PreveCeutical Medical Inc.
(Formerly Carrara Exploration Corp.)

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PREVECEUTICAL MEDICAL INC.
(Formerly Carrara Exploration Corp.)

Opinion
We have audited the consolidated financial statements of PreveCeutical Medical Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $11,884,130 during the year ended December 31, 2018 and, as of that date, the Company's working capital is $194,510. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Vancouver
1700 – 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 17, 2019

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

As at December 31		**2018**		2017
ASSETS				
Current				
Cash	**$**	**64,329**	$	104,478
Accounts receivable		**78,177**		78,425
Inventory		**-**		57,246
Prepaid and deposits (Note 5)		**1,195,363**		1,130,679
		1,337,869		1,370,828
Deposits (Note 5)		**413,584**		1,052,501
Property, equipment and furniture (Note 6)		**123,652**		149,437
Intangible assets (Note 7)		**26,971**		26,894
Total Assets	**$**	**1,902,076**	$	2,599,660
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current liabilities				
Accounts payable and accrued liabilities (Note 13)	**$**	**535,381**	$	198,485
Callable debt (Note 8)		**-**		76,202
Convertible debt - short term (Notes 8 and 13)		**607,978**		12,196
Government remittances payable		**-**		17,608
		1,143,359		304,491
Convertible debt - long term (Notes 9 and 13)		**3,043,888**		2,639,509
		4,187,247		2,944,000
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 10)		**12,903,473**		5,995,039
Equity portion of convertible debt (Notes 8 and 9)		**2,030,360**		418,688
Share-based compensation reserve		**4,235,701**		3,724,041
Reserves		**177,981**		-
Accumulated other comprehensive income		**(26)**		-
Deficit		**(21,632,660)**		(10,482,108)
Total shareholders' deficiency		**(2,285,171)**		(344,340)
Total liabilities and shareholders' deficiency	**$**	**1,902,076**	$	2,599,660

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

Approved on behalf of the Board of Directors

_*"Stephen Van Deventer" signed*___ Director

_*"Greg Reid" signed*_______________Director

PreveCeutical Medical Inc.
(Formerly Carrara Exploration Corp.)
Consolidated Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars

Years ended December 31		2018		2017
REVENUE				
Product sales	$	**15,452**	$	22,234
Cost of sales		**4,723**		7,935
Gross profit		**10,729**		14,299
EXPENSES				
Amortization (Notes 6 and 7)		**36,289**		19,305
Business development and investor relations (Note 13)		**908,055**		628,739
Consulting fees (Notes 10 and 13)		**136,268**		120,518
Impairment of inventory		**53,043**		-
Insurance		**36,979**		16,385
Inventory management		**-**		50,258
Marketing and promotion		**383,719**		154,508
Meetings and conventions		**8,766**		47,297
Office and general		**40,410**		57,686
Professional fees		**664,559**		384,913
Rent, utilities, repair and maintenance (Note 18)		**172,763**		124,104
Research and development (Note 5 and 13)		**2,364,465**		517,612
Salaries and wages (Note 13)		**654,648**		645,406
Share-based compensation (Notes 11, 12 and 13)		**1,105,178**		1,234,103
Transfer agent and filing fees		**57,265**		51,250
Travel and meals		**346,529**		423,402
Vehicle expenses		**22,011**		32,150
Total expenses		**6,990,947**		4,507,636
LOSS FROM OPERATIONS		**(6,980.218)**		(4,493,337)
Foreign exchange (loss) gain		**(41,622)**		4,997
Accretion expense (Notes 8 and 9)		**(339,837)**		(156,434)
Interest expense (Notes 8, 9 and 13)		**(209,237)**		(98,907)
Listing cost (Note 2)		**-**		(2,585,202)
Other income		**4,094**		-
Loss on modification of convertible debt (Notes 8 and 9)		**(1,582,658)**		-
Impairment of marketing and promotion prepaid (Note 5)		**(2,775,000)**		-
LOSS BEFORE INCOME TAX RECOVERY		**(11,924,478)**		(7,328,883)
Income tax recovery		**40,348**		96,998
NET LOSS		**(11,884,130)**		(7,231,885)
Item that may be reclassified subsequently to profit or loss				
Foreign exchange loss on translating foreign operations		**(26)**		-
COMPREHENSIVE LOSS	$	**(11,884,156)**	$	(7,231,885)
Basic and Diluted Loss per common share	$	**(0.037)**	$	(0.032)
Weighted average number of outstanding shares		**318,886,820**		223,837,880

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

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

	Number of shares	Amount $	Equity component of convertible loan $	Share based compensation reserve $	Reserves $	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)
Common shares of PreveCeutical – reverse takeover adjustment (Note 2)	41,334,335	4,133,433	-	181,733	-	-	-	4,315,166
Issue of shares upon exercise of options and warrants	339,715	20,377	-	-	-	-	-	20,377
Issue of shares	10,000	926	-	-	-	-	-	926
Shares issued for services	701,425	76,348	-	-	-	-	-	76,348
Options issued for supply agreement	-	-	-	1,121,229	-	-	-	1,121,229
Share-based compensation	-	-	-	1,234,104	-	-	-	1,234,104
Convertible loan equity	-	-	512,454	-	-	-	-	512,454
Recognition of deferred tax liability	-	-	(96,998)	-	-	-	-	(96,998)
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(7,231,885)	(7,231,885)
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	131,949,750	6,744,988	-	-	-	-	-	6,744,988
Shares issued for services	2,225,365	125,596	-	-	-	-	-	125,596
Debt conversion	5,772,875	363,840	(51,412)	-	-	-	-	312,428
Convertible loan equity	-	-	120,774	-	-	-	-	120,774
Share issue costs	4,718,400	(325,990)	-	140,060	-	-	-	(185,930)
Debt modification	-	-	1,582,658	-	177,981	-	-	1,760,639
Recognition of deferred tax liability	-	-	(40,348)	-	-	-	-	(40,348)
Share-based compensation	-	-	-	1,105,178	-	-	-	1,105,178
Fair value of expired options	-	-	-	(733,578)	-	-	733,578	-
Net loss and comprehensive loss for the year	-	-	-	-	-	(26)	(11,884,130)	(11,884,156)
Balance as at December 31, 2018	**390,188,905**	**12,903,473**	**2,030,360**	**4,235,701**	**177,981**	**(26)**	**(21,632,660)**	**(2,285,171)**

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

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

Years ended December 31,	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (11,884,130)	$ (7,231,885)
Adjustments to net loss:		
Amortization	36,289	19,305
Listing cost	-	2,585,202
Share-based compensation	1,105,178	1,234,103
Accretion expense	339,837	156,434
Accrued interest	209,237	98,907
Income tax recovery	(40,348)	(96,998)
Shares issued for services	125,596	76,348
Loss on modification of convertible debt	1,582,658	-
Impairment of inventory	53,043	-
Impairment of marketing and promotion prepaid	2,775,000	-
	(5,697,640)	(3,158,584)
Change in cash on working capital items:		
Accounts receivable	(204)	(43,004)
Inventory	4,203	2,615
Prepaid expenses and deposits	(2,200,767)	(1,044,896)
Share subscriptions receivable	-	99,500
Accounts payable and accrued liabilities	338,986	9,846
Government remittances payable	(17,608)	(164,515)
Net cash used in operating activities	(7,573,030)	(4,299,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, equipment and furniture	(7,669)	(166,072)
Acquisition of intangible assets	(2,912)	(26,894)
Cash received on acquisition of 1050962 B.C. Ltd.	-	1,828,031
Costs incurred for acquisition of 1050962 B.C. Ltd.	-	(105,390)
Net cash (used in) provided by investing activities	(10,581)	1,529,675
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of common shares, net of share issue costs	6,264,058	-
Shares issued upon warrants exercise	295,000	20,377
Repayment of callable debt	(77,705)	-
Proceeds from convertible debt	1,670,000	2,900,500
Repayment of convertible debt	(606,227)	-
Net cash provided by financing activities	7,545,126	2,920,877
Effect of change in foreign currency	(1,664)	-
Change in cash during the year	(40,149)	151,514
Cash (bank indebtedness), beginning of the year	104,478	(47,036)
Cash, end of the year	$ 64,329	$ 104,478

Supplemental Cash Flow Information (Note 14)

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

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 is located at 1177 West Hastings Street, Suite 2200, Vancouver, British Columbia, V6E 2K3, Canada and its registered office is 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. ("PMHI"), a wholly owned subsidiary of the Company. Effective June 30, 2017, the Company and 0962 completed the Transaction.

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.

The Company incorporated a subsidiary, PreveCeutical (Australia) Pty Ltd. ("PreveCeutical (Australia)") in Australia on March 12, 2018. The Company's research programs are 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 everyone (1) pre-subdivision common share (the "Stock Split"). The number of shares, warrants, options, and the related prices per share have been adjusted to reflect the Stock Split.

The consolidated financial statements have been prepared on a going concern basis 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 consolidated 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. 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 December 31, 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 and funding from certain officers and shareholders to meet its commitments and fund its ongoing operations.

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

As at December 31,	**2018**	**2017**
Net loss for the year	$ 11,884,130	$ 7,231,885
Working capital available	$ 194,510	$ 1,066,337
Deficit	$ 21,632,660	$ 10,482,108

Expressed in Canadian Dollars

2. REVERSE TAKOVER TRANSACTION

On March 21, 2017, the Company and 0962 entered into the Agreement and the Transaction was effective on June 30, 2017.

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% of the issued and outstanding common shares in the capital of the Company.

The transaction was considered a reverse takeover where the legal acquiree is the accounting acquirer because its former shareholders end up controlling the consolidated entity after the completion of this transaction. Consequently, the historical results of operations are those of 0962.

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; however, by analogy it has been accounted for as a reverse takeover. Therefore, 0962, the legal subsidiary, has been treated as the accounting parent company, and the Company, the legal parent, has been treated as the accounting subsidiary in these consolidated financial statements. As 0962 was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values.

The following summarizes the reverse takeover, the purchase consideration, and the assets acquired and the liabilities assumed on June 30, 2017, the Transaction date:

Net assets acquired:		
Cash	$	1,828,031
GST receivable		6,921
Prepaid		402
Accounts payable and accrued liabilities		-
Net assets assumed	$	1,835,354
Consideration:		
Common shares issued	$	4,133,433
Stock options granted		142,049
Broker warrants issued		39,684
Legal and other transaction costs		105,390
	$	4,420,556

The fair value of the 41,334,335 common shares issued amounted to $4,133,433, based on the concurrent financing value of the Company's common shares at the time of the Transaction of $0.10 per share. The fair values of the 1,997,840 stock options and 622,830 broker warrants were determined using the Black-Scholes option pricing model with the following weighted average assumptions: exercise price - $0.06, expected life – 2.96 years, volatility – 114%, risk-free rate – 1.21%, and dividend yield – 0%.

As the acquisition was not considered a business combination, the excess value of consideration paid over the net assets acquired are expensed as a listing cost in the consolidated statements of operations and comprehensive loss:

Consideration paid	$ 4,420,556
Net tangible assets acquired	(1,835,354)
	$ 2,585,202

3. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its consolidated financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Except as described in Note 4, significant accounting policies have been consistently applied in the presentation of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on April 17, 2019.

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.* IFRS 9 and 15 were adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard.

As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon as described in Note 4.

As a result of the application of IFRS 15, the Company changed its accounting policies for the recognition of revenue as described in Note 4.

Basis of Measurement

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

Principles of Consolidation

These consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in these consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

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 the 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 consolidated financial statements.

- Share-based compensation

  The fair value of stock options granted, and compensatory warrants is 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 behavior. 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 consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the 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 consideration to acquire the Company

  The fair value of consideration to acquire the Company comprised of 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.

4. 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 are 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 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 research and development costs as at December 31, 2018 and 2017.

- Going concern assumption

  The assessment of whether the going concern assumption is appropriate requires management to take into account 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 2).

- The determination of the Company and its subsidiary's functional currency

  The functional currency of the Company and its subsidiary is the currency of the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions which determined the primary economic environment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Judgments (Continued)

- Modification verses extinguishment of financial liability

  Judgement is required in applying IFRS 9 *Financial Instruments* to determine whether the amended terms of the loan agreements are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FTVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FTVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FTVOCI.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

As at December 31, 2018, the Company's financial instruments are comprised of cash, accounts receivable, convertible debt, accounts payable and accrued liabilities.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debt in Canadian dollars that can be converted to common shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have a conversion option. The conversion component is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and conversion components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the discounted cash flows. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Property, Equipment and Furniture

Property, equipment and furniture is recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded using the declining-balance method, other than leasehold improvements, and is intended to amortize the cost of the assets over their estimated useful lives.

Computer equipment	55%
Computer software	40%
Office equipment	20%
Leasehold improvements	Over lease period

Any additions for equipment are amortized during the year on a prorated basis. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible Assets

Recognition and measurement

Intangible assets include trademarks acquired by the Company and have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (Continued)

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of operations and comprehensive loss as incurred.

Amortization

Amortization is recorded using the straight-line method and is intended to amortize the cost of the assets over their estimated useful lives. The estimated useful life of the Company's trademarks is 10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Inventory

Inventories comprises of CellB9 held for resale and is measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average value. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the anticipated selling price less costs to sell. During the year ended December 31, 2018, the Company recorded an impairment on inventory of $53,043 (2017 - $nil) as the products have expired.

Research and Development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. As at December 31, 2018, the Company has not capitalized any research and development costs.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The Company's long-lived assets consists of property, equipment and furniture, and intangible assets.

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statements of operations and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, and any excess is allocated to warrants.

Incremental costs directly attributed to the issuance of common shares are shown in equity as a reduction, net of tax, of the proceeds received on issue. Shares issued for non-monetary consideration are valued based on the fair value of the goods or services received unless the fair value of the shares are a more reliable measure.

Share-based Compensation

The Company has a stock option plan, described in Note 11, which grants stock options to the Company's directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of the options is measured using the Black-Scholes option pricing model and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss. For unexercised options that expire, the recorded value in share-based compensation reserve is transferred to deficit.

Revenue

Revenue is derived primarily from the sales of the Company's product CellB9.

Revenue for product sales is recognized when all the performance obligations identified in the customer contract, typically consisting of a purchase order, are satisfied, point in time. The performance obligations in a typical purchase order are the manufacture of the CellB9 product and delivery of the product.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Exchange

Functional currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined to be the Canadian dollar. The functional currency of the entity’s subsidiary is the Australian dollar.

Foreign currency transaction and balances

Under IFRS, the results and financial position of all the Company’s entities (none of which has the currency of a hyper-inflationary economy) 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 consolidated balance sheet date;
- revenues and expenses are translated at the average exchange rate for the period (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in accumulated other comprehensive income.

Transactions in currencies other than the entity’s functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate.

Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

Income Taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the consolidated statements of financial position and their corresponding tax values, using the enacted or substantively enacted income tax rates at each statement of financial position date. Deferred tax assets also result from unused losses, tax credits and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Loss per Share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of Accounting Standards

On January 1, 2018, the Company adopted the following accounting pronouncements retrospectively with no restatement of comparative periods:

IFRS 15 *Revenue from Contracts with Customers*

The Company adopted IFRS 15 with a date of initial application as of January 1, 2018. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have an impact on the Company's consolidated financial statements.

IFRS 9 *Financial Instruments*

The Company adopted IFRS 9 with a date of initial application as of January 1, 2018. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business model under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for the classification of financial liabilities.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require restatement of comparative periods.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash	Fair value through profit and loss ("FVTPL")	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Prepaids and deposits	Loans and receivables	Amortized cost
Financial Liability		
Accounts payable and accrued liabilities	Other financial liabilities	Other financial liabilities at amortized cost
Convertible debt	Other financial liabilities	Other financial liabilities at amortized cost

As at December 31, 2017, the Company does not have a loss allowance under IAS 39. As such, with the adoption of IFRS 9, the expected credit loss allowance at January 1, 2018 is nil.

Recent Accounting Pronouncements

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated 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 consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

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.

The impact of this new standard will result in an additional Right of Use Asset of $512,325 capitalized to the consolidated statement of financial position and a corresponding Lease Liability of $512,325 included as a liability in the consolidated statement of financial position. The asset will be amortized over the term of the remaining lease period and the liability will be discounted at the rate of 5%.

IFRIC 23 Uncertainty over Income Tax Treatments

This new Interpretation, issued by the International Accounting Standards Board (IASB) in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The interpretation is effective for the Company’s annual period beginning January 1, 2019.

Expressed in Canadian Dollars

5. PREPAID AND DEPOSITS

	2018	2017
Current		
Advance to UniQuest for projects	$ 508,209	$ 385,907
R&D supply prepaid – short-term	560,614	579,302
Other prepaid and deposits	126,540	165,470
	1,195,363	1,130,679
Non-current		
Advance to UniQuest for equipment	269,426	483,210
R&D supply prepaid – long-term	116,795	541,927
Office deposit	27,363	27,364
	413,584	1,052,501
Total prepaid and deposits	$ 1,608,947	$ 2,183,180

During the year ended December 31, 2017, the Company entered into one research and development contract with UniQuest Pty Limited ("UniQuest"). Payments of $1,445,599 (2017 - $1,243,663) made to UniQuest have been recorded as a prepayment and amounts for work completed is 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 year ended December 31, 2018, $443,820 (2017 - $nil) was expensed and recorded as an R&D expense.

During the year ended December 31, 2018, the Company recorded an impairment of $2,775,000 (2017 - $nil) in other prepaid and deposits relating to marketing and promotion activities due to the termination of agreements with third parties as the services were not received. The Company has filed a lawsuit against the third parties to pursue a potential recovery of the prepaid and deposits written off.

6. PROPERTY, EQUPMENT 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	7,669	-	-	-	7,669
Balance, December 31, 2018	**56,045**	**1,683**	**36,221**	**82,943**	**176,892**
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	18,369	324	6,467	8,294	33,454
Balance, December 31, 2018	**29,247**	**1,198**	**10,354**	**12,441**	**53,240**
Net book value, December 31, 2017	37,498	809	32,334	78,796	149,437
Net book value, December 31, 2018	**26,798**	**485**	**25,867**	**70,502**	**123,652**

Expressed in Canadian Dollars

7. INTANGIBLE ASSETS

	Trademarks	Total
COST	$	$
Balance, December 31, 2016	-	-
Additions	26,894	26,894
Balance, December 31, 2017	26,894	26,894
Additions	2,912	2,912
Balance at December 31, 2018	29,806	29,806
ACCUMULATED AMORTIZATION		
Balance, December 31, 2016	-	-
Additions	-	-
Balance, December 31, 2017	-	-
Additions	2,835	2,835
Balance at December 31, 2018	**2,835**	**2,835**
Net book value, December 31, 2017	26,894	26,894
Net book value, December 31, 2018	**26,971**	**26,971**

Trademark costs include costs for registering and filing the Company's trademarks, which included filing in the United States, Australia and Europe.

8. SHORT-TERM DEBT

Callable Debt - License Agreement Loan

As at December 31, 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 amounting to $77,705 was repaid in full in June 2018.

Short-term loan

On June 11, 2018, the Company's former President made an advance to the Company in the amount of $280,000 at a simple rate of 5% per annum. This advance was to be repaid on the close of the June 2018 financing. The principal amount of the loan and the interest in the amount of $281,227 was paid during the year ended December 31, 2018.

As at December 31, 2018, there was no amounts 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 convertible debt is unsecured, matures on March 27, 2018 and bears simple interest at 5% per annum.

Expressed in Canadian Dollars

8. SHORT-TERM DEBT (Continued)

Convertible debt – short term (Continued)

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. An amount of $3,029 was reclassed from equity component of convertible debt to share capital. A reconciliation of the convertible debt is as follows:

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

On March 28, 2018, the Company entered into an unsecured credit facility agreement with its shareholder and former President and 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 December 31, 2018, $565,000 was drawn on the facility, bearing 5% simple interest with repayment due by March 28, 2019Interest of $27,975 was accrued as at that date. On April 20, 2018, the conversion price was amended from $0.10 to $0.06 per share and $162,691 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency.

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 debt is as follows:

Balance, December 31, 2017	$	-
Cash items		
Issuance of convertible debt (Tranche 1)		590,000
Repayment of convertible debt (Tranche 1)		(325,000)
Issuance of convertible debt (Tranche 2)		300,000
Non-cash items		
Repayment of convertible debt (Tranche 1)		28,661
Equity portion of convertible debt (Tranche 1)		(54,272)
Equity portion of convertible debt (Tranche 2)		(7,501)
Interest expense		27,975
Accreted interest		48,115
Balance at December 31, 2018	**$**	**607,978**

9. LONG-TERM DEBT

Convertible debts – long term

The Company has entered into two revolving line of credit facility agreements with its Chief Executive Officer and its former President (collectively the "Lenders"), whom are shareholders of the Company. Both are unsecured, bear simple interest of 5% per annum and are convertible into common shares in the capital of the Company.

9. LONG-TERM DEBT (Continued)

Convertible debts – long term (Continued)

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 September 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 of the Company at the price of $0.10 per share. On April 20, 2018, the conversion price was amended from $0.10 to $0.06 per share and $845,130 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. On June 5, 2018, $280,752 of the principal amount and $19,248 of the interest amount was converted to equity at the conversion price of $0.06 per common share, for a total of 5,000,000 shares. As at December 31, 2018, the Company has drawn $1,719,248 (2017 - $2,000,000) under the facility agreement and has accrued interest of $171,688 (2017 - $79,949).

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 amended from $0.10 per unit to $0.06 per unit and $372,234 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. As at December 31, 2018, the Company has drawn $900,500 (2017 - $900,500) under the facility agreement and has accrued interest $60,308 (2017 - $15,283).

On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of an unsecured convertible promissory note bearing simple interest at 5% per annum. This promissory note was added to the second facility above. Thereby, the terms of the facility entered into on May 9, 2017 apply to the January 26, 2018 agreement. On April 20, 2018, the conversion price was amended from $0.10 per unit to $0.06 per unit and $202,603 (2017 - $nil) was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. As at December 31, 2018, the Company has accrued interest of $23,288 (2017 - $nil) on this promissory note.

On November 13, 2018, the Lenders signed a wavier to waive the right to demand the funds for all above loans until after January 31, 2020 and $177,981 was recorded in reserves as a result of the amended term.

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.

Expressed in Canadian Dollars

9. LONG TERM DEBT (Continued)

Convertible debts – long term (Continued)

Balance, December 31, 2016	$	-
Cash items		
Issuance of convertible debt		2,900,500
Non-cash items		
Equity portion of convertible debt		(512,657)
Interest expense		95,232
Accreted interest		156,434
Balance, December 31, 2017	**$**	**2,639,509**
Cash items		
Issuance of convertible debt		500,000
Non-cash items		
Debt conversion		(300,000)
Equity portion of convertible debt		(87,662)
Interest expense		178,300
Accreted interest		291,722
Gain on modification		(177,981)
Balance at December 31, 2018	**$**	**3,043,888**

10. 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. The number of common shares, warrants and options and the price per share has been adjusted to reflect the Stock Split. The record date of the Stock Split was May 24, 2018.

Authorized

The Company is authorized to issue an unlimited number of common Class “A” voting shares without par value. There were 390,188,905 common shares of the Company issued and outstanding as at December 31, 2018.

Escrow shares

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

At December 31, 2018, there were 90,786,800 (2017 - 148,930,200) common shares, 6,100,000 (2017 - 17,025,000) stock options, 1,080,000 (2017 - 1,620,000) warrants and convertible debentures in the principal amount of $2,295,000 (2017 - $2,295,000) held in escrow.

The terms of the securities held in escrow are as follows:

- 1/4 of escrow securities to be released on the Company’s listing date;
- 1/3 of escrow securities to be released 6 months after the listing date;
- 1/2 of escrow securities to be released 12 months after the listing date;
- Remaining escrow securities to be released 18 months after the listing date.

Expressed in Canadian Dollars

10. SHARE CAPITAL (Continued)

Issuance

During the year ended December 31, 2018, the Company issued:

- 2,225,365 common shares for services fair valued at $125,596 (expensed under consulting fees);
- 5,772,875 common shares for early partial debt conversion of $363,840;
- 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 gross 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 fair valued at $140,060. All warrants issued with the Private Placement expire on June 29, 2020. Cash share issuance cost of $185,930 was incurred; and
- 2,950,000 warrants were exercised for issue of 2,950,000 common shares at an exercise price of $0.10 per share for gross proceeds of $295,000.

During the year ended December 31, 2017, the Company issued:

- 41,334,335 common shares in connection with the Transaction (Note 2);
- 10,000 common shares fair valued at $926 for which proceeds were received in fiscal 2016;
- 701,425 common shares for services fair valued at $76,348 (expensed under consulting fees); and
- 339,715 common shares for warrants and options exercised for gross proceeds of $20,377.

11. 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.

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 5)	12,820,515*	$ 0.16
Exercised	(500)	$ 0.05
Balance at December 31, 2017	36,667,855	$ 0.10
Granted	14,401,889	$ 0.10
Expired	(13,000,000)	$ 0.08
Balance at December 31, 2018	**38,069,744**	**$ 0.11**

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

Expressed in Canadian Dollars

11. STOCK OPTIONS (Continued)

As at December 31, 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
January 19, 2019	2,500,000	$ 0.10	1,875,000	$ 0.10	0.05
January 30, 2019	3,901,889	$ 0.14	400,000	$ 0.14	0.08
February 28, 2019	500,000	$ 0.09	375,000	$ 0.09	0.16
May 18, 2019	664,500	$ 0.13	664,500	$ 0.13	0.38
August 29, 2019	1,100,000	$ 0.16	1,100,000	$ 0.16	0.66
September 19, 2019	12,820,515	$ 0.16	12,820,515	$ 0.16	0.72
August 10, 2020	9,249,500	$ 0.05	9,249,500	$ 0.05	1.61
August 31, 2020	1,250,000	$ 0.05	1,250,000	$ 0.05	1.66
June 30, 2021	2,250,000	$ 0.10	2,250,000	$ 0.10	2.49
September 7, 2021	1,333,340	$ 0.06	1,333,340	$ 0.06	2.69
March 12, 2022	500,000	$ 0.09	500,000	$ 0.09	3.20
October 20, 2022	2,000,000	$ 0.12	2,000,000	$ 0.12	1.81
Total	**38,069,744**	**$ 0.11**	**33,817,855**	**$ 0.11**	**1.22**

As at December 31, 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	1.38
August 29, 2019	1,100,000	$ 0.16	1.66
September 19, 2019	12,820,515	$ 0.16	1.72
September 19, 2019	500,000	$ 0.10	1.72
August 10, 2020	16,749,500	$ 0.05	2.61
August 31, 2020	1,250,000	$ 0.05	2.66
June 30, 2021	2,250,000	$ 0.10	3.50
September 7, 2021	1,333,340	$ 0.06	3.69
Total	**36,667,855**	**$ 0.10**	**2.33**

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.

Expressed in Canadian Dollars

11. STOCK OPTIONS (Continued)

The Company used the Black-Scholes option pricing model to determine the fair value of 14,401,889 options granted for the year ended December 31, 2018 (2017 - 18,668,355) with a weighted average fair value of $0.06 (2017 - $0.08). The following weighted average assumptions were used with vesting from date of grant for two years:

	2018	2017
Risk-free interest rate	1.95%	1.46%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	113%	110%
Expected option life in years	1.76	2.39
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. During the year ended December 31, 2018, the Company recorded $621,022 (2017 - $315,301) in relation to the vesting of the stock options.

12. 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 - private placement	128,999,750	$ 0.10
Issued - issued for services	1,800,000	$ 0.10
Issued - broker option warrants	6,301,600	$ 0.10
Private placement warrants exercised	(2,950,000)	$ 0.10
Broker option warrants expired	(283,615)	$ 0.06
Balance at December 31, 2018	176,507,350	$ 0.11

As at December 31, 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
June 30, 2019*	21,356,000	21,356,000	$ 0.20	0.50
June 29, 2020	134,151,350	134,151,350	$ 0.10	1.50
July 12, 2022	21,000,000	7,000,000	$ 0.10	3.53
Total	176,507,350	162,507,350	$ 0.11	1.62

* The expiry date for these warrants issued was extended by a year to June 30, 2019.

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 $140,060 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 years, volatility of 118.38%, risk-free rate of 1.90%, and a dividend yield of 0%.

Expressed in Canadian Dollars

12. WARRANTS (Continued)

As at December 31, 2017, 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
June 30, 2018	21,356,000	21,356,000	$ 0.20	0.50
December 21, 2018	283,615	268,615	$ 0.06	0.97
July 12, 2022	21,000,000	7,000,000	$ 0.10	4.53
Total	42,639,615	28,624,615	$ 0.15	2.49

On July 12, 2017, 21,000,000 performance warrants were issued at an exercise price of $0.10 per warrant 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.

During the year ended December 31, 2018, the Company recorded $484,156 (2017 - $918,802) in share-based compensation in relation to the vesting of the warrants. The Company used the Black-Scholes option pricing model to determine the fair value of the warrants issued with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	-	1.79%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	120%
Expected option life in years	-	4.44
Forfeiture rate	-	0.00%

Expressed in Canadian Dollars

13. 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*.

For the years ended December 31,		**2018**		**2017**
Salaries and wages	$	368,782	$	410,863
Management consulting related to business development and research and development		411,364		285,025
	$	780,146	$	695,888

Related Party Transactions

Other related transactions for the years ended December 31, 2018 and 2017 included wages, benefits, royalty and interest.

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the years ended December 31, 2018 and 2017 are as follows.

For the years ended December 31		**2018**		**2017**
Transactions with company controlled by key management personnel				
Rent	$	-	$	10,000
Wages and benefits to employees related to certain officer and past officer		145,337		106,063
Interest payable accrued on loan		1,503		2,975
Royalty		361		563
	$	147,201	$	119,601
Accrued loan interest payable to certain officers and directors of the Company	$	258,493	$	95,232
Stock options and warrants issued to certain officers and directors	$	196,015	$	211,000

Expressed in Canadian Dollars

13. RELATED PARTIES (Continued)

Related Party Payable

As at December 31, 2018, $51,934 (2017 - $54,962) is payable to related parties for services incurred and reimbursement of expenses and recorded in accounts payable and accrued liabilities. All balances are unsecured, non-interest bearing, have no fixed repayment terms and are due on demand.

14. SUPPLEMENTAL CASH FLOW INFORMATION

		2018		2017
Interest expense	$	209,237	$	98,907
Interest paid	$	8,932	$	-
Taxes paid	$	-	$	-
Previously granted options included in prepaid and deposits	$	-	$	1,121,229
Shares issued for services	$	125,596	$	76,348
Shares issued on reverse takeover	$	-	$	4,133,433
Shares issued for Finder's fees	$	235,920	$	-
Broker warrants for private placements	$	140,060	$	-

15. MANAGEMENT OF CAPITAL

The Company manages its shareholders' 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.

As at December 31, 2018, the shareholders' deficiency was $2,285,171 (2017 - $344,340). The Company did not change its approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

Expressed in Canadian Dollars

16. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27.00% (2017 – 26.00%) to the income for the year and is reconciled as follows:

	2018	2017
Loss before income taxes	$ (11,884,130)	$ (7,328,883)
Canadian statutory income tax rate	27%	26%
Expected income tax recovery	(3,208,715)	(1,905,510)
Items not deductible for income tax purposes	1,539,181	(293,495)
Differences on tax rates between Canada and Australia	(25,923)	-
Foreign exchange impact on timing differences	(3,627)	-
Effect of change in future tax rates	-	(76,742)
Reversal of temporary differences	-	672,153
Under/ over provided in prior years	571,072	-
Unused tax losses and tax offsets not recognized	1,087,664	1,506,596
Income tax recovery	$ (40,348)	$ (96,998)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable future taxable income for the recognition of deferred tax assets has been met. The Company carries convertible debt with an equity portion for accounting purposes which gives rise to temporary differences that result in deferred tax liabilities for which deferred tax assets can be recognized, consisting of the following:

	2018	2017
Deferred tax liability on equity component of debt	$ (38,121)	$ (96,998)
Deferred tax asset recognized to offset liability	38,121	96,998
	$ -	$ -

Additionally, the Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2018	2017
Non-capital losses carried forward	$ 12,894,176	$ 7,420,447
Excess of undepreciated capital cost over carrying value of fixed assets	29,199	19,786
Share issuance costs	378,089	233,908
	$ 13,301,464	$ 7,674,141

Expressed in Canadian Dollars

16. INCOME TAXES (Continued)

Non-capital tax losses carried forward

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $11,157,000 and $1,737,000 non-capital losses for Australia income tax purposes. These losses expire as follows:

Year		Amount
2035	$	74,000
2036		1,394,000
2037		5,305,000
2038		4,384,000
Indefinitely		1,737,000
	$	12,894,000

17. FINANCIAL INSTRUMENTS

The Company's financial instruments classified as level 1 in the fair value hierarchy are cash, accounts receivable, 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 risk.

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 and Australian 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 8) and convertible debts (Notes 8 and 9) currently provides 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 December 31, 2018, the Company had working capital of $194,510 compared to working capital at December 31, 2017, of $1,066,337. This included cash of $64,329 (2017 - $104,478) available to meet short-term business requirements and current liabilities of $1,143,359 (2017 - $304,491). 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.

Expressed in Canadian Dollars

17. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2018:

		1 year		2 to 3 years		Total
Convertible debt – short-term (Note 8)	$	922,192	$	-	$	922,192
Convertible debt – long-term (Note 9)		-		1,964,895		1,964,895
Convertible debt – long-term (Note 9)		-		1,009,657		1,009,657
Convertible debt – long-term (Note 9)		-		550,068		550,068
	$	922,192	$	3,524,620	$	4,446,812

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
Callable debt (Note 8)	$	76,202	$	-	$	76,202
Convertible debt – short-term (Note 8)		15,225		-		15,225
Convertible debt – long-term (Note 9)		-		2,195,678		2,195,678
Convertible debt – long-term (Note 9)		-		989,764		989,764
	$	91,427	$	3,185,442	$	3,276,869

Other Market Risk

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 December 31, 2018 and 2017, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

		2018				**2017**		
		US Dollars		Australian Dollars		US Dollars		Australian Dollars
Cash	$	4,981	$	9,850	$	5,531	$	-
Accounts payable and accrued liabilities		(26,792)		(165,377)		(31,599)		-
	$	(21,811)	$	(155,527)	$	(26,068)	$	-

Based on the above, assuming all other variables remain constant, a 10% (2017 - 10%) weakening or strengthening of the Canadian dollar against the US dollar and Australian would result in an increase/decrease of approximately $1,627 (2017 - $3,952) in net income (loss).

Expressed in Canadian Dollars

18. 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:

Years ended December 31,		2018		2017
Product Sales				
Canada	$	5,680	$	4,976
United States		1,729		6,208
Other		8,043		11,050
Total	$	15,452	$	22,234

As at December 31, 2018 and 2017, the Company's long-term assets were located in Canada and Australia as follows:

	2018			2017		
	Canada	**Australia**	**Total**	**Canada**	**Australia**	**Total**
Computer equipment	$ 23,998	$ 2,800	$ 26,798	$ 37,498	$ -	$ 37,498
Computer software	485	-	485	809	-	809
Office equipment	25,867	-	25,867	32,334	-	32,334
Leasehold improvements	70,502	-	70,502	78,796	-	78,796
Total	$ 120,852	$ 2,800	$ 123,652	$ 149,437	$ -	$ 149,437

19. 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. For the year ended December 31, 2018, the Company incurred $149,014 (2017 - $94,656) in rent expense.

Payments committed for the next four years are as follows:

Year		Amount
2019	$	168,064
2020		168,704
2021		168,704
2022		56,988
	$	562,460

The Company has a royalty with a company controlled by its Chief Executive Officer and is obligated to pay a 10% royalty from sales derived from the use of the trademarks purchased from a company controlled by key management personnel.

20. EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended December 31, 2018:

a) On February 11, 2019, the Company issued 6,100,000 units (“Unit(s)”) at a price of $0.05 per unit through a non-brokered private placement offering. Each Unit comprises of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.08 per warrant for a period of two years from the issuance date, subject to acceleration.

   In connection with the private placement offering, the Company issued 160,000 Units to certain finders and 224,000 finder’s warrants. Each finder warrant entitles the holder to acquire one additional common share at a price of $0.08 per share for a period of two years from the issuance date.

b) On February 13, 2019, Mr. Stephen Van Deventer resigned as the Company’s President and Dr. Makarand Jawadekar was appointed as the Company’s President.

c) A total of 6,901,889 stock options expired unexercised.