PreveCeutical Medical Inc.

CONDENSED
INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2017

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of PreveCeutical Medical Inc. (the “Company”) have been prepared by management and approved by the Audit Committee and Board of Directors (the "Board") of the Company. They include appropriate accounting principles, judgement and estimates in accordance with International Financial Reporting Standards (“IFRS”) for unaudited interim financial statements.

The Company’s independent auditors have not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditors.

PREVECEUTICAL MEDICAL INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

As at	Note	September 30, 2017	December 31, 2016
		$	$
ASSETS			
Current			
Cash		489,384	-
Accounts receivable		1,786	897
Inventory	6	57,775	59,861
GST Recoverable		62,429	27,603
Prepaid and deposits	7	599,131	16,652
Share subscriptions receivable		-	99,500
		1,210,505	204,513
Tangible capital assets	8	824,290	2,670
Intangible capital assets	9	24,260	-
Total Assets		2,059,055	207,183
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness		-	47,036
Accounts payable and accrued liabilities		121,018	189,565
Callable debt		75,441	73,227
Convertible debt	16	12,021	11,293
Government remittances payable		20,846	182,123
		229,326	503,244
Convertible debt	16	2,356,345	-
		2,585,671	503,244
SHAREHOLDERS' DEFICIENCY			
Equity portion of convertible debt		158,595	3,232
Share capital		6,936,082	2,950,930
Contributed surplus		166,000	-
Deficit		(7,787,293)	(3,250,223)
		(526,616)	(296,061)
Total liabilities and shareholders' deficiency		2,059,055	207,183

Nature and Continuance of Operations (Note 1)

These condensed interim financial statements are authorized for issue by the Board of Directors on November 29, 2017.

They are signed on the Company's behalf by:

"Stephen Van Deventer" **Director**

"Greg Reid" **Director**

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

PREVECEUTICAL MEDICAL INC.
CONDENSED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
REVENUE	13,046	15,150	34,394	22,632
COST OF GOOD SOLD	5,746	13,166	23,425	21,161
GROSS PROFIT/(LOSS)	7,300	1,984	10,969	1,471
EXPENSES				
Business development and investor relations	313,473	102,070	603,554	172,070
Consulting and contract	28,861	5,968	39,281	205,368
Insurance	6,777	-	12,743	-
Inventory management	10,902	10,122	32,552	12,082
Marketing and promotion	65,530	16,872	111,864	83,351
Meetings and conventions	997	27,964	47,206	34,220
Memberships and business licenses	2,132	17,146	5,076	17,189
Office and administrative	13,831	5,956	27,069	11,540
Professional fees	54,307	40,871	184,965	98,495
Rent, utilities, repair and maintenance	44,862	7,087	76,417	28,804
Research and development	200,414	-	196,880	-
Salaries and wages	193,374	169,952	454,515	304,983
Transfer agent and filing fees	42,889	2,961	43,189	5,078
Travel and meals	144,457	100,749	309,118	184,796
Vehicle expenses	9,539	6,206	20,533	15,088
	1,132,345	513,924	2,164,962	1,173,065
Loss from operating activities	(1,125,045)	(511,940)	(2,153,993)	(1,171,592)
Foreign exchange (gain) loss	3,767	124	3,290	(5,864)
Interest expense	(31,820)	(1,023)	(64,202)	(2,865)
Reverse takeover costs and listing costs	63,587	-	(2,322,165)	-
Net loss	(1,089,511)	(512,839)	(4,537,070)	(1,180,321)
Basic and Diluted Loss per common share	(0.018)	(0.013)	(0.078)	(0.033)
Weighted average number of outstanding shares	59,032,945	39,866,200	58,243,085	35,600,623

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Common Shares						
	Number of shares	Amount $	Other Equity Instruments $	Share Issuance costs $	Contributed Surplus $	Deficit $	Total $
Balance at December 31, 2015	17,000,000	101,200	59,100	-	-	(123,006)	37,294
Issue of shares	23,467,900	1,646,365	(32,424)	-	-	-	1,613,941
Share issue cost	-	-	-	(60,577)	-	-	(60,577)
Loss and comprehensive loss	-	-	-	-	-	(1,179,131)	(1,179,131)
Balance as at September 30, 2016	**40,467,900**	**1,747,565**	**26,676**	**(60,577)**	**-**	**(1,302,137)**	**411,527**
Balance at January 1, 2017	40,627,408	2,955,639	59,100	(60,577)	-	(3,250,223)	(296,061)
Common shares of 0962 - cancelled	(40,627,408)						-
Equity instruments issued to 0962 shareholders	40,627,408						-
Common shares of PreveCeutical - RTO adjustment	3,995,667	1,997,833	-	-	166,000	-	2,163,833
Convertible loan equity			155,363				155,363
Reclassify equity portion of loan		(3,232)	3,232				-
Issue of shares	56,423	17,222		-		-	17,222
Issue from share subscription		59,100	(59,100)				-
Share based payment	140,285	76,348	-	-		-	76,348
Share Issue - Private Placement	4,271,200	2,135,600	-	(241,851)		-	1,893,749
Net loss for the period	-	-	-	-		(4,537,070)	(4,537,070)
Balance as at September 30, 2017	**49,090,983**	**7,238,510**	**158,595**	**(302,428)**	**166,000**	**(7,787,293)**	**(526,616)**

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

CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Nine months ended September 30,	
	2017	**2016**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(4,537,070)	(1,180,321)
Adjustments for		
Reverse takeover and listing costs	2,199,380	-
Equity portion of convertible debt	155,363	-
	(2,182,327)	(1,180,321)
Change in cash on working capital items:		
Accounts receivable and goods and services tax	(35,716)	(24,106)
Inventory	2,086	(57,970)
Prepaid expenses and deposits	(582,480)	(11,842)
Share subscription receivable	99,500	700
Accounts payable and accrued liabilities	(229,824)	53,120
Net cash used in operating activities	(2,928,761)	(1,220,419)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of assets	(845,880)	(3,151)
Net cash used in investing activities	(845,880)	(3,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of common shares and warrants	1,951,774	1,185,788
Callable debt	2,214	72,495
Convertible debt	2,357,073	14,350
Net cash provided by financing activities	4,311,061	1,272,633
Change in cash and cash equivalents, during the period	536,420	49,063
Cash and cash equivalents, beginning of the period	(47,036)	(16,208)
Cash and cash equivalents, end of the period	489,384	32,855

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

1. NATURE OF OPERATIONS

Effective June 30, 2017, the Company completed the acquisition of 1050962 B.C. Ltd., formerly PreveCeutical Medical Inc. (hereinafter referred to as "0962") resulting in the reverse take-over of the Company by 0962 (the "Transaction").

In connection with the Transaction:

(i) effective June 21, 2017, the Company changed its name from "Carrara Exploration Corp." to "PreveCeutical Medical Inc.";

(ii) effective June 21, 2017, the Company consolidated all of its issued and outstanding common shares on the basis of one (1) post-consolidation share for every three (3) pre-consolidation shares with a corresponding and equal consolidation of the Company's issued and outstanding convertible securities in accordance with the terms and conditions of such securities; and

(iii) the Company changed its business model to focus on the operations and business of 0962. The Company will now be focusing on licensing, branding and marketing nutraceutical and wellness products, using nature and science to develop lasting contributions to health and well-being. The Company is currently marketing and selling its first product, CELLB9®, an immune system booster. This product is produced at the FDA approved facility of Samson Pharmaceuticals Inc. in the United States of America.

On July 31, 2017, the Company and its wholly owned subsidiary completed a vertical short form amalgamation (the “Amalgamation”) and retained the Company’s name, PreveCeutical Medical Inc.

As the Amalgamation was between the parent and subsidiary, IFRS 3, Business Combination did not apply to this transaction. The Amalgamation is recorded as follows:

- Assets and liabilities were recorded at book value and not restated;
- No goodwill was recognized; and
- Shares of the non-operating company were cancelled

The Company is located at 1177 West Hastings Street, Suite 2200, Vancouver, British Columbia, V6E 2K3.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operations for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary for the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

During the period ended September 30, 2017, the Company had a deficit which is being funded by debt and issuance of equity. Management anticipates that the Company will meet its obligations and maintain its operations to support its payments to creditors and realize profits from future business activities. The Company is dependent on its ability to raise further capital through equity financing to meet its commitments and fund its ongoing operations.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS - Continued

As of September 30, 2017, and December 31, 2016, the Company reported the following:

	September 30, 2017	December 31, 2016
Net loss for the period	$4,537,070	$3,127,217
Working capital	981,179	(298,732)
Deficit	(7,787,293)	(3,250,223)

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements were prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the period ended December 31, 2016.

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.

The financial statements were authorized for issue by the Board on November 29, 2017.

Use of estimates and judgments

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 period, 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.

2. BASIS OF PRESENTATION – Use of estimates and judgements - continued

(ii) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to 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 functional 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.

Reverse takeover

Effective June 30, 2017, the Company completed the Transaction which was approved by shareholders of the Company at the Annual General and Special Meeting held on May 19, 2017.

Pursuant to the terms of the Transaction, 0962 became a wholly-owned subsidiary of the Company by way of a "three-cornered amalgamation" with 1110607 B.C. Ltd., a wholly-owned subsidiary of the Company. Prior to the Transaction, the Company consolidated all of its issued and outstanding common shares on the basis of one (1) post-consolidation share for every three (3) pre-consolidation shares and changed its name to "PreveCeutical Medical Inc.".

Following the Transaction, all of the issued and outstanding shares of 0962 were cancelled and the Company issued an equal number of shares to the former shareholders of 0962, resulting in a reverse takeover of the Company by 0962. As at June 30, 2017, the former shareholders of 0962 held 83% (on a non-diluted basis) of the issued and outstanding common shares in the capital of the Company.

Accordingly, the Transaction has been recorded as a reverse takeover and no goodwill or intangible assets representing the stock exchange listing have been recorded.

Since the share and share-based consideration allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the common shares, stock warrants and stock options, the value in excess of the net identifiable assets on closing was expensed in the consolidated statements of operations and comprehensive loss as a listing expense.

Consideration in the amount of $2,371,778 is comprised of the fair value of the common shares, agent's options and stock options of the Company retained by the former shareholders of the Company and legal and transaction costs.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

2. **BASIS OF PRESENTATION – Reverse takeover – continued**

The listing expense is summarized as follows:

Net asset acquired:		
Other Assets	$	99,303
Accounts payable and accrued liabilities		(49,691)
Net assets assumed		49,613
Less consideration given		2,371,778
Reverse takeover and listing costs	**$**	**2,322,165**

Consideration:		
Common shares deemed to be issued	$	1,997,834
Stock options deemed to be issued		121,000
Agent's options deemed to be issued		45,000
Legal and other transaction costs		207,944
	$	**2,371,778**

The Company has estimated the fair value of the equity instruments deemed to be issued by the Company. The fair value of the common shares amounted to $1,997,834, based on the concurrent financing value of the Company's common shares at the time of the transaction of $0.50 per share. The fair value of the stock options amounted to $121,000 and the agent's options amount to $45,000. The fair value was estimated using the Black-Scholes pricing model.

Amalgamation

Effective July 31, 2017 the Company completed the Amalgamation and continued under the name of "PreveCeutical Medical Inc."

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the audited financial statements for the year ended December 31, 2016.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements for the period ended December 31, 2016.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

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.

IFRS 2, -Share-Based Payments

In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, Financial Instruments: Classification and Measurement

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 January 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers

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, 2018 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.

IFRS 16, Leases

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

Management believes that IFRS 16 will not have any impact on these financial statements.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

5. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and common share purchase warrants as capital. The Company's objective when managing capital is 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 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 has been no change to the Company's approach to capital management during the period ended September 30, 2017.

6. INVENTORY

Inventory is carried at its fair value of $57,775. Cost of inventories recognised as an expense during the period is $2,086.

7. PREPAID AND DEPOSITS

Prepaid and deposits comprised of the following:

	September 30, 2017	December 31, 2016
	$	$
Deposit for office space (2 months)	27,363	-
Deposit with Specialized Marketing	17,842	16,256
Advance to UniQuest for projects	296,627	-
Market One Media Oct 2017 to Jun 2018	168,750	-
Susan Blond Group Oct and Nov 2017	53,948	-
OTC Market Group Inc	11,226	-
Proactive Investors	13,750	-
Other prepaid	9,625	395
	599,131	16,651

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

8. CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated amortization	September 30, 2017	December 31, 2016
	$	$	$	$
Furniture, fixtures and equipment	36,221	147	36,075	1,321
Electronics and software	49,803	334	49,469	1,349
Leasehold improvements	82,943	-	82,943	-
Research and development equipment	655,803	-	655,803	-
	824,770	481	824,290	2,670

The Company leased office space in April 2017 which was renovated and furnished. The office was occupied on June 19, 2017.

Pursuant to the research and option agreements between the Company and UniQuest Pty Limited, the Company made payments for the purchase of research and development equipment which will be used for the Company's projects.

9. INTANGIBLE ASSETS

	September 30, 2017	December 31, 2016
	$	$
Licences - cost	100,000	100,000
Purchase option exercised	300,000	300,000
Trademarks and patents - cost	24,260	-
	424,260	400,000
Impairment	(400,000)	(400,000)
	24,260	-

For the period ending September 30, 2017, the Company incurred trademark and patent costs for registering its trademarks in Australia and Europe.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchies as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market date.

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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

Financial Risk Management

The Board 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, accrued liabilities and amounts due to related parties.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions that hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of good and services sales tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.

(ii) Liquidity risk

The Company manages liquidity risk through the management of its capital structure. There is a risk that the Company may not be able to meet its financial obligation when they are due. Some of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at September 30, 2017 the Company has no financial assets that are past due or impaired due to credit risk defaults.

The Company expects to continue incurring income in the fourth quarter of developing its business. Management has estimated that the Company will meet its obligations and maintain its operations to support of its creditors and realize profits from future operations.

(iii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. For the period ended September 30, 2017, 100% of inventory was purchased in US dollars. Further, the Company may also have financial risk exposure to varying degrees relating to the currency of each of the countries where it sells its products. Consequently, the Company's assets and some liabilities are exposed to foreign exchange fluctuations. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest income is not material to the Company. Accordingly, the Company does not believe it is exposed to significant interest rate risk.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Financial risk management - continued

(v) Price risk

The Company is exposed to price risk with respect to the price of health-related products in Canada and the United States, as well as in international markets. The prices of such products are tied to numerous factors, such as the health of the economy and supply and demand levels and consumer tastes in the health industry. Price fluctuations may affect the Company's operating profit margin. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Escrow shares

On June 30, 2017, and in connection with the Transaction, the Company entered into an escrow agreement whereby certain shares, warrants and stock options of the Company were to be held in escrow.

As at September 30, 2017, there were 26,726,040 common shares, 3,405,001 stock options, 324,000 warrants and convertible debentures in the principle amount of $2,295,000 held in escrow.

Issued share capital

For the nine months ended September 30, 2017:

(i) 45,000,608 common shares in the capital of the Company, of which 40,729,408 were issued in connection with the Transaction, and 4,271,200 were issued pursuant to a private placement;

(ii) 4,271,200 common share purchase warrants pursuant to a private placement, each warrant being exercisable for one common share in the capital of the Company at a price of $1.00 per share for a period of 12 months following the date of issuance, subject to acceleration; and

(iii) 4,050,000 incentive stock options in connection with the Transaction.

(iv) 54,323 agent's options were exercised at a price of $0.30 per share, and 100 stock options were exercised at a price of $0.25 per share.

(v) 4,200,000 performance warrants were issued at an exercise price of $0.50 per share.

(vi) 40,285 compensation based shares were issued for services provided for a total of $30,269.

Issued and outstanding

As at September 30, 2017, the Company had 49,090,983 common shares issued and outstanding.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

12. STOCK OPTIONS

Stock Option Plan

As at September 30, 2017, the Company had 4,769,468 outstanding incentive stock options to purchase common shares of the Company under the Company's 10% rolling stock option plan approved by the Board ("Incentive Options"). The Incentive Options include as follows:

Expiry Date	Quantity	Exercise Price
May 18, 2019	132,900	$0.66
August 29, 2019	220,000	$0.81
September 20, 2019	100,000	$0.73
August 10, 2020	3,349,900	$0.25
August 31, 2020	250,000	$0.25
June 28, 2021	450,000	$0.50
September 7, 2021	266,668	$0.30
Total Incentive Options as at September 30, 2017	**4,769,468**	

Agent's Options

The Company's agent's options were originally issued on December 21, 2016 in the aggregate amount of 373,000 options with an exercise price of $0.10 per share. The agent's options were consolidated, as a result of the Company's three (3) to one (1) share consolidations, resulting in 124,566 agent's options issued with an exercise price of $0.30 per share, expiring on December 21, 2018. During the period, 54,323 agent options were exercised leaving an outstanding balance of 70,243 agent's option.

Agreement Options

Pursuant to a research and development and supply agreement dated September 19, 2017, the Company issued 2,564,103 stock options to acquire an equal number of common shares in the capital of the Company at an exercise price of $0.78 for a period of 24 months. The options were issued as consideration to the supplier of certain samples for the Company's sol-gels for nasal delivery of cannabinoids research and development program. The Canadian Securities Exchange approved the issuance options outside of the Company's option plan.

13. WARRANTS

In connection with the Company's non-brokered private placement, the Company issued 4,271,200 common share purchase warrants, each warrant entitling the holder to purchase one common share in the Capital of the company at an exercise price of $1.00. The warrants have an acceleration clause and they expire on June 29, 2018.

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

13. WARRANTS – continued

On July 12, 2017, 4,200,000 performance warrants were issued at an exercise price of $0.50 with the expiry date of July 12, 2022 to certain consultants, officer and other persons. The performance warrants will vest as follows:

- One third on the issue date;
- One third on the date of filing of a patent application in Canada, Australia or the United States by the Company for any of its technologies including, synthetic scorpion venom, gene therapy for obesity and diabetes or sol-gel delivery platform; and
- One third on the date of the filing of an additional patent application in Canada, Australia or the United States by the Company for any of its technologies including, synthetic scorpion venom, gene therapy for obesity and diabetes or sol-gel delivery platform.

14. KEY MANAGEMENT COMPENSATION

The Company's key management consist of the following executive officers and directors:

Name	Position	Nature of transaction
Stephen Van Deventer	CEO and Chairman	Management Services
Kimberly Van Deventer	Director, President	Management Services
Shabira Rajan	CFO and Controller	Management Services
Brian Harris	Director, VP Corporate Development	Management Services

The remuneration of key management is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

For the periods ended		September 30, 2017		December 31, 2016
Salaries and short-term employee benefits	$	300,277	$	142,924
Management consulting		221,231		53,000
	$	**521,508**	**$**	**195,924**

15. RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2017, the Company paid salaries to officers and directors totalling in the amount of $300,277. Further, the Company paid consulting fees of $221,231 to directors and officers for services rendered (see note 14).

For the nine months ended September 30, 2017, the Company paid $10,000 of rent expenses to Cornerstone Global Partners Inc. ("CGP") which is controlled by certain key executives and directors of the Company.

As at September 30, 2017, the total outstanding on the Company's demand loan to CGP was $75,441, including $5,441 in interest expenses. The demand loan bears interest of 4%, calculated on monthly basis. The demand loan, which was initially for the period February 1, 2016 to February 1, 2017, was extended by a year to February 2018.

15. RELATED PARTY TRANSACTIONS

As at September 30, 2017, the total outstanding on two convertible debt agreements between the Company and Stephen Van Deventer and Kimberly Van Deventer (the "Lenders"), who are the key executives and directors of the Company, was $2,511,911. The credit facility agreements bear simple interest at 5% per annum and are convertible into common shares of the Company at $0.50 (see note 16).

16. SHORT TERM AND LONG-TERM DEBT

Callable Debt - License Agreement Loan

The Company's loan with CGP bears interest at 5% per annum, is unsecured and is callable on demand. The loan, which matured on February 1, 2017, was extended to February 1, 2018. As at September 30, 2017, the balance on the loan was $75,441. The interest of $2,214 was accrued for the period ending September 30, 2017.

Convertible debt – long-term

The Company has entered into two revolving line of convertible debt, credit facility agreements with the Lenders. Both bear a simple interest of 5% per annum.

The first credit facility agreement was entered into on December 9, 2016 in the principal amount of $1 million. The agreement was amended on March 31, 2017, wherein the principal amount was increased by $1 million to a total of $2 million. Under the terms of the agreement and waiver in respect of same dated June 30, 2017, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into common shares in the capital of the Company at the price of $0.50 per share (being the share price offered in the Company's ongoing private placement). As at September 30, 2017, the Company has drawn the full $2 million under the credit facility agreement and has accrued interest of $54,744. The Lenders have signed a waiver by which there will be no demand on the funds until January 31, 2019.

The second facility was entered into on May 9, 2017 for a maximum of $1 million. Under the terms of the agreement and waiver in respect of same dated June 30, 2017, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into units, each consisting of one common share in the capital of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share in the capital of the Company at the price of $1.00 per share for a period of 24 months after the issuance of the units, subject to acceleration. As at September 30, 2017, $450,500 was drawn on the facility and accrued interest to September 30, 2017, of $6,667. The Lenders have signed a waiver by which there will be no demand on the funds until January 31, 2019.

Convertible debt – short-term

The convertible debt to Sydney Cole bears simple interest at 5% per annum. Interest is calculated and payable on a quarterly basis. The loan matures on March 27, 2018, is unsecured and is callable on demand and convertible into common shares in the capital of the Company at $0.10 per share.

17. SUBSEQUENT EVENTS

As of November 22, 2017, the Company was fully subscribed for a non-brokered private placement of up to 4,377,776 units at a price of $0.75 per unit, for gross proceeds of $3,283,332. Each unit will consist of one common share of the Company and one warrant, with each warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of $0.90 per share for a period of 6 months from the closing of the Financing (the “Closing”) and thereafter at an exercise price of $1.00 per share until the expiry of the period ending 12 months from the Closing. The financing is expected close on or about December 8, 2017.

Material Events

On November 1, 2017, the Company received approval from the Environmental Hazards Unit of the Queensland Government (the Australian state-level authority) to acquire, store and use high-quality cannabis oil and dried cannabis plant extracts for the Company’s Cannabinoid Sol-gel research program. The Approval is a significant milestone which enables the Company, to apply for an importation permit with the Office of Drug Control in Canberra (the Australian federal-level authority).