months ended June 30, 2024, the Company incurred \$1,110 (2023 – 1,513) and \$21,482 (2023 – \$1,513) in costs of sales related to inventory, respectively.

**6. LICENSES**

On August 25, 2022, the Company entered into a License Agreement with Stash House Distribution (“Stash House”), whereby the Company granted to Stash House an exclusive license to use its trademarks, formulations, and polymer in connection with the manufacturing, packaging, distribution, promotion, and sale of the Dispensary Products for Licensed marijuana dispensaries in Oklahoma, Missouri, New Mexico and Mississippi. As part of the consideration related to this agreement, the Company will receive a quarterly minimum packaging fee for each state within the territory beginning twelve months following the date of the first commercial sale of the product in each state. In September 2023, Ovation updated a previous agreement to remove Missouri from this license. To June 30, 2024, the Company has recognized \$Nil (2023 -\$Nil) of revenue in connection with this agreement.

On March 22, 2023, the Company signed a Supply and Distribution Agreement with Golfer’s CBD Ltd., an international CBD brand focused on the health and wellness of golfers around the world. The agreement covers the rights in the golf market for the United States and Europe. To June 30, 2024, the Company has recognized \$Nil of revenue in connection with this agreement.

**Ovation Science Inc.**

## Consolidated Statements of Cash Flows

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(Expressed in Canadian dollars)

(Unaudited)

**6. LICENSES (Continued)**

On May 10, 2023, the Company signed a licensing agreement with PA Options for Wellness Inc. (“PA Options”) for Pennsylvania. PA Options, founded in 2014, has nine dispensaries doing business as Vytal Options. The Company’s products (co-branded as Invibe® MD and Vytal Options) will be sold through these dispensaries and through PA Options’ extensive wholesale channels. Ovation will receive a royalty based on sales. To June 30, 2024, the Company has recognized \$Nil of revenue in connection with this agreement.

On September 6, 2023, the Company signed a licensing agreement with Planet 13 Holdings, Inc. (“Planet 13”), for the rights to the Company’s topical/transdermal formulations for the state of Nevada. Under the terms of the agreement, Planet 13 will have the exclusive manufacturing, sales and marketing rights for Ovation’s topical/transdermal products for Nevada. The Company will receive royalties based on wholesale sales. The Company terminated of the License Agreement with Light House Strategies, LLC for the state of Nevada which was entered into on November 10, 2017. To June 30, 2024, the Company has recognized \$9,348 of revenue in connection with this agreement.

On October 31, 2023, the Company signed a licensing agreement for Ovation’s topical / transdermal formulations for the state of Missouri. The Company’s new licensee is MidWest Roots, LLC. Under the terms of the Agreement, MidWest will be responsible for all regulatory, manufacturing, marketing, sales and distribution activities for Ovation’s formulations in the state of Missouri. Ovation will receive royalty income based on wholesale sales to dispensaries. To June 30, 2024, the Company has recognized \$Nil of revenue in connection with this agreement.

On December 7, 2023, Ovation Science entered into a Supply and Distribution Agreement with Efficiency Consultants Inc. (dba VenWell), as a non-exclusive distributor in retail and ecommerce markets in the United States. To June 30, 2024, the Company has recognized \$28,204 of revenue in connection with this agreement.

April 11, 2024, the Company signed a licensing agreement for Ovation’s products for Canada with Ripco Processing Inc. Under the terms of the License Agreement, Ripco will be responsible for all regulatory, manufacturing, marketing, sales and distribution activities for the Company’s formulations through-out Canada, starting initially in Ontario, Alberta, BC, Saskatchewan and Manitoba. The Company will receive a double-digit royalty based on sales, with a minimum quarterly payment after an initial start-up phase. Ripco has already received Health Canada approval for Ovation’s products.

**7. EQUIPMENT**

		<b>Furniture and fixtures</b>		<b>Computer equipment</b>	<b>Total</b>
<b>Cost:</b>					
<b>At December 31, 2023</b>	\$	<b>15,871</b>	\$	<b>15,871</b>	<b>\$ 31,742</b>
Foreign translation impact		553		553	1,106
<b>At June 30, 2024</b>	\$	<b>16,424</b>	\$	<b>16,424</b>	<b>\$ 32,848</b>
<b>Accumulated amortization:</b>					
<b>At December 31, 2023</b>	\$	<b>13,670</b>	\$	<b>15,871</b>	<b>\$ 29,541</b>
Depreciation		1,627		-	1,627
Foreign translation impact		487		553	1,040
<b>At June 30, 2024</b>	\$	<b>15,785</b>	\$	<b>16,424</b>	<b>\$ 32,209</b>
<b>Net book value</b>					
<b>At December 31, 2023</b>	\$	<b>2,201</b>	\$	<b>-</b>	<b>\$ 2,201</b>
<b>At June 30, 2024</b>	\$	<b>639</b>	\$	<b>-</b>	<b>\$ 639</b>

**OVATION SCIENCE INC.**

## Consolidated Statements of Cash Flows

For the six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars)

(Unaudited)

**8. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

<b>As at December 31,</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Accounts payable	\$ 211,594	\$ 56,335
Accrued liabilities	7,438	18,641
Due to related parties (Note 14)	423,263	398,876
	<b>\$ 642,295</b>	<b>\$ 473,852</b>

**9. PROMISSORY NOTE**

On December 20, 2022, the Company issued an unsecured promissory note to a member of key management personnel for \$27,242 (USD\$20,000). The promissory note is non-interest bearing and due on December 20, 2023. As the promissory note is non-interest bearing, the initial fair value was estimated at \$23,086 (USD\$16,949) using a market discount rate of 18%. The promissory note is amortized over the term using the effective interest rate method. As at December 31, 2023, the note remains outstanding and interest expense related to the promissory note recorded was \$3,987. At initial recognition, a gain on the discount of the promissory note of \$4,156 was recorded. On December 20, 2023, the noteholder agreed to extend the maturity date of the note to December 31, 2024, as a result the Company recorded a gain on discount of promissory note of \$3,910.

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

	<b>Promissory note</b>
<b>Balance at December 31, 2023</b>	<b>\$ 22,541</b>
Foreign exchange gain (loss)	805
Accrued interest	2,646
<b>Balance at June 30, 2024</b>	<b>\$ 25,992</b>

**10. CONVERTIBLE NOTES**

On November 16, 2022, the Company issued an unsecured convertible note to a member of key management personnel for \$20,000. The convertible note bears interest at 10% per annum and is due on May 16, 2024. 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 deemed price of \$0.05 per common share. The convertible note includes 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 18% which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of \$2,102 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 February 2, 2023, the Company issued an unsecured convertible note to the COO and director for \$13,312 (USD\$10,000). \$6,656 (USD\$5,000) of the proceeds were received on February 2, 2023 and the remaining \$6,656 (USD\$5,000) of proceeds were received on February 16, 2023. The convertible note bears interest at 10% per annum and is due on August 2, 2024. 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 deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$4,619.

On February 23, 2023, the Company issued an unsecured convertible note to the COO and director for \$17,306 (USD\$13,000). The convertible note bears interest at 10% per annum and is due on August 23, 2024. 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

**OVATION SCIENCE INC.**

## Consolidated Statements of Cash Flows

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(Expressed in Canadian dollars)

(Unaudited)

**10. CONVERTIBLE NOTES (Continued)**

shares of the Company at a deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$3,527.

On March 6, 2023, the Company issued an unsecured convertible note to a Company controlled by the Chief Financial Officer ("CFO") and director for \$14,000. The convertible note bears interest at 10% per annum and is due on March 6, 2024. 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 deemed price of \$0.05 per common share. The convertible note includes 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 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of \$971 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 April 26, 2023, the Company issued an unsecured convertible note to the COO and director for \$34,058 (USD\$25,000). The convertible note bears interest at 10% per annum and is due on October 26, 2024. 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 deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$4,745.

On May 23, 2023, the Company issued an unsecured convertible note to a Company controlled by the Chief Financial Officer ("CFO") and director for \$10,000. The convertible note bears interest at 10% per annum and is due on November 23, 2024. 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 deemed price of \$0.05 per common share. The convertible note includes 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 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of \$1,050 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 May 31, 2023, the Company issued an unsecured convertible note to the COO and director for \$13,310 (USD\$10,000). The convertible note bears interest at 10% per annum and is due on November 30, 2024. 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 deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$2,513.

On July 6, 2023, the Company issued an unsecured convertible note to the COO and director for \$33,370 (USD\$25,000). The convertible note bears interest at 10% per annum and is due on January 6, 2025. 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 deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$6,338.

On July 19, 2023, the Company issued an unsecured convertible note for \$26,340 (USD\$20,000). The convertible note bears interest at 10% per annum and is due on January 19, 2025. 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 deemed price of

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**10. CONVERTIBLE NOTES (Continued)**

\$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$6,959.

On December 8, 2023, the Company issued an unsecured convertible note to a member of key management personnel for \$20,461. The convertible note bears interest at 10% per annum and is due on June 8, 2025. 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 deemed price of \$0.05 per common share. The convertible note includes 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 18% which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of \$2,151 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 June 5, 2024, the Company issued an unsecured convertible note to a director for \$12,553 (USD\$8,992). The convertible note bears interest at 10% per annum and is due on December 5, 2025. 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 deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$8,235.

On June 5, 2024, the Company issued an unsecured convertible note to a director for \$16,019 (USD\$11,475). The convertible note bears interest at 10% per annum and is due on December 5, 2025. 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 deemed price of \$0.05 per common share. As the note is issued in a currency different from the currency of the conversion feature, the conversion feature is treated as a derivative liability and recorded at fair value. The value of the derivative liability was calculated first, with the remaining face value of the loan attributed to the debt host component. The value of the derivative liability was calculated as \$10,510.

On June 5, 2024, the Company issued an unsecured convertible note to a director for \$36,375. The convertible note bears interest at 10% per annum and is due on December 5, 2025. 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 deemed price of \$0.05 per common share. The convertible note includes 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 18%, which is the estimated rate that would have been charged for a similar instrument without a conversion feature. The equity component of \$3,836 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 component of the Company's convertible note issued:

	<b>Convertible notes</b>	
<b>Balance at December 31, 2023</b>	<b>\$</b>	<b>170,074</b>
Proceeds from issuance of convertible note		64,947
Amount allocated to conversion feature – liability		(18,745)
Amount allocated to conversion feature – equity		(3,836)
Foreign Exchange		3,221
Accrued accretion expense		12,041
<b>Balance at June 30, 2024</b>	<b>\$</b>	<b>227,702</b>

As at June 30, 2024, the Company revalued the derivative liabilities and recorded a \$55,574 gain on derivative liability.

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**10. CONVERTIBLE NOTES (Continued)**

The following table summarizes the continuity of the derivative liabilities:

		<b>Convertible notes</b>
<b>Balance at December 31, 2023</b>	<b>\$</b>	<b>62,525</b>
Amount allocated from conversion feature		18,745
Change in fair value of derivative		(55,574)
Foreign Exchange		296
<b>Balance at June 30, 2024</b>	<b>\$</b>	<b>25,992</b>

**11. SHARE CAPITAL****Authorized share capital**

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

**Common shares**

*During the six months ended June 30, 2024:*

On March 11, 2024, the Company closed a public offering consisting of 1,350,000 units at \$0.05 per unit for gross proceeds of \$67,626. Each unit consists of one common share of the Company and one warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.05 per share for a period of two years.

*During the year ended December 31, 2023.*

The Company issued 129,845 shares with a fair value of \$2,597 to settle liabilities, resulting in a gain of \$3,895. The Company issued 390,000 shares with a fair value of \$7,800 to former directors for settlement of debt, resulting in a gain of \$11,700.

On October 5, 2023, the Company closed a public offering consisting of 4,000,000 units at \$0.05 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one warrant with each warrant entitling the holder to purchase one additional common share at a price of \$0.05 for two years. As part of the private placement, the Company issued broker warrants valued at \$19,600 using the Black Scholes Option Pricing model using the following assumptions: share price: \$0.05, expected life: two years, expected volatility: 183.00%, dividend yield: 0%, and risk-free interest rate: 4.69%.

**12. RESERVES****Stock option plan**

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

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**13. RESERVES (Continued)****Stock options**

A summary of stock option activity is as follows:

On October 30, 2023, the Company granted 2,600,000 stock options to various officers, directors and consultants. Each option granted can be exercised to purchase one common share of the Company at \$0.05 per share. These options vested immediately and expire October 30, 2025. Each option granted can be exercised to purchase one common share of the Company at \$0.05 per share. During the year ended December 31, 2023, the Company recorded share-based payment expense of \$37,700 (2022 - \$0). The stock options were valued using the Black Scholes Option Pricing model using the following weighted average assumptions: share price: \$0.02, expected life: 2.00 years, expected volatility: 186%

	<b>Options</b>	<b>Weighted average exercise price</b>
<b>Outstanding and exercisable, December 31, 2023</b>	<b>2,600,000</b>	<b>\$ 0.05</b>
Granted	-	-
<b>Outstanding and exercisable, June 30, 2024</b>	<b>2,600,000</b>	<b>\$0.05</b>

At June 30, 2024, the weighted-average remaining contractual life of options outstanding is 1.33 years

**Warrants**

A summary of warrant activity is as follows:

On March 11, 2024, the Company closed a public offering consisting of 1,350,000 units at \$0.05 per unit for gross proceeds of \$67,626. Each unit consists of one common share of the Company and one warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.05 per share for a period of two years.

	<b>Warrants</b>	<b>Weighted average exercise price</b>
Outstanding, December 31, 2022	-	-
Granted	4,480,000	\$0.05
Outstanding and exercisable, December 31, 2023	4,480,000	\$ 0.05
Granted	1,350,000	\$0.05
Outstanding and exercisable, June 30, 2024	5,830,000	\$ 0.05

**14. SEGMENTED INFORMATION**

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

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

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**14. SEGMENTED INFORMATION (Continued)**

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

## Revenue

		<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Canada	\$	-	129	\$ 25,000	21
United States		42,449	29,391	42,449	42,707
	\$	42,449	29,520	\$ 47,113	42,728

## Total Long-Lived Assets

		<b>June 30, 2024</b>	<b>December 31, 2023</b>
United States	\$	639	\$ 2,201

**15. 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:

		<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Management fees	\$	73,909	88,626	\$ 147,408	175,437
Director fees		-	2,000	4,000	4,000
	\$	73,909	90,626	\$ 151,408	179,437

*Related party transactions and balances*

As of June 30, 2024, accounts payable and other liabilities consist of 423,263 (December 31, 2023 - \$398,876) in directors fees, royalties, consulting fees, expense reimbursements, accrued interest and rent expense owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

During the three and six months ended June 30, 2024, the Company incurred \$21,346 and \$60,974 (2023 - \$6,300 and \$12,500) in rent expenses to a Company with a common CEO and director.

On November 16, 2022, the Company issued an unsecured convertible note to the COO and director for \$20,000 (Note 10). The convertible note bears interest at 10% per annum and is due on May 16, 2024. 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 deemed price of \$0.05 per common share. During the three and six months ended June 30, 2024, the Company recorded \$504 and \$1,003 (2023 - \$992) in interest expense in relation to the convertible note. At June 30, 2024, the Company owed \$20,000 (December 31, 2022 - \$19,451) for the convertible note and \$3,249 (December 31, 2022 - \$2,247) for accrued interest to the COO and director.



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On December 20, 2022, the Company issued an unsecured promissory note to the COO and director for \$27,242 (USD\$20,000) (Note 9). The promissory note is non-interest bearing and due on December 20, 2023. During the three and six months ended June 30, 2024, the Company recorded \$1,000 and \$1,947 (2023 - \$1,000 and 1,948) in interest expense. As of June 30, 2024, the Company owed \$24,623 (December 31, 2023 - \$22,541) to the COO and director for the promissory note.

During the year ended December 31, 2023, the Company issued unsecured convertible notes to COO and director, and former CFO and director in the amount of \$111,358 (USD\$83,000) (Note 8). The convertible notes bear interest at 10% per annum and are due 18 months from their issuance. 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 deemed price of \$0.05 per common share. During the three and six months ended June 30, 2024, the Company recorded \$4,918 and \$9,719 (2023 - \$1,823 and \$2,440) in interest expense. At June 30, 2024, the Company owed \$108,696 (December 31, 2023 - \$97,654) for the convertible notes, and \$7,841 (December 31, 2023 - \$8,703) in accrued interest.

During the year ended December 31, 2023, the Company issued unsecured convertible notes to COO and a company controlled by a former Chief Financial Officer ("CFO") and director amounting to \$20,461. The convertible notes bear interest at 10% per annum and are due within 18 months from issuance. At any time after the 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 deemed price of \$0.05 per common share. During the three and six months ended June 30, 2024, the Company recorded \$962 and \$1,914 (2023 - \$Nil) in interest expense in relation to the convertible note. At June 30, 2024, the Company owed \$19,315 (December 31, 2023 - \$18,421) for the convertible notes, and \$1,149 (2023 - \$129) in accrued interest.

On June 5, 2024, the Company issued an unsecured convertible note to a director for \$12,553 (USD\$8,992). The convertible note bears interest at 10% per annum and is due on December 5, 2025. 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 deemed price of \$0.05 per common share. During the three and six months ended June 30, 2024, the Company recorded \$289 and \$289 in interest expense in relation to the convertible note. At June 30, 2024, the Company owed \$5,689 for the convertible notes, and \$79 for accrued interest.

On June 5, 2024, the Company issued an unsecured convertible note to a director for \$16,019 (USD\$11,475). The convertible note bears interest at 10% per annum and is due on December 5, 2025. 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 deemed price of \$0.05 per common share. During the three and six months ended June 30, 2024, the Company recorded \$226 and \$226 in interest expense in relation to the convertible note. At June 30, 2024, the Company owed \$4,458 for the convertible notes, and \$62 in accrued interest.

On June 5, 2024, the Company issued an unsecured convertible note to a director for \$36,375. The convertible note bears interest at 10% per annum and is due on December 5, 2025. 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 deemed price of \$0.05 per common share. During the three and six months ended June 30, 2024, the Company recorded \$486 and \$486 in interest expense in relation to the convertible note. At June 30, 2024, the Company owed \$32,840 for the convertible notes, and \$250 in accrued interest.

**16. CAPITAL MANAGEMENT**

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

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

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**17. 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 June 30, 2024, the Company is not exposed to any significant interest rate risk.
- 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 and accounts receivable. The Company limits exposure to credit risk on liquid financial assets by maintaining its cash with high credit-quality financial institutions and by actively managing and monitoring its receivables. The Company's cash is 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. The Company actively monitors defaults of customers and incorporates this information into its credit risk controls.
- 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 and through loans from related parties. 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 June 30, 2024, the Company had cash of \$9,200 to settle current liabilities of \$870,149.
- 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 June 30, 2024, the Company has cash of CAD\$4,604, receivables of CAD\$0 and accounts payable and accrued liabilities of CAD\$505,911 which are denominated in United States dollars. Based on current exposures as at June 30, 2024 and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the United States dollar would result in an gain or loss of approximately CAD\$25,296 in the Company's statements of loss and comprehensive loss.

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 June 30, 2024 approximate their fair value due to their short-term nature.