

ELEMENT APOTHEC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

RICHARD W. MULVEY, CPA

Richard W. Mulvey, CPA

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Shareholders
Element Apothec, Inc.

I have reviewed the accompanying financial statements of Element Apothec, Inc., which comprise the balance sheet as of December 31, 2020 and the related statements of income, retained earnings, cash flows and equity for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Richard W. Mulvey

Richard W. Mulvey, CPA

April 19, 2021
Rensselaer, New York

ELEMENT APOTHEC, INC.
BALANCE SHEET

	December 31, <u>2020</u>
ASSETS	
CURRENT ASSETS:	
Cash in bank	\$ 10,519
Inventory	<u>66,636</u>
Total current assets	<u>77,155</u>
OTHER ASSETS:	
Trademark	<u>550</u>
Total other assets	<u>550</u>
TOTAL ASSETS	<u><u>\$ 77,705</u></u>
 LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	\$ 6,454
Total current liabilities	<u>6,454</u>
LONG-TERM LIABILITIES:	
Convertible notes payable	49,209
Shareholder notes payable	<u>95,000</u>
Total long-term liabilities	<u>144,209</u>
Total liabilities	<u>150,663</u>
 SHAREHOLDERS' EQUITY:	
Common Stock, \$.0001 par value, 10,000,000 shares authorized, 8,000,000 shares issued and outstanding	800
Additional Paid-in Capital	7,800
Retained Earnings (deficit)	<u>(81,558)</u>
Total shareholders' equity	<u>(72,958)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 77,705</u></u>

See notes to financial statements.
See accountant's review report.

ELEMENT APOTHEC, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31, <u>2020</u>
SALES	\$ 2,145
Less: Discounts	<u>(572)</u>
Net Sales	1,573
COST OF GOODS SOLD	<u>4,961</u>
GROSS PROFIT (LOSS)	<u>(3,388)</u>
GENERAL AND ADMINISTRATIVE EXPENSES:	
Advertising and marketing	43,908
Advisor services	8,020
Research and development	7,610
Professional fees	5,825
Technology services	4,824
Business services	1,815
Insurance expense	1,581
Office expenses	1,110
Bank and merchant fees	930
Shipping and postage	840
Dues and subscriptions	828
Travel expenses	529
Philanthropy	350
Total general and administrative expenses	<u>78,170</u>
NET INCOME (LOSS)	(81,558)
RETAINED EARNINGS, BEGINNING OF PERIOD	<u>0</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ (81,558)</u>

See notes to financial statements.
See accountant's review report.

ELEMENT APOTHEC, INC.
STATEMENT OF CASH FLOWS

	Year Ended December 31, <u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (Loss) – Exhibit B	\$ (81,558)
Adjustments to reconcile net income to net cash provided by operating activities:	
Inventory	(66,636)
Accounts payable	6,454
Total adjustments	<u>(60,182)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(141,740)</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES:	
Trademark costs	<u>(550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from convertible notes issued	49,209
Proceeds from shareholder notes	95,000
Proceeds from sale of common stock	800
Proceeds from additional paid-in capital	<u>7,800</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>152,809</u>
NET INCREASE IN CASH	10,519
CASH AT BEGINNING OF PERIOD	<u>0</u>
CASH AT END OF PERIOD	<u><u>\$ 10,519</u></u>

See notes to financial statements.
See accountant's review report.

ELEMENT APOTHEC, INC.
STATEMENT OF EQUITY
DECEMBER 31, 2020

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Beginning Balance, at inception	0	\$ -	\$ -	\$ -	\$ -
Equity Contributions	8,000,000	800	7,800	-	8,600
Net Income (Loss)	-	-	-	(81,558)	(81,558)
Ending Balance, April 30, 2020	8,000,000	\$ 800	\$ 7,800	\$ (81,558)	\$ (72,958)

See notes to financial statements.
See accountant's review report.

ELEMENT APOTHEC, INC.
NOTES TO FINANCIAL STATEMENTS - REVIEWED
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Element Apothec, Inc. ("the Company") is a public benefit corporation organized under the laws of the State of Delaware. The Company develops, formulates, and sells all-natural, plant-based products infused with beneficial phytocannabinoids in the body care, wellness, and active sports verticals.

The Company has a very limited operating history. These matters raise substantial concern about the Company's ability to continue as a going concern. During the next twelve months, the Company intends to fund its operations with funding from a crowdfunding campaign and funds from revenue producing activities, if and when such can be realized. If the Company cannot secure additional short-term capital, it may cease operations. These financial statements and related notes thereto do not include any adjustments that might result from these uncertainties.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Risks and Uncertainties

The Company has a limited operating history. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include recession, downturn or otherwise, local competition or changes in consumer taste. These adverse conditions could affect the Company's financial condition and the results of its operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

Revenue

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the fee for the arrangement is fixed or determinable and collectability is reasonably assured.

Fixed Assets

The Company capitalizes assets with an expected useful life of one year or more, and an original purchase price of \$1,000 or more. Depreciation is calculated on a straight-line basis over management's estimate of each asset's useful life.

Advertising

The Company records advertising expenses in the year incurred.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are

ELEMENT APOTHEC, INC.
NOTES TO FINANCIAL STATEMENTS – REVIEWED (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States. The Company is subject to franchise tax filing requirements in the State of Delaware.

Recently Adopted Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

NOTE 3 – CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable consist of notes issued pursuant to a crowdfunding campaign conducted during 2020. The notes bear interest at an annual rate of 7.0%.

NOTE 4- EQUITY

Pursuant to the Company's articles of incorporation the Company is authorized to issue 10,000,000 shares of common stock with a par value of \$0.0001. Of those shares, 8,000,000 have been issued.

NOTE 5- CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company may place its cash and cash equivalents with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

NOTE 6- SUBSEQUENT EVENTS

Management considered events subsequent to the end of the period but before April 19, 2021 the date that the financial statements were available to be issued and has determined that there are no subsequent events to be reported in the accompanying financial statements