PREVECEUTICAL MEDICAL INC.

Financial Statements

Quarter Ended March 31, 2017

(Amended and Restated)

(Unaudited)

PREVECEUTICAL MEDICAL INC.

Index to Financial Statements

Quarter Ended March 31, 2017

(Amended and Restated)

(Unaudited)

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REVIEW ENGAGEMENT REPORT

To the Shareholders of Preveceutical Medical Inc.

We have reviewed the amended and restated statement of financial position of Preveceutical Medical Inc. as at March 31, 2017 and the statements of loss and comprehensive loss, changes in equity and cash flows for the quarter then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with International Financial Reporting Standards.

Without qualifying our conclusion, we draw attention to Note 1 in the financial statements which indicates that the Company incurred a net loss of $368,212 in the quarter ending March 31, 2017, and as of that date, the Company's current liabilities exceeded its total assets by $607,484. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

Without modifying our opinion, we draw your attention to Note 22 of the restated and amended financial statements, which indicates that the Company amended the issue price of common shares that were issued on October 10, 2015.

Buckley Dodds Parker LLP

Vancouver, British Columbia
May 23, 2017
May 30, 2017

BUCKLEY DODDS PARKER LLP
Chartered Professional Accountants

PREVECEUTICAL MEDICAL INC.
Statement of Financial Position
March 31, 2017
(Unaudited)

		March 31 2017		*December 31* 2016
ASSETS				
CURRENT				
Cash *(Note 6)*	$	**150,870**	$	-
Accounts receivable		**897**		897
Inventory *(Note 7)*		**59,736**		59,861
Goods and services tax recoverable		**32,612**		27,603
Prepaid expenses		**34,263**		396
Security / tender deposits		**19,148**		16,256
Share subscription receivable *(Note 22)*		**99,500**		99,500
		397,026		204,513
EQUIPMENT *(Note 8)*		**2,670**		2,670
INTANGIBLE ASSETS *(Note 9)*		**10,581**		-
	$	**410,277**	$	207,183
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT				
Bank indebtedness *(Note 6)*	$	**-**	$	47,036
Accounts payable and accrued liabilities *(Note 10)*		**111,629**		371,688
Callable debt *(Note 11)*		**73,949**		73,227
Convertible debt *(Note 12)*		**732,683**		11,293
		918,261		503,244
SHAREHOLDERS' DEFICIENCY				
Equity portion of convertible debt *(Note 12)*		**158,595**		3,232
Share capital *(Notes 14, 22)*		**2,951,856**		2,950,930
Deficit		**(3,618,435)**		(3,250,223)
		(507,984)		(296,061)
	$	**410,277**	$	207,183

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

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

Amended and restated

PREVECEUTICAL MEDICAL INC.
Statement of Loss and Comprehensive Loss
For the Quarter Ended March 31, 2017
(Unaudited)

	March 31 2017	March 31 2016
COST OF SALES		
Purchases	$ 125	$ -
Freight in and duty	455	-
	580	-
EXPENSES		
Salaries and wages	119,960	54,977
Travel	43,203	30,656
Advertising and promotion	31,625	2,897
Consulting fees	30,000	28,034
Professional fees	30,000	15,234
Meetings and conventions	26,183	-
Meals and entertainment	16,282	14,144
Accounting fees	15,000	20,750
Legal fees	11,190	-
Inventory management	10,696	-
Office	8,272	7,886
Interest on short term debts	7,497	700
Sub-contracts	5,565	1,319
Vehicle	3,756	1,900
Utilities	3,321	3,878
Insurance	2,323	-
Interest and bank charges	510	518
Website	1,251	3,541
Memberships	778	-
Business taxes and licences	60	-
	367,472	186,434
LOSS FROM OPERATIONS	(368,052)	(186,434)
FOREIGN EXCHANGE LOSS	(160)	(136)
NET LOSS	$ (368,212)	$ (186,570)
EBITA	$ (360,045)	$ (185,216)
LOSS PER SHARE	$ (0.009)	$ (0.006)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	41,613,842	30,180,605

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

PREVECEUTICAL MEDICAL INC.

Statement of Changes in Equity

Quarter Ended March 31, 2017

	Share Capital					
	Common Shares	Paid-In Capital	Share Issuance	Deficit	Convertible Loan Equity	Total
January 1, 2016	17,000,000	$ 101,200	$ -	$ -	-	$ 101,200
Net loss	-	-	-	(186,570)	-	(186,570)
Issue of shares	19,037,400	1,386,172	-	-	-	1,386,172
March 31, 2016	36,037,400	1,487,372	-	(123,006)	-	1,364,366
January 1, 2017	44,577,408	3,011,507	(60,577)	(3,250,223)	3,232	(296,061)
Convertible loan equity	-	-	-	-	155,363	155,363
Issue of shares	2,000	926	-	-	-	1,186,975
Net loss	-	-	-	(368,212)	-	(368,212)
March 31, 2017	44,579,408	3,012,433	(60,577)	(3,618,435)	158,595	(507,984)

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

Amended and restated

PREVECEUTICAL MEDICAL INC.

Statement of Cash Flows

Quarter Ended March 31, 2017

(Unaudited)

	***March 31* 2017**	*March 31* 2016
OPERATING ACTIVITIES		
Net loss	**$ (368,212)**	$ (186,570)
Changes in non-cash working capital:		
Accounts receivable from employees	**-**	3,907
Inventory	**125**	-
Prepaid expenses	**(33,867)**	(54,686)
Goods and services tax	**(5,009)**	(9,120)
Security / tender deposits	**(2,893)**	-
Share subscription receivable	**-**	700
Accounts payable and accrued liabilities	**(260,058)**	63,171
Equity portion of convertible debt	**155,363**	-
	(146,339)	3,972
Cash flow used by operating activities	**(514,551)**	(182,598)
INVESTING ACTIVITY		
Purchase of intangible assets	**(10,581)**	-
FINANCING ACTIVITIES		
Convertible debt	**721,390**	14,000
Common shares	**926**	228,200
Investor deposit	**-**	2,500
Callable debt	**722**	-
Cash flow from financing activities	**723,038**	244,700
INCREASE IN CASH FLOW	**197,906**	62,102
Deficiency - beginning of period	**(47,036)**	(16,208)
CASH - END OF PERIOD *(Note 6)*	**$ 150,870**	$ 45,894

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

1. NATURE AND CONTINUANCE OF BUSINESS

Preveceutical Medical Inc. (the "Company") is incorporated provincially under the Business Corporations Act of British Columbia on October 5, 2015. The Company's corporate office is located at Suite 605-815 Hornby Street, Vancouver, BC, V6Z 2E6. The Company is in the business of licensing, branding and marketing of nutraceutical and wellness products. The Company's initial go-to-market is CELLB9, an immune system booster, where production of CELLB9 is manufactured by Samson Pharmaceuticals Inc., a 3rd party FDA approved facility in the United States of America. Following the launch of CELLB9, the Company plans to license, brand and market additional nutraceutical and wellness products.

The ability of the Company to meet its commitments and ongoing operating expenses will depend upon the following:

- The ability to raise further funds through the issue of equity financing, and;
- Continued financial support from the creditors.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

Based on the Company's financial position at March 31, 2017, available funds are not considered adequate to meet requirements for the remainder of fiscal 2017 based on budgeted expenditures for operations and project investigations. To meet working capital requirements, the Company will have to access financial resources through additional equity placements. There can be no assurances that such funds will be available and/or on terms acceptable by the Company. These conditions cast significant doubt on the Company's ability to continue is a going concern.

While these financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are significant conditions and events that cast significant doubt on the validity of that assumption.

At March 31, 2017, the Company has an accumulated deficit of $3,618,435 (December 31, 2016 - $3,250,225), a working capital deficit of $620,735 (December 31, 2016 - $398,231) and incurred a net loss of $368,212 (December 31, 2016 - $3,127,217). These conditions indicate the existence of a material uncertainty that may cause significant doubt upon the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Financial Statements" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Use of estimates and judments

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

ii) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Determination of functional currency

The functional currency is the currency of the primary economic environment in which the entity operates. management has determined that the funtional currency for the Company is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Restated and amended financial statements

(continues)

2. BASIS OF PRESENTATION *(continued)*

These financial statements have been amended to correct for errors in the original year-end financial statements. The amendment relates to shareholder loan and share capital on the Statement of Financial Position for the periods ended March 31, 2017 and December 31, 2016. The impact of these changes is highlighted in the table below:

March 31, 2017		
Statement of Financial Position	As Restated	As Previously Reported
Current assets	$397,026	$297,526
Equity	(507,984)	(607,484)
December 31, 2016		
Statement of Financial Position		
Current assets	$204,513	$105,013
Equity	(296,061)	(395,561)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments policy

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

The Company has not classified any financial assets as held-to-maturity or available for sale.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company’s receivables are classified as loans and receivables.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities - This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost. The Company’s accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is stated at cost or deemed cost less accumulated amortization. Equipment is amortized over its estimated useful life on a declining balance basis based on the following rates:

Computer software	20%	declining balance method
Furniture and fixtures	20%	declining balance method

The Company regularly reviews its equipment to eliminate obsolete items. Government grants are treated as a reduction of equipment cost.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Interest-bearing loans and other borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Convertible debt instruments

The Company's convertible debt instruments are segregated into their debt and equity elements at the date of issue, based on the relative fair market values of these elements in accordance with the substance of the contractual agreements. The debt element of the instruments is classified as a liability, and recorded as the present value of the Company's obligation to make future interest payments in cash, and settle the redemption value of the instrument in cash or in a variable number of shares. The carrying value of the debt element is accreted to the original face value of the instruments, over their deemed life, using the effective interest method.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Company were unable to continue its operations.

Revenue recognition

Contract revenue is recognized when goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Callable debt

The Company's demand loans are classified as current liabilities because the lender has the right to demand repayment within one year.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

<u>Future accounting pronouncements</u>

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

<u>IFRS 9, Financial Instruments: Classification and Measurement</u>

IFRS 9 was issued in December 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted if the date of initial application is before February 1, 2015, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning November 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

<u>IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

<u>IFRS 16 Leases</u>

Effective for annual period beginning on or after January 1, 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees- leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The company is currently evaluating the impact of IFRS 16 on its financial statements and plans to adopt the new standard on the required effective date.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to hae a material impact on the Company.

4. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the period ended March 31, 2017

5. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

6. CASH

	***March 31* 2017**	*December 31* 2016
Cash	**$ 150,870**	$ -
Bank indebtedness	**-**	(47,036)
	$ 150,870	$ (47,036)

7. INVENTORIES

Inventory is carried at its fair value of $59,736. Cost of inventories recognized as an expense throughout the period is $125.

8. EQUIPMENT

	Cost	Accumulated amortization	***March 31*** **2017 Net book value**	*December 31* 2016 Net book value
Computer software	$ 1,683	$ 334	**$ 1,349**	$ 1,349
Furniture and fixtures	1,468	147	**1,321**	1,321
	$ 3,151	$ 481	**$ 2,670**	$ 2,670

9. INTANGIBLE ASSETS

	March 31 **2017**	*December 31* 2016
Licences - cost	**$ 100,000**	$ 100,000
Purchase option exercised	**300,000**	300,000
Trademarks and patents - cost	**10,581**	-
	410,581	400,000
Impairment	**(400,000)**	(400,000)
	$ 10,581	$ -

There were incurred costs of $10,581 during the process of trademarking in Australia and Europe. As per IAS 38, the asset will be tested for impairment at year-end.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 **2017**	*December 31* 2016
Consultants	**$ 60,417**	$ 315,604
Accrued liabilities	**50,000**	53,946
Other payables	**1,212**	2,139

11. CALLABLE DEBT

		***March 31* 2017**		*December 31* 2016
License agreement loan bearing interest at 5% per annum. The loan matures on February 1, 2018, is unsecured and is callable on demand.	**$**	**73,949**	$	73,227
Balance due in one year		**(73,949)**		(73,227)
	$	**-**	$	-

Interest accrued to March 31, 2017 is $722 (2016 - $3,227).

12. CONVERTIBLE DEBT

		***March 31* 2017**		*December 31* 2016
Initial balance	**$**	**884,000**	$	14,000
Equity portion of loan		**(200,846)**		(4,585)
Acccretion balance		**42,776**		1,353
Interest accrued		**6,753**		525
	$	**732,683**	$	11,293

Convertible debt to Sydney Cole bears interest at 5% per annum without annual compounding, repayable one year from date of contract. Interest is calculated and payable on a quarterly basis. The loan matures on March 27, 2018 and is unsecured. Loan is callable on demand and convertible into shares at $0.10 per share of the balance outstanding on maturity date.
Convertible debt to Stephen and Kim VanDeventer is based on a revolving line of credit with limit of $2,000,000 that bears interest at 5% per annum. The line of credit is guaranteed by Stephen and Kim who have authorized Preveceutical Medical Inc. to make draws against it. Interest is calculated and payable on a monthly basis. Loan is callable on demand and convertible into shares at $0.50 per share.

On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at the time by market to instrument of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The difference is attributed to the equity component of the compound financial instrument. The balance recognized as equity on March 31, 2017 was $158,070 (December 31, 2016 - $3,232) (equity portion of loan less accretion balance). Interest accrued as of March 31, 2017 is $6,753 (December 31, 2016 - $525).

Therefore, we have derecognized the liability component of $42,776 and recognized this as equity in accordance with IAS 32. The market rate for similar debts was determined to be 8%.

13. RELATED PARTIES

	March 31 2017	December 31 2016
Related party transactions		
Cornerstone Global Partners Inc.		
Rent	$ 6,000	$ 24,000
License agreement loan	-	(105,000)
Repayment of loan	-	35,000
Interest accrued on loan	(723)	(3,227)
Royalty	-	1,001
	5,277	(48,226)
Stephen Van Deventer		
CEO and Chairman		
Salary and benefits	47,184	180,000
Share based compensation	-	75,125
Share subscription receivable	49,750	49,750
Loan receivable	338,789	-
	435,723	304,875
Kimberly Van Deventer		
President and Director		
Salary and benefits	$ 37,739	$ 144,000
Share based compensation	-	75,125
Share subscription receivable	49,750	49,750
Loan receivable	338,789	-
	426,278	268,875
Jeremy Wright		
CFO and Director (CFO ended September 6, 2016, Director ended February 19, 2017)		
Consulting fees	-	69,000
Share based compensation	-	45,075
	-	114,075
Brian Harris		
VP Corporate Development and Director		
Consulting fees	30,000	90,000
Share based compensation	-	300,500
	30,000	390,500
Shabira Rajan		
CFO, Controller and Corporate Secretary		
Consulting fees	30,000	35,000
Share based compensation	-	75,125
	30,000	110,125

(continues)

13. RELATED PARTIES *(continued)*

	March 31 **2017**	*December 31* 2016
Greg Reid		
Director		
Share based compensation	**-**	90,150
Alex Bayer		
Director (Director ended February 10, 2017)		
Share based compensation	**-**	60,100
	$ 927,278	$ 1,290,474

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Cornerstone Global Partners Inc. has a royalty agreement in place where they are paid a 5% royalty quarterly based on gross revenues for the period.

Due to related parties

	March 31 **2017**	*December 31* 2016
Current portion due to related parties		
Due to Cornerstone Global Partners Inc.	**$ 71,849**	$ 75,327
Due to Stephen Van Deventer	**388,539**	-
Due to Kimberly Van Deventer	**399,432**	-
Due to Brian Harris	**-**	18,833
Due to Jeremy Wright	**-**	18,900
Due to Shabira Rajan	**10,614**	31,643
	$ 870,434	$ 144,703

Advances from Cornerstone Global Partners Inc. bear interest at 5% and are due on demand. For further information on loan advance, see note 11 on callable debt.

Advances from Stephen Van Deventer and Kimberly Van Deventer bear interest at a simple rate of 5% and are due on demand. For futher information on the credit facility, see note 11 on callable debt.

All other related party balances bear no interest and have no stated terms of repayment.

14. SHARE CAPITAL

Authorized:
Unlimited Common class "A" voting shares

	***March 31* 2017**	*December 31* 2016
Issued:		
44,579,408 Common class 'A' voting shares	**$ 2,951,856**	$ 2,950,930

	***March 31* 2017**		*December 31* 2016	
	Shares	**Amount**	Shares	Amount
Class A				
Shares outstanding at the beginning of the year	**44,577,408**	**$ 2,950,930**	17,000,000	$ 101,200
Issued	**2,000**	**926**	23,467,900	1,585,788
Stock option plan shares issued	**-**	**-**	3,950,000	1,186,975
Shares subscribed for and fully paid	**-**	**-**	159,508	76,967
Shares outstanding at the end of the year	**44,579,408**	**$ 2,951,856**	44,577,408	$ 2,950,930

Please see the detail in note 15.

15. SHARE CAPITAL

	Shares	Amount
Balance on December 31, 2016	**44,577,408**	$ 2,912,007
February 15, 2017	**2,000**	926
Balance on March 31, 2017	**44,579,408**	2,912,933

On February 15, 2017, the Company issued 2,000 new shares at $0.46 per share in the amount of $926.

Share issuance costs to date are $60,577.

16. NON-CAPITAL TAX LOSSES CARRIED FORWARD

The Company has incurred losses of $1,506,757 for tax purposes, in fiscal 2016, which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

2035	$ 112,380
2036	1,394,377
	$ 1,506,757

At March 31, 2017, the Company has Canadian tax loss carried forwards that total $1,506,757 to apply against future year's income for Canadian income tax purposes, subject to final determinal by taxation authorities.

17. FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and reminaing maturity. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest-payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. Carrying values of the Company's financial assets and financial liabilities approximate their fair values at March 31, 2017.

Carrying values of financial assets and financial liabilities as at March 31, 2017 were as follows:

	Fair value through profit and loss	Loans and current assets	Other liabilities	*March 31* **2017**
December 31, 2016				
Cash	$ 150,870	$ -	$ -	**$ 150,870**
Accounts receivable	-	897	-	**897**
Inventory	-	59,736	-	**59,736**
Prepaid expenses	-	53,411	-	**53,411**
Accounts payable and accrued liabilities	-	-	(111,631)	**(111,631)**
Callable debt	-	-	(73,949)	**(73,949)**
Convertible debt	-	-	(732,863)	**(732,863)**
	150,870	114,044	(918,443)	**(653,529)**
	$ 150,870	$ 114,044	$ (918,443)	**$ (653,529)**

18. FAIR VALUE HIERARCHY

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	Level 1	Level 2	Level 3	*March 31* **2017**
Section heading				
Cash	$ 150,870	$ -	$ -	**$ 150,870**
Accounts receivable	897	-	-	**897**
Inventory	-	59,736	-	**59,736**
Prepaid expenses	-	53,411	-	**53,411**
Accounts payable and accrued liabilities	(111,631)	-	-	**(111,631)**
Callable debt	-	(73,949)	-	**(73,949)**
Convertible debt	-	-	(732,863)	**(732,863)**
	40,136	39,198	(732,863)	**(653,529)**
	$ 40,136	$ 39,198	$ (732,863)	**$ (653,529)**

19. FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair value

The Company's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of amounts due to shareholders is less than carrying value because the amounts are non-interest bearing. However, because the amounts due to shareholders have no fixed repayment terms, the fair value and the exposure to related risk cannot be determined with any degree of certainty, and the amounts are therefore reported at their carrying value.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Commodity risk

The Company is exposed to fluctuations in commodity prices for natural gas, crude oil and natural gas liquids. Commodity prices are affected by many factors including supply, demand and the Canadian to U.S. dollar exchange rate. The Company had no financial hedges or price commodity contracts in place at year end.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of receivables, accounts payable and accrued liabilities and due from related parties.

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, accounts payable and accrued liabilities and due to related parties approximate their book values because of the short-term nature of these instruments.

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19. FINANCIAL INSTRUMENTS *(continued)*

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Transaction costs

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the cost with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

20. AMALGAMATION WITH CARRARA EXPLORATION CORP.

On March 21, 2017, the Company entered into an amalgamation agreement with Carrara Exploration Corp. (Carrara) and a newly incorporated subsidiary of Carrara (Subco) whereby the Company will become a wholly owned subsidiary of Carrara by way of a three-cornered amalgamation. Pursuant to the terms of the amalgamation agreement, the Company and Subco will amalgamate and continue as a B.C. corporation which will be a wholly owned subsidiary of Carrara. Upon completion of the amalgamation, all of the issued and outstanding common shares in the capital of the Company held by the holder of the Company's shares will be cancelled and Carrara will issue an equal number of common shares without par value in capital of the company to the Company shareholders who will then control a majority of the issued and outstanding voting securities of Carrara. The amalgamation and the issuance of the Carrara shares to the Company shareholders will constitute a reverse takeover by the Company.

The required documents including notice of meeting and Information Circular were distributed to PMI shareholders on May 3, 2017. Amalgamation was approved at PMI's Shareholders' meeting held on May 12, 2017. See note 21.

21. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

Material Agreements

UniQuest Pty Limited ("UniQuest"

The Company signed a Letter of Intent on April 7, 2017 with Uniquest, University of Queensland's main commercialization company, covering two research programs which align with the Company's vested interest in preventive health care. These programs will focus on development and evaluation translatable formulations for delivery of Cannabinoids ("CBDs") and delivery of nutraceutical or pharmaceutical products to diabetes patients based on the Company's intellectual property and product line. The parties are currently negotiating the entry into a definitive agreement regarding the services to be provided by UniQuest, which agreement will supersede the LOI once executed by the parties.

Definitive agreement for conducting a research program for the extraction, formulation and ex vivo evaluation of cannabinoids (CBDs) for local/direct nose-to-brain delivery via Sol-Gels was signed on April 22, 2017. The duration of this program will be approximately thirty months.

The Company entered into another agreement with UniQuest on April 20, 2017, to develop stabilized natural and synthetic peptides from scorpion venom for immune-boosting applications. The agreement provides the Company with an option to negotiate for a license to use UniQuest's intellectual property for the commercialisation of blue scorpion venom-derived products. The duration of this program will be approximately twenty-four months.

Golden Properties Ltd.

The Company has signed a five year agreement with Golden Properties Ltd. to lease premises located at 2200 – 1177 West Georgia Street on April 11, 2017. The space will be renovated and made ready for use as the Company's offices by end of May 2017. The basic rent plus operating costs are $162,282 per annum for years 1 and 2, $164,169 per annum for years 3 through 5.

Callable Debt Agreement

On May 9, 2017, Stephen Van Deventer and Kimberly Van Deventer (the "creditors") entered into a supplemental, revolving, credit facility agreement with the Company with a maximum amount of $1,000,000 at a simple interest rate of 5% per annum. Proceeds borrowed under this agreement will be used for product and market development and general corporate purposes. At the discretion of the Creditors, any and all outstanding principal balance and interest owed by the Company to the Creditors is convertible to Units in the authorized capital of the Company at a deemed and converstion price of $0.50 CAD per Unit (each Unit comprised of one (1) class A common share of the Borrower and one (1) transferrable common share purchase warrant in the Capital of the Company.)

Amalgamation with Carrara Exploration Corp.

The shareholders of PMI approved the Amalgamation Resolution at its shareholders' meeting held on May 12, 2017.

Shareholders of Carrara Exploration Corp. approved the Amalgamation Resolution at its shareholders' meeting held on May 19, 2017.

Carrara is in the process of proceeding with the next steps which includes consolidation of Carrara shares and is submitting the required documentation to the Canadian Securities Exchange.

22. MATTERS ARISING SUBSEQUENT TO FINANCIAL STATEMENT ISSUANCE

These reviewed financial statements are an amendment and restatement of reviewed financial statements for the quarter ended March 31, 2017 which were approved by the board of directors of the Company on May 23, 2017. In conjunction with the Company's proposed going public transaction, the board of directors authorized the restatement. On May 30, 2017, the board of directors of the Company amended the issuance price of 5,000,000 common shares issued to Kim Van Deventor (2,500,000 shares) and Stephen Van Deventor (2,500,000 shares) on October 10, 2015 from $0.0001 to $0.02 per share. This resulted in an adjustment to the initial share capital and the share subscription receivable accounts of $99,500. Subsequently, on May 30, 2017, the share subscription receivable amount of $99,500 was settled by full against an outstanding credit facility from the same shareholders.