PreveCeutical Medical Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

Unaudited - Expressed in Canadian Dollars

NOTICE TO READER

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

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

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

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Financial Position

Unaudited - Expressed in Canadian Dollars

As at		March 31, 2020		December 31, 2019
ASSETS				
Current				
Cash	$	**30,451**	$	28,480
Accounts receivable		**90,828**		95,574
Prepaid and deposits (Note 4)		**6,566**		164,193
		127,845		288,247
Deposits (Note 4)		**97,865**		89,795
Property, equipment and furniture (Note 5)		**93,984**		98,729
Right-of-use asset (Note 6)		**318,868**		355,613
Intangible assets (Note 7)		**24,475**		25,254
Total assets	$	**663,037**	$	857,638
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 14)	$	**682,010**	$	595,084
Lease liability - short term (Note 6)		**146,979**		146,979
Callable debt (Note 8 and 14)		**330,885**		325,100
Convertible debt - short term (Notes 9 and 14)		**721,548**		767,647
		1,881,422		1,834,810
Lease liability - long term (Note 6)		**176,147**		212,613
Convertible debt - long term (Notes 10 and 14)		**3,406,436**		3,296,995
Total liabilities		**5,464,005**		5,344,418
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 11)		**13,176,958**		13,176,958
Equity portion of convertible debt (Notes 9 and 10)		**2,051,650**		2,051,650
Share-based compensation reserve		**3,109,262**		3,147,970
Reserves		**792,635**		719,923
Accumulated other comprehensive income		**234,798**		101,281
Deficit		**(24,166,271)**		(23,684,562)
Total shareholders' deficiency		**(4,800,968)**		(4,486,780)
Total liabilities and shareholders' deficiency	$	**663,037**	$	857,638

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

Approved on behalf of the Board of Directors

***"Stephen Van Deventer"** Signed*
______________________________ *Director*

*"**Keith Anderson"** Signed*
______________________________ *Director*

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

Unaudited - Expressed in Canadian Dollars

For the three months ended		**March 31, 2020**		March 31, 2019
REVENUE AND MARGIN				
Product sales	**$**	-	$	3,031
Cost of sales		-		763
Gross profit		-		2,268
EXPENSES				
Amortization (Notes 5, 6 and 7)		42,086		43,297
Business development and investor relations		19,985		118,363
Consulting fees (Note 14)		-		2,988
Insurance		2,153		-
Marketing and promotion		600		2,868
Office and general		3,724		3,837
Professional fees		55,190		81,048
Rent, utilities, repair and maintenance (Note 14)		(16,946)		(15,588)
Research and development (Notes 4 and 14)		147,456		696,358
Salaries and wages (Note 14)		14,390		109,441
Share-based compensation (Notes 12 and 13)		406		734
Transfer agent and filing fees		10,710		10,281
Travel and meals		-		3,014
Vehicle expenses		-		2,315
Total expenses		279,754		1,058,956
LOSS FROM OPERATIONS		(279,754)		(1,056,688)
Foreign exchange loss		(139,180)		(11,421)
Accretion expense (Notes 9 and 10)		(84,698)		(68,374)
Interest expense (Notes 6, 8, 9, 10 and 15)		(60,040)		(51,943)
Option payments (Note 19)		42,850		0
Loss before income tax recovery		(520,822)		(1,188,426)
Income tax recovery		0		10,533
Net Loss		(520,822)		(1,177,893)
Item that may be reclassified subsequently to profit or loss				
Foreign exchange gain (loss) on translating foreign operations		133,517		(683)
Comprehensive loss	**$**	(387,305)	$	(1,178,576)
Basic and Diluted Loss per common share	**$**	(0.001)	$	(0.003)
Weighted average number of outstanding shares		396,448,905		393,805,794

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

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

Unaudited - Expressed in Canadian Dollars

	Number of shares	Share Capital Amount $	Equity Component of convertible loan $	Share-based Compensation Reserve $	Reserves $	Accumulated Other Comprehensive Income $	Deficit $	Total $
Balance 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)
Shares issued	6,100,000	305,000	-	-	-	-	-	305,000
Convertible loan equity	-	-	26,547	-	-	-	-	26,547
Shares issued costs	160,000	(21,024)	-	5,824	-	-	-	(15,200)
Debt modification	-	-	-	-	101,786	-	-	101,786
Recognition of deferred tax liability	-	-	(10,533)	-	-	-	-	(10,533)
Share based compensation	-	-	-	734	-	-	-	734
Fair value of expired options	-	-	-	(146,473)	-	-	46,473	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(683)	(1,177,893)	(1,178,576)
Balance at March 31, 2019	**396,448,905**	**13,187,449**	**2,046,374**	**4,095,786**	**279,767**	**(709)**	**(22,664,080)**	**(3,055,413)**
Balance at December 31, 2019	**396,448,905**	**13,176,958**	**2,051,650**	**3,147,970**	**719,923**	**101,281**	**(23,684,562)**	(4,486,780)
Debt modification	-	-	-	-	72,712	-	-	72,712
Share-based compensation	-	-	-	405	-	-	-	405
Fair value of expired options	-	-	-	(39,113)	-	-	39,113	-
Net loss and comprehensive loss for the period	-	-	-	-	-	133,517	(520,822)	(387,305)
Balance as at March 31, 2020	**396,448,905**	**13,176,958**	**2,051,650**	**3,109,262**	**792,635**	**234,798**	**(24,166,271)**	**(4,800,968)**

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

Unaudited - Expressed in Canadian Dollars

Three months ended March 31,		**2020**		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(520,822)**	$	(1,177,893)
Adjustments to net loss:				
Amortization - capital and intangible assets		**5,341**		6,967
Amortization - right-of-use assets		**36,745**		36,330
Share-based compensation		**404**		734
Accretion expenses		**84,698**		68,374
Accrued interest		**55,191**		47,706
Income tax recovery		**-**		(10,533)
		(338,443)		(1,028,315)
Change in cash on working capital items:				
Accounts receivable		**4,745**		4,307
Prepaid expenses and deposits		**149,557**		126,601
Accounts payable and accrued liabilities		**86,926**		265,149
Net cash used in operating activities		**(97,215)**		(632,258)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of common shares net of share issue costs		**-**		289,800
Lease liability payments		**(36,466)**		(36,330)
Proceeds from short-term debt		**1,950**		0
Proceeds from convertible debt		**-**		380,000
Net cash provided by financing activities		**(34,516)**		633,470
Effect of change in foreign currency		**133,702**		(648)
Change in cash, during the period		**1,971**		**564**
Cash, beginning of the period		**28,480**		64,329
Cash, end of the period	**$**	**30,451**	**$**	64,893

Supplemental Cash Flow Information (Note 15)

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

Unaudited - Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

PreveCeutical Medical Inc. (the “Company”) was incorporated on December 15, 2014, under the laws of British Columbia. 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.

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).

The condensed consolidated interim 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 condensed consolidated interim 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 March 31, 2019, the Company had a deficit that 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. One of the unprecedented challenges arising from the COVID-19 pandemic is the impact this has had on the investment market and the Company’s ability to raise capital. The Company is taking actions to maintain solvency, including temporarily laying off two of its employees and implementing other cost cutting measures.

As at March 31, 2020 and December 31, 2019, the Company reported the following:

	Three Months Ended March 31, 2020	Year Ended December 31, 2019
Net loss for the period/year	$ 520,822	$ 3,578,900
Working capital deficiency	$ 1,753,577	$ 1,546,563
Deficit	$ 24,166,271	$ 23,684,562

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* using accounting policies consistent with IFRS, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on June 1, 2020.

Effective January 1, 2019, the Company adopted IFRS 16 Leases (“IFRS 16”). IFRS 16 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

Basis of Measurement

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

2. BASIS OF PREPARATION (Continued)

Basis of Measurement (Continued)

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

Principles of Consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2019.

Critical Accounting Estimates and Judgments

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

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

Critical Accounting Estimates

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

- **Intangible assets – useful life**

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

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

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

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

- **Income tax**

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Estimates (Continued)

- **Convertible debts**

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

- **Share-based compensation**

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

- **Right-of-use asset and lease liability**

  The right of use asset and lease liability is measured by discounting the future lease payments at incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

- **Accounts receivable**

  The accounts receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

Critical Accounting Judgments

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

- **Intangible assets**

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

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

- **Research and development expenditures**

  Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and

Unaudited - Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Judgments (Continued)

Research and development expenditures (Continued)

applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at March 31, 2020.

- **Going concern assumption**

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

- **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.

- **Modification versus 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.

- **Right of Use Assets and Lease Liability**

  For right of use assets and lease liability, the Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

4. PREPAID AND DEPOSITS

	March 31, 2020	December 31,2019
Current		
R&D supply prepaid – short-term	-	116,795
Other prepaid and deposits	6,566	47,398
	6,566	164,193
Non-current		
Advance to UniQuest for equipment	70,503	62,432
Office deposit	27,362	27,363
	97,865	89,795
Total prepaid and deposits	**$ 104,431**	**$ 253,988**

The advance to UniQuest Pty Limited ("UniQuest") relates to prepayments made to UniQuest for the three research and development contracts entered into in the year 2017. Payments made to UniQuest have been recorded as a prepayment and amounts for work completed are expensed to research and development ("R&D").

The short-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 supplied samples of cannabis-derived products and ingredient information for use by the Company in its R&D program. Each option was 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 options expired on September 19, 2019. The R&D supply deposit is amortized from March 26,

Unaudited - Expressed in Canadian Dollars

4. PREPAID AND DEPOSITS (Continued)

2018, when the first shipment was received, to the end of the agreement, March 20, 2020. For the three months ended March 31, 2020, the final amount of $116,795 (three months ended March 31, 2019 - $140,154) was expensed and recorded as an R&D expense.

5. PROPERTY, EQUPMENT AND FURNITURE

	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
COST	$	$	$	$	$
Balance, December 31, 2018	56,045	1,683	36,221	82,943	176,892
Additions (exchange adjustment)	-	-	-	-	-
Balance, December 31, 2019	56,045	1,683	36,221	82,943	176,892
Additions/(exchange adjustment)	(183)	-	-	-	(183)
Balance, March 31, 2020	**55,862**	**1,683**	**36,221**	**82,943**	**176,709**
ACCUMULATED AMORTIZATION					
Balance, December 31, 2018	29,247	1,198	10,354	12,441	53,240
Additions	11,140	193	5,173	8,417	24,923
Balance, December 31, 2019	40,387	1,391	15,527	20,858	78,163
Additions	1,546	30	1,035	1,951	4,562
Balance, March 31, 2020	**41,933**	**1,421**	**16,562**	**22,809**	**82,725**
Net book value, December 31, 2019	15,658	292	20,694	62,085	98,729
Net book value, March 31, 2020	**13,929**	**262**	**19,659**	**60,134**	**93,984**

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for the headquarter office space in Vancouver, British Columbia. Upon transition to IFRS 16, the Company recognized $502,177 for the ROU asset and $502,177 for a lease liability.

The continuity of the ROU asset and lease liability for the three months ended March 31, 2020, is as follows:

Right-of-use asset		
Value of right-of-use asset as at January 1, 2019	$	502,177
Amortization		(146,564)
Value of right-of-use asset as at December 31, 2019		**355,613**
Amortization		(36,745)
Value of right-of-use asset as at March 31, 2020	**$**	**318,868**

Lease liability		
Lease liability recognized as of January 1, 2019	$	502,177
Lease payments		(163,439)
Lease interest		20,854
Lease liability recognized as of December 31, 2019		359,592
Lease payments		(41,038)
Lease interest		4,572
Lease liability recognized as of March 31, 2020	**$**	**323,126**
Current portion	$	146,979
Long-term portion		176,147
	$	**323,126**

Unaudited - Expressed in Canadian Dollars

7. INTANGIBLE ASSETS

	Trademarks
COST	$
Balance, December 31, 2018	29,806
Additions	1,330
Balance, December 31, 2019	31,136
Additions	-
Balance at March 31, 2020	31,136
ACCUMULATED AMORTIZATION	
Balance, December 31, 2018	2,835
Additions	3,047
Balance, December 31, 2019	5,882
Additions	779
Balance at March 31, 2020	**6,661**
Net book value, December 31, 2019	25,254
Net book value, March 31, 2020	**24,475**

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

On May 29, 2019, the Company entered into a short-term loan agreement with its Chief Executive Officer for $300,000 with a maturity date of November 29, 2019. The loan is unsecured, at an interest rate of 5% per annum, compounded semi-annually and payable on the maturity date. Under the terms of the agreement, the Company granted 5,000,000 transferable bonus common purchase warrants entitling the holder to purchase one common share in the capital of the Company at an exercise price of $0.06 per share for a period of one year from the grant date. The Company has drawn $300,000 on this loan and has accrued $12,785 of interest as at March 31, 2020 (interest accrued at December 31, 2019 was $8,950). The fair value of liability was allocated entirely to the liability component. On February 21, 2020, the maturity date was amended from November 29, 2019 to May 29, 2020.

During the three months ended March 31, 2020, advances, which are unsecured, payable on demand and bearing no interest, were made to the Company by way of short-term loan as follows (total outstanding on March 31, 2020 was $18,100 and at December 31, 2019 was $16,150):

- On March 27, 2020, the Company's Chief Executive Officer lent the Company $1,500. The total amount outstanding at March 31, 2020 was $4,500 ($3,000 outstanding at December 31, 2019).
- An employee related to the Company's Chief Executive Officer lent the Company $450 on February 4, 2020. The total amount outstanding at March 31, 2020 was $6,100 ($5,650 outstanding at December 31, 2019).
- The Company's shareholder and former President had a $3,000 loan outstanding at March 31, 2020 and at December 31, 2019. This amount was loaned to the Company during the year ended December 31, 2019.
- The Company's Chief Financial Officer had a $1,500 loan outstanding at March 31, 2020 and at December 31, 2019. This amount was loaned to the Company during the year ended December 31, 2019.
- A company owned by Company's Chief Executive Officer had a $3,000 loan outstanding as at March 31, 2020 and at December 31, 2019. This amount was loaned to the Company during the year ended December 31, 2019.

Reconciliation of the short-term debt is as follows:

Unaudited - Expressed in Canadian Dollars

8. SHORT-TERM DEBT (Continued)

Balance, December 31, 2018	$	-
Cash items		
Advance		368,650
Repayments		(52,500)
Non-cash items		
Interest expense		8,950
Balance at December 31, 2019	**$**	**325,100**
Advance		1,950
Non-cash items		
Interest expense		3,835
Balance at March 31, 2020	**$**	**330,885**

9. SHORT-TERM CONVERTIBLE DEBT

On March 28, 2018, the Company entered into an unsecured credit facility agreement with its shareholder and former President for $700,000. Under the terms of the agreement, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible into common shares of the Company at the lender's request at $0.10 per share. The original maturity date on the facility was March 28, 2019.

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 the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. On March 28, 2020, the maturity date for the debt was extended from March 28, 2020 to March 29, 2021, and a gain on modification of $72,712 (2019 - $67,666) was recorded in reserve.

As at March 31, 2020 and December 31, 2019, $695,000 was drawn on the facility, bearing 5% simple interest. As at March 31, 2020, interest of $71,139 (December 31, 2019 - $62,476) was accrued.

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

Reconciliation of the short-term convertible debt is as follows:

Balance, December 31, 2018	$	607,978
Cash items		
Issuance of convertible debt		130,000
Non-cash items		
Equity portion of convertible debt		(2,345)
Interest expense		34,501
Accreted interest		65,179
Debt modification		(67,666)
Balance at December 31, 2019	**$**	**767,647**
Non-cash items		
Interest expense		8,663
Accreted interest		17,950
Debt modification		(72,712)
Balance at March 31, 2020	**$**	**721,548**

Unaudited - Expressed in Canadian Dollars

10. 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.

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 March 31, 2020 and December 31, 2019, the Company has drawn $1,949,248 under the facility agreement and at March 31, 2020 has accrued interest of $290,806 (December 31, 2019 - $266,508).

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 the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. As at March 31, 2020, and December 31, 2019, the Company has drawn $975,500 under the facility agreement and as at March 31, 2020 has accrued interest $121,243 (December 31, 2019 - $109,083).

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 was recorded as a loss on the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. As at March 31, 2020, the Company had drawn the full $500,000 and at March 31, 2020 has accrued interest of $54,521 (December 31, 2019 - $48,288) on this promissory note.

On August 1, 2019, the Lenders signed a wavier to waive the right to demand the funds for all of the above loans until after July 31, 2021.

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 long-term convertible debt is as follows:

Balance, December 31, 2018	**$**	**3,043,888**
Cash items		
Issuance of convertible debt		305,000
Non-cash items		
Equity portion of convertible debt		(26,820)
Interest expense		168,595
Accreted interest		280,608
Debt modification		(474,276)
Balance at December 31, 2019	**$**	**3,296,995**
Non-cash items		
Interest expense		42,693
Accreted interest		66,748
Balance at March 31, 2020	**$**	**3,406,436**

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common Class "A" voting shares without par value. There were 396,448,905 common shares of the Company issued and outstanding as at March 31, 2020.

Escrow shares

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

Securities held in escrow as at March 31, 2020 were as follows:

- 22,271,700 Common shares
- 2,087,500 stock options
- 270,000 warrants
- $2,550,000 principal amount convertible debentures

Securities held in escrow as at December 31, 2019 were as follows:

- 44,543,400 Common shares
- 4,175,000 stock options
- 540,000 warrants
- $2,550,000 principal amount convertible debentures

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.

Issuance

There was no equity issuance during the three months ended March 31, 2020.

During the three months ended March 31, 2019, the Company had issued 6,100,0000 Units (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) for a gross value of $305,000 through a non-brokered private placement offering. In connection with the private placement, the Company issued 160,000 units as finders fees, fair valued at $8,000 ($0.05 per unit). The Company also issued 224,000 broker warrants, fair valued at $5,824 (Note 13) and $15,200 in cash as finders' fees for this private placement.

12. STOCK OPTIONS

Stock Option Plan

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

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

Unaudited - Expressed in Canadian Dollars

12. STOCK OPTIONS (Continued)

The changes in stock options outstanding are as follows:

	Number of Stock Options Vested	Weighted Average Exercise Price
Balance at December 31, 2018	38,069,744	$ 0.11
Granted	700,000	$ 0.06
Expired and forfeited	(23,486,904)	$ 0.14
Balance at December 31, 2019	15,282,840	$ 0.07
Forfeited	(500,000)	$ 0.10
Balance at March 31, 2020	**14,782,840**	**$ 0.07**

As at March 31, 2020, 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
April 15, 2020	500,000	$ 0.07	375,000	$ 0.07	0.04
August 10, 2020	7,749,500	$ 0.05	7,749,500	$ 0.05	0.36
August 31, 2020	1,250,000	$ 0.05	1,250,000	$ 0.05	0.42
October 20, 2020	2,000,000	$ 0.13	2,000,000	$ 0.13	0.56
June 30, 2021	1,750,000	$ 0.10	1,750,000	$ 0.10	1.25
September 7, 2021	1,333,340	$ 0.06	1,333,340	$ 0.06	1.44
November 4, 2021	200,000	$ 0.03	200,000	$ 0.03	1.60
Total	**14,782,840**	**$ 0.07**	**14,657,840**	**$ 0.07**	**0.60**

As at March 31, 2019, 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 1, 2019	500,000	$ 0.09	0.08
May 18, 2019	664,500	$ 0.13	0.13
August 29, 2019	1,100,000	$ 0.16	0.41
September 19, 2019	12,820,515	$ 0.16	0.47
August 10, 2020	9,249,500	$ 0.05	1.36
August 31, 2020	1,250,000	$ 0.05	1.42
October 20, 2020	2,000,000	$ 0.13	1.56
June 30, 2021	2,250,000	$ 0.10	2.25
September 7, 2021	1,333,340	$ 0.06	2.44
Total	**31,167,855**	**$ 0.11**	**1.04**

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.

Unaudited - Expressed in Canadian Dollars

12. STOCK OPTIONS (Continued)

Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based compensation recorded in the accompanying condensed consolidated interim statements of operations and comprehensive loss.

The Company used the Black-Scholes option pricing model to determine the fair value of 125,000 options vested during the three months ended March 31, 2019 with a weighted average fair value of $0.09. No options vested for the three months ended March 31, 2020.

The following weighted average assumptions were used with vesting from date of grant for the three months ended March 31, 2019:

	March 31, 2019
Risk-free interest rate	1.81%
Expected dividend yield	0.00%
Expected stock price volatility	123.92%
Expected option life in years	0.16
Forfeiture rate	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these input assumptions can materially affect the fair value estimate. For the three months ended March 31, 2020, the Company recorded $406 ($734 for the three months ended March 31, 2019) in relation to the vesting of the stock options.

13. WARRANTS

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2018	176,507,350	$ 0.11
Issued - private placement	6,100,000	$ 0.08
Issued - broker option warrants	384,000	$ 0.08
Issued – debt arrangement	5,000,000	$ 0.06
Expired – private placement	(21,356,000)	$ 0.20
Balance at March 31, 2020 and December 31, 2019	**166,635,350**	**$ 0.10**

As at March 31, 2020, 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**
May 28, 2020	5,000,000	5,000,000	$ 0.06	0.16
June 29, 2020	134,151,350	134,151,350	$ 0.10	0.25
February 11, 2021	6,484,000	6,484,000	$ 0.08	0.87
July 12, 2022	21,000,000	7,000,000	$ 0.10	2.28
Total	**166,635,350**	**152,635,350**	**$ 0.10**	**0.36**

For the February 2019 Private Placement, a total of 384,000 broker warrants were issued as finders' fees. 160,000 of these warrants were part of the units issued and 224,000 were broker warrants. For the 224,000 broker warrants, with an exercise price of $0.08 for a term of two years, the Company recorded an estimated issuance cost of $5,824. The estimate was based on the Black-Scholes option pricing model with an expected life of 2 years, volatility of 120.45%, risk-free rate of 1.79%, and a dividend yield of 0%.

Unaudited - Expressed in Canadian Dollars

13. WARRANTS (Continued)

As at March 31, 2019, 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	0.25
June 29, 2020	134,151,350	134,151,350	$ 0.10	1.25
February 11, 2021	6,484,000	6,484,000	$ 0.08	1.87
July 12, 2022	21,000,000	7,000,000	$ 0.10	3.28
Total	182,991,350	168,991,350	$ 0.11	1.23

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

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.

14. 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
Makarand Jawadekar	President, Director, Chief Scientific Officer	Management Services
Shabira Rajan	CFO and Controller	Management Services
Harendra Parekh	Chief Research Officer	Management Services
Kimberly Van Deventer	Director, PreveCeutical (Australia)	Management Services
Keith Anderson	Director	Directors fees
Mark Lotz	Director	Directors fees

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

Three months ended March 31,		**2020**		**2019**
Salaries and wages	$	7,277	$	57,955
Management consulting		20,379		40,468
	$	27,656	$	98,423

Shared rent and general cost agreement

On November 1, 2018, the Company entered into a shared rent and general cost agreement with Asterion Cannabis Inc. ("Asterion"), whereby Asterion would reimburse costs related to sharing of the office space which is leased by the Company. Asterion is considered to be a related party as a director and executive officer of the Company is a control person of Asterion.

Unaudited - Expressed in Canadian Dollars

14. RELATED PARTIES (Continued)

Related Party Transactions

Other related transactions for the three months ended March 31, 2020 and 2019 included wages, benefits, royalty, interest and reimbursement for shared rent and general cost from a related company.

Except as disclosed elsewhere in the condensed consolidated interim financial statements, related party transactions for the three months ended March 31, 2020 and 2019 are as follows.

Three months ended March 31,		2020		2019
Wages and benefits to employees and fees to consultant related to certain officer and past officer	$	16,142	$	23,203
Royalty payable to company controlled by key management personnel		-		139
Accrued loan interest payable to certain officers and past officer		55,191		47,706
Shared rent and general cost received from a related company (Asterion)		(24,008)		(22,952)
	$	47,325	$	48,096

As at March 31, 2020, $232,466 (March 31, 2019 - $51,449) 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.

15. SUPPLEMENTAL CASH FLOW INFORMATION

		March 31, 2020		March 31, 2019
Interest expense – debt - accrued	$	55,191	$	47,706
Interest – lease		4,572		4,237
Interest – paid to vendors		277		-
Taxes paid		-		-
Previously granted options included in prepaid and deposits		-		537,256
Shares issued for Finder's fees		-		8,000

16. 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 that 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 March 31, 2020, the shareholders' deficiency was $4,800,968 (December 31, 2019 - $4,486,780). The Company did not change its approach to capital management during the three months ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

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.

Unaudited - Expressed in Canadian Dollars

17. FINANCIAL INSTRUMENTS (Continued)

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 convertible debts (Notes 9 and 10) 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.

As at March 31, 2020, the Company had a working capital deficiency of $1,753,577 compared to a working capital deficiency at December 31, 2019, of $1,546,563. This included cash of $30,451 (December 31, 2019 - $28,480) available to meet short-term business requirements and current liabilities of $1,881,422 (December 31, 2019 - $1,834,810). The Company will require additional financing in the future to meet its obligations. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at March 31, 2020:

		1 year		2 to 3 years		Total
Short-term debt (Note 8)	$	330,885	-	-	$	330,885
Convertible debt – short-term (Note 9)		766,138		-		766,138
Convertible debt – long-term (Note 10)		-		2,240,055		2,240,055
Convertible debt – long-term (Note 10)		-		1,096,743		1,096,743
Convertible debt – long-term (Note 10)		-		554,521		554,521
	$	1,097,023	$	3,891,319	$	4,988,342

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2019:

		1 year		2 to 3 years		Total
Short-term debt (Note 8)	$	325,100		-	$	325,100
Convertible debt – short-term (Note 9)		757,476		-		757,476
Convertible debt – long-term (Note 10)		-		2,215,756		2,215,756
Convertible debt – long-term (Note 10)		-		1,084,583		1,084,583
Convertible debt – long-term (Note 10)		-		548,288		548,288
	$	1,082,576	$	3,848,627	$	4,931,203

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.

Unaudited - Expressed in Canadian Dollars

17. FINANCIAL INSTRUMENTS (Continued)

Other Market Risk (Continued)

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

As at March 31, 2020 and December 31, 2019, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	March 31, 2020		December 31, 2019	
	US Dollars	Australian Dollars	US Dollars	Australian Dollars
Cash	$ -	$ 33,364	$ 6	$ 32,148
Accounts receivable	-	28,738	-	46,946
Accounts payable and accrued liabilities	(62,556)	(64,945)	(48,026)	(38,607)
	$ (62,556)	$ (2,843)	$ (48,020)	$ 40,487

Based on the above, assuming all other variables remain constant, a 10% (2019 - 10%) weakening or strengthening of the Canadian dollar against the US dollar and Australian would result in an increase/decrease of approximately $2,530 (December 31, 2019 - $6,194) in net income (loss).

18. SEGMENTED INFORMATION

The Company did not have any sales revenue during the three months ended March 31, 2020. For the three months ended March 31, 2019, the Company had one reportable segment being the licensing, branding, and marketing nutraceutical and wellness products. Selected segmented financial information is as follows:

Three months ended March 31,	2020	2019
Product Sales		
Canada	$ -	$ 1,381
United States	-	1,650
Other	-	-
Total	$ -	$ 3,031

As at March 31, 2020 and December 31, 2019, the Company's long-term assets were located in Canada and Australia as follows:

	March 31, 2020			December 31, 2019		
	Canada	**Australia**	**Total**	**Canada**	**Australia**	**Total**
Computer equipment	$ 12,948	$ 981	$ 13,929	$ 14,341	$ 1,196	$ 15,537
Computer software	262	-	262	292	-	292
Office equipment	19,659	-	19,659	20,693	-	20,693
Leasehold improvements	60,134	-	60,134	62,207	-	62,207
Right-of-use asset	318,868		318,868	355,613	-	355,613
Total	$ 411,871	$ 981	$ 412,852	$ 453,146	$ 1,196	$ 454,342

19. OPTION PAYMENTS

On July 8, 2019, the Company and Asterion entered into an option to purchase agreement (the "Option Agreement"), whereby the Company has granted to Asterion the right and option (the "Option") to purchase up to 51% of the Company's right, title and interest in and to certain intellectual property rights relating to the Company's sol-gel nasal delivery system for the nose-to-brain delivery of therapeutic formulations, including cannabis and cannabinoids.

Unaudited - Expressed in Canadian Dollars

19. OPTION PAYMENTS (Continued)

Per the Option Agreement, Asterion will make a series of payments totaling $2,652,000. Asterion will acquire The Option upon making all the payments.

Prior to the earlier of ten days after the date of the exercise of the Option in full by Asterion and December 22, 2019, the Company has the right to buy-back all of the earned interest earned by Asterion to the date of the buy back for an amount equal to 150% of the aggregate amount of all cash payments made by Asterion. The Company has to provide a written notice to Asterion of the buy-back intention.

For the three months ended March 31, 2020, the Company received $42,850 (total received to March 31, 2020 is $695,995) under the Option Agreement. This amount has been recorded as an option payment under other income.

Asterion is considered to be a related party as a director and executive officers of the Company is a control person of Asterion.

20. 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 three months ended March 31, 2020, the Company incurred $41,918 (March31, 2019 - $40,834) in rent expense.

Payments committed for the next three years are as follows:

Year	Amount
2020	153,892
2021	168,704
2022	56,988
	$ 379,584

20. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

21. EVENTS AFTER THE REPORTING DATE

Subsequent to the three months ended March 31, 2020:

500,000 stock options with an exercise price of $0.10 were forfeited.

500,000 stock options with an exercise price of $0.07 expired.

On April 14, 2020, the Company received a loan of $40,000 through its bank CIBC under the Canada Emergency Business Account (CEBA) program. This is an interest-free loan up to December 31, 2022. A quarter of the loan ($10,000) is eligible for complete forgiveness if $30,000 is fully repaid on or before December 31, 2022. If the loan cannot be repaid by December 31, 2022, it can be converted into a 3-year term loan charging an interest rate of 5%. The loan is for the Company’s operations.

On May 20, 2020, the Company entered into a debt settlement agreement for full and final payment of a third-party supplier’s outstanding payables in the amount of $198,805.82. 8.643,731 common shares of the Company, at an issuance price of $0.023, were issued for this settlement. All Shares issued pursuant to the Debt Settlement are subject to a hold period of four months and one day.

21. EVENTS AFTER THE REPORTING DATE (Continued)

On May 20,2020, the Company entered into two assignment and assumption agreements whereby certain arm's length assignees (the "Assignees") acquired all of Stephen Van Deventer and Kimberly Van Deventer's right, title, interests and obligations in and under a convertible credit facility agreement dated effective December 9, 2016, as amended, as to the aggregate principal amount of $1,728,811 and the accrued interest thereon in the aggregate amount of $271,189 (the "Assigned Amounts"). The Assignees have elected to convert the Assigned Amounts into an aggregate of 86,956,522 Shares (the "Assignment Conversion") at a price of $0.023 per Share.

There were 492,049,158 common shares of the Company issued and outstanding as at June 1, 2020.