PreveCeutical Medical Inc.
(Formerly Carrara Exploration Corp.)

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

NOTICE TO READER

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

The accompanying unaudited condensed consolidated 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, judgment and estimates in accordance with IFRS for unaudited condensed consolidated interim financial statements.

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

PreveCeutical Medical Inc.
(Formerly Carrara Exploration Corp.)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

As at		September 30, 2018		December 31, 2017
ASSETS				
Current				
Cash	$	**855,497**	$	104,478
Accounts receivable		**166,112**		78,425
Inventory		**54,133**		57,246
Prepaid and deposits (Note 4)		**2,761,585**		1,130,679
		3,837,327		1,370,828
Deposits (Note 4)		**571,053**		1,052,501
Property, equipment and furniture (Note 5)		**133,266**		149,437
Intangible assets (Note 6)		**27,532**		26,894
Total Assets	$	**4,569,178**	$	2,599,660
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities (Note 12)	$	**247,084**	$	198,485
Callable debt (Note 7)		**-**		76,202
Convertible debt – short-term (Notes 7 and 12)		**716,768**		12,196
Government remittances payable		**-**		17,608
		963,852		304,491
Convertible debt – long-term (Notes 8 and 12)		**2,639,847**		2,639,509
		3,603,699		2,944,000
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 9)		**12,855,090**		5,995,039
Equity portion of convertible debt (Notes 7 and 8)		**439,356**		418,688
Share-based compensation reserve		**4,272,762**		3,724,041
Accumulated other comprehensive income		**46,340**		-
Deficit		**(16,648,069)**		(10,482,108)
Total shareholders' equity (deficiency)		**965,479**		(344,340)
Total liabilities and shareholders' equity (deficiency)	$	**4,569,178**	$	2,599,660

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

Approved on behalf of the Board of Directors

"*Stephen Van Deventer*" **Director**

"*Greg Reid*" **Director**

PreveCeutical Medical Inc.

(Formerly Carrara Exploration Corp.)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

		Three months ended September 30,		Nine months ended September 30,	
		2018	**2017**	**2018**	**2017**
		$	**$**	**$**	**$**
REVENUE AND MARGIN					
Product sales	**$**	1,017	13,046	14,644	34,394
Cost of sales		621	5,746	3,483	23,425
Gross profit		396	7,300	11,161	10,969
EXPENSES					
Amortization (Notes 5 and 6)		7,640	-	23,735	-
Business development and investor relations		633,454	313,473	1,157,543	603,554
Consulting fees (Notes 9 and 13)		2,473	28,861	134,418	39,281
Insurance		21,837	6,777	36,981	12,743
Inventory management		-	10,902	-	32,552
Marketing and promotion		543,135	65,530	756,902	111,864
Meetings and conventions		925	997	2,912	47,206
Office and general		13,293	15,963	32,482	32,145
Professional fees		130,430	54,307	359,915	184,965
Rent, utilities, repair and maintenance		46,526	44,862	138,252	76,417
Research and development (Note 4)		805,342	200,414	1,974,352	196,880
Salaries and wages (Note 12)		168,051	193,374	531,227	454,515
Share-based compensation (Notes 10 and 11)		3,828	-	408,661	-
Transfer agent and filing fees		15,291	42,889	48,039	43,189
Travel and meals		98,904	144,457	278,639	309,118
Vehicle expenses		5,521	9,539	17,788	20,533
Total expenses		2,496,650	1,132,345	5,901,846	2,164,962
LOSS FROM OPERATIONS		(2,496,254)	(1,125,045)	(5,890,685)	(2,153,993)
Foreign exchange (loss)/gain		401	3,767	(605)	3,290
Accretion expense (Notes 7 and 8)		(64,695)	-	(167,512)	-
Interest expense (Notes 7 and 8)		(42,724)	(31,820)	(140,432)	(64,202)
Listing (cost)/recovery		-	63,587	-	(2,322,165)
Other income		4,094	-	4,094	-
Loss before income tax (expensed)/recovery		(2,599,178)	(1,089,511)	(6,195,140)	(4,537,070)
Income tax (expensed)/recovery		(15,514)	-	29,179	-
Net Loss		(2,614,692)	(1,089,511)	(6,165,961)	(4,537,070)
Item that may be reclassified subsequently to profit or loss					
Foreign exchange gain on translating foreign operations		40,627	-	46,340	-
Comprehensive loss	**$**	(2,574,065)	(1,089,511)	(6,119,621)	(4,537,070)
Basic and diluted loss per common share	**$**	(0.007)	(0.004)	(0.021)	(0.016)
Weighted average number of outstanding shares		389,911,188	245,454,915	296,391,610	217,553,019

PreveCeutical Medical Inc.
(Formerly Carrara Exploration Corp.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited - Expressed in Canadian Dollars)

	Number of shares	Share Capital Amount $	Equity Component of convertible loan $	Share-based Compensation Reserve $	Accumulated Other Comprehensive Income $	Deficit $	Total $
Balance at December 31, 2016	203,137,040	1,763,955	3,232	1,186,975	-	(3,250,223)	(296,061)
Issue of shares	42,317,875	4,227,004	-	-	-	-	4,227,004
Share issue costs	-	(241,851)	-	-	-	-	(241,851)
Share-based compensation	-	-	-	166,000	-	-	166,000
Convertible loan equity	-	-	155,363	-	-	-	155,363
Net loss and comprehensive loss for the period	-	-	-	-		(4,537,070)	(4,537,070)
Balance as at September 30, 2017	**245,454,915**	**5,749,108**	**158,595**	**1,352,975**	**-**	**(7,787,293)**	**(526,615)**
Balance as at December 31, 2017	**245,522,515**	**5,995,039**	**418,688**	**3,724,041**	**-**	**(10,482,108)**	**(344,340)**
Issue of shares	128,999,750	6,449,988	-	-	-	-	6,449,988
Issue of shares - warrants exercised	2,950,000	295,000	-	-	-	-	295,000
Shares issued for service	2,225,365	125,596	-	-	-	-	125,596
Shares issued for finders' fees	4,718,400	235,920	-	-	-	-	235,920
Debt conversion	5,772,875	242,905	-	-	-	-	242,905
Reclass convertible loan equity	-	72,552	(72,552)	-	-	-	-
Convertible loan equity	-	-	122,399	-	-	-	122,399
Share issue costs	-	(561,910)	-	-	-	-	(561,910)
Recognition of deferred tax liability	-	-	(29,179)	-	-	-	(29,179)
Share-based compensation	-	-	-	548,721	-	-	548,721
Net loss and comprehensive loss for the period	-	-	-	-	46,340	(6,165,961)	(6,119,621)
Balance as at September 30, 2018	**390,188,905**	**12,855,090**	**439,356**	**4,272,762**	**43,340**	**(16,648,069)**	**965,479**

PreveCeutical Medical Inc.
(Formerly Carrara Exploration Corp.)
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

Nine months ended September 30,		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(6,165,961)**	$	(4,537,070)
Adjustments to net loss:				
Amortization – capital assets		**23,735**		-
Research development		**303,667**		-
Listing costs		**-**		2,199,379
Share-based compensation		**534,257**		-
Accretion expenses		**167,512**		-
Accrued interest		**140,432**		-
Deferred income tax recovery		**(29,179)**		-
		(4,979,197)		(2,337,690)
Change in cash on working capital items:				
Accounts receivable		**(87,687)**		(35,716)
Inventory		**3,113**		2,086
Prepaid expenses and deposits		**(1,453,125)**		(582,480)
Accounts payable and accrued liabilities		**48,599**		(229,824)
Share subscription receivable		**-**		99,500
Government remittances payable		**(17,608)**		-
Net cash used in operating activities		**(6,485,905)**		(3,084,124)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, equipment and furniture		**(7,564)**		(845,880)
Acquisition of intangible assets		**(638)**		-
Net cash used in investing activities		**(8,202)**		(845,880)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of common shares net of share issue costs		**6,559,058**		1,951,774
Callable debt		**(78,932)**		2,214
Convertible debt		**765,000**		2,357,073
Net cash provided by financing activities		**7,245,126**		4,466,424
Change in cash, during the period		**751,019**		536,420
Cash/(indebtedness), beginning of the period		**104,478**		(47,036)
Cash, end of the period	**$**	**855,497**	$	487,384

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

Supplemental Cash Flow Information (Note 13)

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

PreveCeutical Medical Inc. (formerly Carrara Exploration Corp.) (the "Company") was incorporated on December 15, 2014, under the laws of British Columbia. The Company's principal business activity at that time was mineral exploration and acquisition of mineral property assets. On June 21, 2017, the Company changed its name from Carrara Exploration Corp. to PreveCeutical Medical Inc. in connection with the Transaction (as defined below). Subsequent to the Transaction, the Company's principal business activity is the development of innovative options for preventive and curative therapies utilizing organic and nature identical products.

The Company's head office is located at 1177 West Hastings Street, Suite 2200, Vancouver, British Columbia, V6E 2K3, Canada and its registered office is located at 1040 West Georgia Street, Suite 1170, Vancouver, British Columbia V6E 4H1, Canada.

On March 21, 2017, the Company and a private British Columbia company, 1050962 B.C. Ltd. (formerly PreveCeutical Medical Inc., hereinafter referred to as "0962"), entered into an amalgamation agreement (the "Agreement"). The Agreement was structured as a three-cornered amalgamation, whereby 0962 was amalgamated with the Company's British Columbia subsidiary, 1110607 B.C. Ltd. (the "Transaction") and continued as PreveCeutical Medical Holdings Inc. ("PMIH"), a wholly-owned subsidiary of the Company. Effective June 30, 2017, the Company and 0962 completed the Transaction.

Prior to the Transaction, the Company, effective June 21, 2017, 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.

On July 31, 2017, the Company and PMHI completed a vertical short form amalgamation (the "Amalgamation") and retained the Company's name, PreveCeutical Medical Inc.

In accordance with International Financial Reporting Standards ("IFRS") 3 *Business Combinations,* the Transaction was not considered a business combination as the Company's assets at that time consisted primarily of cash, and it did not have any processes capable of generating outputs, thus not meeting the definition of a business. The excess value of consideration paid over the net assets acquired was therefore expensed as a listing cost in the condensed interim consolidated statements of operations and comprehensive loss. The listing cost recorded at June 30, 2017, was $2,385,752. This was revised at December 31, 2017, to account for the fair value of the private placement which impacted the consideration paid and cash acquired ($257,585), amalgamation amendments, to account for legal and accounting costs that were not recorded at June 30, 2017. The Company has received tax refund in the amount of $4,094 during the current period. This amount was included in the transaction cost recorded and has been recorded in the income statement as other expenses.

At June 30, 2017, the following was recorded as

Consideration paid at June 30, 2017:	$	2,350,207
Net liabilities acquired:		35,545
Listing costs recorded at June 30, 2017:		2,385,752
Adjustments to consideration paid:		
Common shares, options and broker warrants:		2,151,332
Legal and transaction costs:		(80,983)
Adjustment to net assets:		(1,870,899)
Transaction cost at December 31, 2017	$	**2,585,202**

The Company incorporated a subsidiary, PreveCeutical (Australia) Pty Ltd. ("PreveCeutical (Australia)") in Australia on March 12, 2018. The Company's research programs will be managed by PreveCeutical (Australia).

At the annual general and special meeting of shareholders of the Company held on May 14, 2018, the shareholders passed a special resolution approving the subdivision of the Company's issued and outstanding common shares on the basis of five (5) new post-subdivision common shares for every one (1) pre-subdivision common share (the "Stock Split"). The Stock Split was approved by the Board of Directors on May 15, 2018. The number of shares, warrants and options and the exercise price for the warrants and options have been adjusted to reflect the Stock Split.

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

The condensed consolidated interim financial statements have been prepared on the basis of 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 condensed consolidated interim financial statements, then adjustments would be necessary for the carrying value of assets and liabilities, the reported expenses and the condensed consolidated interim statement of financial position classifications used. Such adjustments could be material.

Several conditions exist that cast significant doubt about the ability of the Company to continue as a going concern. The Company does not have significant revenue to date and has incurred operating losses since inception. As at September 30, 2018, 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.

As at September 30, 2018 and December 31, 2017, the Company reported the following:

	Nine Months ended September 30, 2018	Year Ended December 31, 2017
Net loss and comprehensive loss for the period	$ 6,119,621	$ 7,231,885
Working capital available	$ 2,873,475	$ 1,066,337
Deficit	$ 16,648,069	$ 10,482,108

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with IFRS, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 26, 2018.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are stated at their fair values. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of PreveCeutical (Australia) is Australian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in these condensed consolidated interim financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these assumptions form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised and all future periods that are affected by the change in estimate.

Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year. Critical accounting estimates include, but are not limited to, the following:

- **Intangible assets** – useful life

  Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use.

  A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

- **Property, equipment and furniture** – useful lives

  The Company estimates the useful lives and selects methods used to allocate amortization amounts of property, equipment and furniture on a systematic basis. Technical obsolescence of the tangible assets could significantly impact estimated residual useful lives and in turn, carrying values being over or understated.

- **Income tax**

  The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.

- **Share-based compensation**

  The fair value of stock options granted, and compensatory warrants are measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behaviour. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit, and the rate is adjusted to reflect the actual number of options that actually vest.

- **Convertible debts**

  The convertible debts were separated into their liability and equity components on the condensed consolidated interim statements of financial position. The liability component is initially recognized at fair value, calculated at the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue.

- **Fair value of the consideration to acquire the Company**

  The fair value of the consideration to acquire the Company comprised common shares, warrants and options. Common shares were valued on the date of issuance of the shares, and the warrants and options were valued using the Black-Scholes option pricing model. The Company applied IFRS 2 *Share-based Payment* in accounting for and assessing the Transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include, but are not limited to, the following:

- **Intangible assets**

  The application of the Company's accounting policy for intangible asset expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which is based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

  The Company assesses at each reporting date if the intangible assets have indicators of impairment. In determining whether the intangible assets are impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with an adverse effect on the entity, a change in market interest rates, evidence of technological obsolescence and future plans.

- **Research and development expenditures**

  Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically, and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at September 30, 2018.

- **Going concern assumption**

  The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

- **Determination of control in the Transaction**

  The determination of the acquirer in the Transaction is subject to judgment and requires the Company to determine which party obtains control of the combining entities. Management applies judgment in determining control by assessing the following three factors: whether the Company has power over 0962; whether the Company has exposure or rights to variable returns from its involvement with 0962; and whether the Company has the ability to use its powers over 0962 to affect the amount of its returns. In exercising this judgment, management reviewed the representation on the Board of Directors and key management personnel, the party that initiated the transaction, and each of the entities' activities. 0962 was deemed to be the acquirer in the Transaction.

  The assessment of whether an acquisition constitutes a business is also subject to judgment and requires the Company to review whether the acquired entity contains all three elements of a business, including inputs, processes and the ability to create output. The Transaction was accounted for as a reverse acquisition and the difference between the fair value of net assets acquired and the consideration paid was recorded as a listing cost (Note 1).

Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, PreveCeutical (Australia). Subsidiaries are consolidated from the date of acquisition being the date that the Company obtains control. A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Exchange

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar and the Australian subsidiary is the Australian Dollar. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the condensed consolidated interim statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction);
- all resulting exchange differences are recognized as a separate component of equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Recent Accounting Pronouncements

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's condensed consolidated interim financial statements are listed below and include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company intends to adopt these standards and interpretations when they become effective and is currently assessing their impact on the condensed consolidated interim financial statements.

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for the Company's annual period beginning January 1, 2019.

(Unaudited - Expressed in Canadian Dollars)

4. **PREPAID AND DEPOSITS**

		September 30, 2018		December 31, 2017
Current				
Advance to UniQuest for R&D projects	$	45,329	$	385,907
R&D supply deposit – short-term		560,614		579,302
Prepaid consulting contracts		2,135,410		122,500
Other prepaids and deposits		20,232		42,970
	$	**2,761,585**	**$**	**1,130,679**
Non-current				
Advance to UniQuest for equipment		286,743		483,209
R&D supply deposit – long-term		256,948		541,927
Office rent deposit		27,362		27,365
	$	**571,053**	**$**	**1,052,501**

The advance to UniQuest Pty Limited ("UniQuest") relates to prepayments made to UniQuest for the four R&D contracts. Payments made to UniQuest have been recorded as prepayments and amounts for work completed to the period ended September 30, 2018, are expensed to research and development ("R&D").

The short- and long-term R&D supply deposit relates to the R&D supply agreement the Company entered into, effective September 18, 2017, with a licensed producer of medical cannabis ("Supplier"). In exchange for 12,820,515 options, the Supplier is supplying samples of cannabis-derived products and ingredient information for use by the Company in its R&D program. Each option is exercisable to one common share of the Company at $0.156 per share for a period of 24 months from the grant date. The fair value of the stock options was determined using the Black-Scholes option pricing model with the following assumptions: exercise price - $0.156, expected life – 2 years, volatility – 107%, risk-free rate – 1.54%, and dividend yield – 0%. The R&D supply deposit is amortized from March 26, 2018, when the first shipment was received, to the end of the agreement, March 20, 2020. For the nine months ended September 30, 2018, $303,665 was expensed and recorded as an R&D expense.

The Company entered into a number of annual consulting agreements in June 2018 for marketing, investor relations, and corporate services which were paid for in advance. Expenses for these prepayments are being amortized over twelve months.

5. **PROPERTY, EQUIPMENT AND FURNITURE**

	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
COST	$	$	$	$	$
Balance, December 31, 2016	-	1,683	1,468	-	3,151
Additions	48,376	-	34,753	82,943	166,072
Balance, December 31, 2017	48,376	1,683	36,221	82,943	169,223
Additions	7,564	-	-	-	7,564
Balance, September 30, 2018	**55,940**	**1,683**	**36,221**	**82,943**	**176,787**
ACCUMULATED AMORTIZATION					
Balance, December 31, 2016	-	334	147	-	481
Amortization	10,878	540	3,740	4,147	19,305
Balance, December 31, 2017	10,878	874	3,887	4,147	19,786
Amortization	12,683	219	4,612	6,221	23,735
Balance, September 30, 2018	23,561	1,093	8,499	10,368	43,521
Net book value, December 31, 2017	37,498	809	32,334	78,796	149,437
Net book value, September 30, 2018	**32,379**	**590**	**27,722**	**72,575**	**133,266**

(Unaudited - Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

	Total
COST	$
Balance, December 31, 2016	-
Additions	26,894
Balance, December 31, 2017	26,894
Additions	638
Balance at September 30, 2018	**27,532**
ACCUMULATED AMORTIZATION	
Balance, December 31, 2016	-
Amortization	-
Balance, December 31, 2017	-
Net book value, December 31, 2017	26,894
Net book value, September 30, 2018	**27,532**

Trademark costs include costs for registering and filing the Company's trademarks, which included filing in Australia and Europe. There has been no amortization recorded as at September 30, 2018.

7. SHORT-TERM DEBT

Callable Debt - License Agreement Loan

As at September 30, 2018, there were no callable debts. At December 31, 2017, callable debt amount of $76,202 was for the amount owing to Cornerstone Global Partners Inc. ("CGP") for the license agreement entered on February 6, 2016. This loan and interest were repaid in full in June 2018.

Short-term loan

On June 11, 2018, the Company's former President made a temporary advance to the Company in the amount of $280,000 at a simple rate of 5% per annum. This advance was made as a temporary loan to be repaid on the close of the June 2018 financing. Interest of $1,227 was accrued for the months of June 2018 and July 2018. The principal amount of the loan, $280,000, was repaid on July 12, 2018 and the interest in the amount of $1,227 for the months of June 2018 ($767) and July 2018 ($460) was paid on August 7, 2018.

As at September 30, 2018 there was no amount payable.

Convertible debt – short-term

The convertible debt and interest for the debt agreement entered by the Company on March 28, 2016, with an employee was converted on May 1, 2018 at the request of the employee.

The total amount converted was $15,458 ($14,000 principal and $1,458 accrued interest) at $0.02 per share as per the agreement and 772,875 shares of the Company were issued. Reconciliation of the convertible debt as at September 30, 2018, is as follows:

Balance, December 31, 2016	$	11,293
Accreted interest		203
Interest expense		700
Balance at December 31, 2017		12,196
Interest expense		233
Loan conversion		(12,429)
Balance at September 30, 2018	$	-

(Unaudited - Expressed in Canadian Dollars)

7. SHORT-TERM DEBT (Continued)

Convertible debt – short-term (Continued)

On January 26, 2018, the Company entered into an agreement with its CEO and its former President (collectively the "Lenders") for $500,000 in the form of a convertible promissory note bearing simple interest at 5% per annum. The promissory note is due on demand. The principal amount and any accrued interest are convertible into common shares of the Company at the option of the Lender at $0.10 per share. The conversion price set therein was reduced from $0.10 to $0.06 per share on April 20, 2018.

At September 30, 2018, the total amount of $500,000 was drawn on this agreement and interest in the amount of $16,986 was accrued.

The Company bifurcated the notes into their components using a discounted cash flow model with an estimated fair value interest rate of 15.5% to estimate the fair value of the liability component with the remaining balance representing the equity component.

Reconciliation of the convertible debts is as follows:

Balance, December 31, 2017	$	-
Issuance of convertible debt		500,000
Equity portion of convertible debt		(87,662)
Accreted interest		25,249
Interest expense		16,986
Balance at September 30, 2018	**$**	**454,573**

On March 28, 2018, the Company entered into a credit facility agreement with its former President for $700,000. Under the terms of the agreement, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible into common shares of the Company at the lender's request at $0.10 per share.

As at September 30, 2018, $265,000 was drawn on the facility, bearing 5% simple interest with repayment due by March 28, 2019. Interest of $16,550 was accrued as at that date. The conversion price set therein was reduced from $0.10 to $0.06 per share on April 20, 2018.

The Company bifurcated the notes into their components using a discounted cash flow model with an estimated fair value interest rate of 15.5% to estimate the fair value of the liability component with the remaining balance representing the equity component.

The Company repaid $200,000 on July 26, 2018 and $125,000 on September 6, 2018 of the principal amount drawn on this loan giving a balance of the principal at September 30, 2018, of $265,000.

Reconciliation of the convertible debts is as follows:

Balance, December 31, 2017	$	-
Issuance of convertible debt		590,000
Repayment		(325,000)
Equity portion of convertible debt		(34,735)
Accreted interest		15,380
Interest expense		16,550
Balance at September 30, 2018	**$**	**262,195**

(Unaudited - Expressed in Canadian Dollars)

8. LONG-TERM DEBT

Convertible debts – long-term

The Company has entered into two revolving line of credit facility agreements with the Lenders. Both bear simple interest of 5% per annum and are convertible into common shares in the capital of the Company.

The first credit facility agreement was entered into on December 9, 2016, in the principal amount of $1,000,000. The agreement was amended March 31, 2017, wherein the principal amount was increased by $1,000,000 to a total of $2,000,000. Under the terms of the agreement and waiver (the "Waiver") dated November 13, 2018, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into common shares of the Company at the price of $0.10 per share. The conversion price was reduced from $0.10 per share to $0.06 per share on April 20, 2018. As at September 30, 2018, the Company has drawn $1,719,248 under the facility agreement and has accrued interest of $130,957.

On June 5, 2018, $280,752 of the principal amount and $19,248 of the interest amount (total of $300,000) was converted to equity at the conversion price of $0.06 per common share, for a total of 5,000,000 shares.

The second facility was entered into on May 9, 2017, for a maximum of $1,000,000. Under the terms of the agreement and the Waiver, 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 of the Company and one common share purchase warrant at a price of $0.10 per unit. Each common share purchase warrant entitles the holder to purchase one common share of the Company at the price of $0.20 for a period of 24 months after the issuance of the units, subject to acceleration. On April 20, 2018, the conversion price was reduced from $0.10 per Unit to $0.06 per Unit and the warrant exercise price was reduced to $0.10. As at September 30, 2018, $900,500 was drawn on the facility with accrued interest to September 30, 2018, of $48,959.

The first and second credit facilities are due on demand; however, by signing the Waiver, the Lenders waive the right to demand on the funds until after January 31, 2020.

The Company bifurcated the notes into their components using a discounted cash flow model with an estimated fair value interest rate of 15.5% to estimate the fair value of the liability component with the remaining balance representing the equity component.

Reconciliation of the convertible debts is as follows:

Balance, December 31, 2016	$	-
Issuance of convertible debt		2,900,500
Equity portion of convertible debt		(512,657)
Accreted interest		156,434
Interest expense		95,232
Balance, December 31, 2017	**$**	**2,639,509**
Debt conversion		(300,000)
Accreted interest		126,884
Interest expense		103,932
Balance at September 30, 2018		**$2,570,325**

9. SHARE CAPITAL

The issued and outstanding common share number of 390,188,905 reflects the post sub-division of the common shares in connection the 5:1 Stock Split. This Stock Split was approved at the annual general and special meeting of shareholders of the Company held on May 14, 2018, and subsequently approved by the board of directors of the Company on May 15, 2018. The number of common shares warrants and options and the exercise price for the warrants and options have been adjusted to reflect the Stock Split. The record date of the Stock Split was May 24, 2018.

9. SHARE CAPITAL (Continued)

Authorized

The Company is authorized to issue an unlimited number of common shares without par value. There were 390,188,905 common shares of the Company issued and outstanding as at September 30, 2018.

Escrow shares

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

At September 30, 2018, there were 91,636,800 common shares, 6,100,000 stock options, 1,080,000 warrants and convertible debentures in the principal amount of $2,295,000 held in escrow.

Issuance

During the nine months ended September 30, 2018, the Company issued:

- 2,225,365 common shares for services fair valued at $125,595 (expensed under consulting fees);
- 5,772,875 common shares for debt conversion valued at $315,457;
- 4,718,400 common shares were issued as finders fees in relation to the June 2018 Private Placement, fair valued at $235,920 ($0.05 per common share).
- 128,999,750 common shares for proceeds of $6,449,988 and 128,999,750 warrants to purchase the Company's common shares at an exercisable price of $0.10 per share. As part of the June 2018 Private Placement, the Company issued 1,800,000 warrants for service at an exercisable price of $0.10 per shares and 6,301,600, broker warrants for finders' fees at an exercisable price of $0.10 per share. All warrants issued with the Private Placement expire on June 30, 2020.
- On July 9, 2018, 2,300,000 warrants were exercised for issue of 2,300,000 common shares at an exercise price of $0.10 per share.
- On July 12, 2018, 650,000 warrants were exercised for issue of 650,000 common shares at an exercise price of $0.10 per share.

10. STOCK OPTIONS

Stock Option Plan

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan"). Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

Under the plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares. The options are non-assignable and non-transferable and will be exercisable up to 10 years from the date of grant. The minimum exercise price of an option granted under the Plan must not be less than the discounted market price, as such term is defined in the policies of the Canadian Securities Exchange ("CSE") and other applicable regulatory authorities.

(Unaudited - Expressed in Canadian Dollars)

10. STOCK OPTIONS (Continued)

Stock Option Plan (Continued)

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2016	18,000,000	$ 0.05
Granted	5,847,840	$ 0.11
Granted (Note 4)	12,820,515*	$ 0.16
Exercised	(500)	$ 0.05
Balance at December 31, 2017	36,667,855	$ 0.10
Granted	8,500,000	$ 0.09
Cancelled	(13,000,000)	$ 0.07
Balance at September 30, 2018	**32,167,855**	**$ 0.11**

* The CSE approved the issuance of options outside of the Company's option plan.

As at September 30, 2018, the Company had the following stock options outstanding and exercisable:

Date of Expiry	**Number Outstanding**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life in Years**
February 28, 2019	500,000	$ 0.09	250,000	$ 0.09	0.41
May 18, 2019	664,500	$ 0.13	664,500	$ 0.13	0.63
August 29, 2019	1,100,000	$ 0.16	1,100,000	$ 0.16	0.91
September 19, 2019	12,820,515	$ 0.16	12,820,515	$ 0.16	0.97
January 26, 2020	2,500,000	$ 0.10	1,875,000	$ 0.10	1.32
August 10, 2020	9,249,500	$ 0.05	9,249,500	$ 0.05	1.86
August 31, 2020	1,250,000	$ 0.05	1,250,000	$ 0.05	1.92
June 28, 2021	2,250,000	$ 0.10	2,250,000	$ 0.10	2.75
September 7, 2021	1,333,340	$ 0.06	1,333,340	$ 0.06	2.94
March 12, 2022	500,000	$ 0.09	500,000	$ 0.09	3.45
Total	**32,167,855**	**$ 0.11**	**31,292,855**	**$ 0.11**	**1.72**

As at September 30, 2017, the Company had the following stock options outstanding and exercisable:

Date of Expiry	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
May 18, 2019	664,500	$ 0.13	1.63
August 29, 2019	1,100,000	$ 0.16	1.91
September 19, 2019	12,820,515	$ 0.16	1.97
August 10, 2020	16,749,500	$ 0.05	2.86
August 31, 2020	1,250,000	$ 0.05	2.92
June 28, 2021	2,250,000	$ 0.10	3.75
September 7, 2021	1,333,340	$ 0.06	3.94
September 19, 2021	500,000	$ 0.15	3.97
Total	**36,667,855**	**$ 0.10**	**2.87**

(Unaudited - Expressed in Canadian Dollars)

10. STOCK OPTIONS (Continued)

Stock Option Plan (Continued)

When the Company issues stock options, it records a share-based compensation in the year or period in which the options are granted and/or vested. The expense is estimated using the following assumptions:

- Due to the lack of historical pricing information for the Company, the expected volatility is based on an average of historical prices of a comparable group of companies within the same industry.
- The risk-free interest rate is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options.
- The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model.
- The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period.
- Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based compensation recorded in the accompanying consolidated statements of operations and comprehensive loss.

The Company used the Black-Scholes option pricing model to determine the fair value of 8,500,000 options granted for nine months ended September 30, 2018 (3,850,000 for the nine months ended September 30, 2017). The following weighted average assumption were used with vesting from date of grant to two years:

	September 30, 2018	September 30, 2017
Risk-free interest rate	1.83%	1%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	118.46%	50%
Expected option life in years	2.68	2.0
Forfeiture rate	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these input assumptions can materially affect the fair value estimate. For the nine months ended September 30, 2018, the Company recorded $404,661 in relation to the vesting of the stock options.

For the nine months ended September 30, 2018, 13,000,000 options, all vested, were cancelled. For the nine months ended September 30, 2017, 1,600,000 stock options, all vested, were cancelled and 500 stock options were exercised.

11. WARRANTS

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2016	-	$ -
Issued - private placement	21,356,000	$ 0.20
Issued - performance warrants	21,000,000	$ 0.10
Issued - broker option warrants	622,830	$ 0.06
Broker option warrants exercised	(339,215)	$ 0.06
Balance at December 31, 2017	42,639,615	$ 0.15
Issued – June 2018 Private Placement	130,518,150	$ 0.10
Issued – issued for service	1,800,000	$ 0.10
Issued – June 2018 Private Placement broker warrants	6,301,600	$ 0.10
Exercised – June 2018 Private Placement	(2,950,000)	$ 0.10
Balance at September 30, 2018	178,309,365	$ 0.11

(Unaudited - Expressed in Canadian Dollars)

11. WARRANTS (Continued)

As at September 30, 2018, the Company had the following warrants outstanding and exercisable:

Date of Expiry	Number Outstanding	Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
December 21, 2018	283,615	283,615	$ 0.06	0.22
June 30, 2019	21,356,000	21,356,000	$ 0.20	0.75
June 29, 2020	135,669,750	135,669,750	$ 0.10	1.75
July 12, 2022	21,000,000	7,000,000	$ 0.10	3.78
Total	178,309,365	164,309,365	$ 0.11	1.65

The expiry date for the warrants issued under the private placement on June 29, 2017, was extended by a year to June 30, 2019.

138,619,750 warrants were issued at an exercise price of $0.10 per common share on June 30, 2018, with the 2018 Private Placement that closed on June 30, 2018.

For the June 2018 Private Placement, a total of 6,301,600 broker warrants were issued as finders' fees. 3,118,400 of these warrants were part of the units issued and 3,183,200 were broker warrants. The Company recorded an estimated issuance cost of $140,061 for the 3,183,200 broker warrants were issued as finders' fees on June 30, 2018, with an exercise price of $0.10. The estimate was based on Black-Scholes option pricing model with an expected life of 2.0 years, volatility of 118.38%, risk-free rate of 1.90%, and a dividend yield of 0%. These warrants were vested when granted.

12. RELATED PARTIES

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 (resigned April 9, 2018)	Former Director, President	Management Services
Shabira Rajan	CFO and Controller	Management Services
Harendra Parekh	Chief Research Officer	Management Services
Makarand Jawadekar	Director, Chief Scientific Officer	Management Services
Maher Khaled (resigned October 20, 2018)	CEO, PreveCeutical (Australia)	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*.

Nine months ended September 30,		**2018**		**2017**
Salaries and benefits	$	304,074	$	291,379
*Management fees		347,320		224,231
	$	651,394	$	515,610

*Management fees are recorded in the condensed consolidated interim statement of operations under business development, professional fees and research and development.

(Unaudited - Expressed in Canadian Dollars)

12. RELATED PARTIES

Other transactions

Other related transactions for the nine months ended September 30, 2018 and 2017 included consulting fees, interest, royalty and rent.

Except as disclosed elsewhere in the condensed consolidated interim financial statements, related party transactions for the nine months ended September 30, 2018 and 2017 are as follows:

Nine months ended September 30,		**2018**		**2017**
Transactions with company owned by key management personnel				
Rent	$	-	$	10,000
Interest on loan		1,503		1,461
Royalty (license agreement for CellB9)		277		279
	$	1,780	$	11,740
Interest on loans to certain officers and directors of the Company	$	137,468	$	61,411

As at September 30, 2018, $3,598,200 in loan ($3,384,748) and interest ($213,452) is payable to related parties. As at September 30, 2017 $2,511,911 was payable to related parties for loan ($2,450,500) and interest ($61,411).

As at September 30, 2018, $85,295 ($54,962 as at December 31, 2017) was payable to related parties for services incurred and reimbursement of expenses recorded in accounts payable and accrued liabilities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Nine months ended September 30,		**2018**		**2017**
Interest expense	$	140,432	$	64,202
Previously granted options included in prepaid and deposits		817,563		-
Shares issued for services		125,595		76,345
Interest paid		1,227		-
Taxes paid		-		-

14. MANAGEMENT OF CAPITAL

The Company manages its shareholders' equity (deficiency) 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 adjusts 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.

With the completion of the June 2018 Private Placement, the Company's shareholders' equity as at September 30, 2018, was $965,470. The Company continued with its approach to capital management during the nine months ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

(Unaudited - Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS

The Company's financial instruments classified as level 1 in the fair value hierarchy are cash, accounts receivable, callable debt, accounts payable and accrued liabilities and their carrying values approximate the fair values due to their short-term nature. The convertible debt is classified as level 3.

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risks.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company considers its credit risk on cash to be not significant and accounts receivable to be minimal.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's callable debt (Note 7) and convertible debts (Notes 7 and 8) currently provide for interest at 5% per annum.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At September 30, 2018, the Company had working capital of $2,873,475 compared to working capital at December 31, 2017, of $1,066,337. This included cash of $855,497 ($104,478 as at December 31, 2017) available to meet short-term business requirements and current liabilities of $963,852 ($304,491 as at December 31, 2017). The Company will require additional financing in the future to meet its obligations. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at September 30, 2018:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	247,084	$	-	$	247,084
Convertible debt – short-term (Note 7)		798,536		-		798,536
Convertible debt – long-term (Note 8)		-		2,799,665		2,799,665
	$	1,045,620	$	2,799,665	$	3,845,285

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2017:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	198,485	$	-	$	198,485
Callable debt (Note 7)		76,202		-		76,202
Convertible debt – short-term (Note 7)		15,225		-		15,225
Government remittances payable		17,608		-		17,608
Convertible debt – long-term (Note 8)		-		2,995,732		2,995,732
	$	307,520	$	2,995,732	$	3,303,252

(Unaudited - Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS

Other Market Risks

Other market risks that the Company is exposed to include currency risk. Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities.

The Company is exposed to currency risk with its foreign subsidiary which is funded from time to time in the subsidiary's currency. The Company is also exposed to currency risk with its other foreign business transactions.

The Company does not invest in derivatives to mitigate these risks.

As at September 30, 2018, the Company had currency risk for the following foreign currency amounts payable was Australian Dollars 30,329, Euros 25,000, US Dollars14,701.

The currency risks for these transactions is not significant.

16. SEGMENTED INFORMATION

The Company has one reportable segment being the licensing, branding and marketing nutraceutical and wellness products. Selected segmented financial information is as follows:

Nine months ended September 30,		**2018**		2017
Product Sales				
Canada	$	5,629	$	18,250
United States		1,017		9,264
Other		7,998		6,880
Total	**$**	**14,644**	**$**	**34,394**

As at September 30, 2018, the Company's long-term assets were located in Canada and Australia as follows:

	Canada	**Australia**	**Total**	**Amortization**	**Net**
Computer equipment and electronics	52,179	3,761	55,940	23,561	32,379
Computer software	1,683	-	1,683	1,093	590
Office furniture and equipment	36,221	-	36,221	8,499	27,722
Leasehold improvements	82,943	-	82,943	10,368	72,575
Total	173,026	3,761	176,787	43,521	133,266

The intangible assets ($27,532) which consist of trademarks are held by the Company in Canada.

17. COMMITMENTS

The Company entered into a lease agreement for office premises commencing May 1, 2017 with an initial five-year term and a five-year equipment lease commencing July 1, 2017.

Payments committed for the next five years is as follows:

Year		Amount
2018	$	41,696
2019		168,064
2020		168,704
2021		168,704
2022		56,988
	$	604,156

18. EVENTS AFTER THE REPORTING DATE

Following events have occurred subsequent to the six months ended September 30, 2018 to the reporting date.

Maher Khaled, Chief Executive Officer and Director of the Company's subsidiary, PreveCeutical (Australia) Pty Ltd. resigned from all his positions on October 20, 2018.

On October 1, 2018, the Company signed a letter of intent ("LOI") for a strategic acquisition of Penta 5 Packaging Inc. and Penta 5 USA, LLC and their subsidiaries. The Company is working on terms and are continuing to work on their due diligence. Definitive agreement will be entered into upon completion of due diligence.

On November 9, 2018, the Company signed a letter of intent with Crushedit LLC for supply a minimum of 2,500 kilograms of cannabidiol isolate over a period of twelve months.