PreveCeutical Medical Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021, and 2020

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, 2021		December 31, 2020
ASSETS				
Current				
Cash	$	**101,441**	$	156,440
Accounts receivable		**81,529**		90,714
Prepaid and deposits (Note 4)		**6,855**		15,853
		189,825		263,007
Deposits (Note 4)		**-**		5,745
Property, equipment and furniture (Note 5)		**8,356**		9,041
Intangible assets (Note 7)		**23,814**		24,659
Total assets	$	**221,995**	$	302,452
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 16)	$	**943,968**	$	893,845
Callable debt (Note 9 and 16)		**364,120**		335,134
Convertible debt - short term (Notes 10 and 16)		**828,375**		801,025
		2,136,463		2,030,004
Long term debt (Note 11)		**60,000**		60,000
Convertible debt - long term (Notes 12 and 16)		**1,350,974**		1,816,402
Total liabilities		**3,547,437**		3,906,406
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 13)		**18,561,945**		17,567,304
Equity portion of convertible debt (Notes 10 and 12)		**893,937**		1,095,962
Share-based compensation reserve		**3,779,206**		3,749,390
Reserves		**1,061,053**		921,329
Accumulated other comprehensive income		**(206,989)**		(19,241)
Deficit		**(27,414,594)**		(26,918,698)
Total shareholders' deficiency		**(3,325,442)**		(3,603,954)
Total liabilities and shareholders' deficiency	$	**221,995**	$	302,452

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,	**2021** $	**2020** $
EXPENSES		
Amortization (Notes 5, 6, and 7)	1,530	42,086
Business development and investor relations	20,955	19,985
Insurance	-	2,153
Office and general	1,883	4,325
Professional fees	37,526	55,190
Rent, utilities, repair and maintenance (Note 16)	1,394	(16,946)
Research and development (Notes 3, 4 and 16)	182,614	147,456
Salaries and wages (Note 16)	71,779	14,390
Share-based compensation (Notes 14 and 15)	29,816	405
Transfer agent and filing fees	29,626	10,710
Travel, vehicle, and meals	252	-
Total expenses	377,375	279,754
LOSS FROM OPERATIONS	(377,375)	(279,754)
Foreign exchange (loss)/gain	185,082	(139,180)
Accretion expense (Notes 10 and 12)	(102,371)	(84,698)
Interest expense (Notes 6, 9, 10, 11 and 12)	(34,350)	(60,040)
Option payments (Note 20)	-	42,850
Loss on debt modification (Note 12)	(189,851)	-
Gain on debt settlement (Notes 13)	22,969	-
Net Loss	(495,896)	(520,822)
Gain Foreign exchange gain(loss) on translating foreign operations	(187,748)	133,517
Comprehensive gain (loss)	(683,644)	(387,305)
Basic and Diluted Loss per common share	(0.0014)	(0.0010)
Weighted average number of outstanding shares	496,494,536	396,448,905

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

Unaudited - Expressed in Canadian Dollars

Three months ended March 31,		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(495,896)**	$	(520,822)
Adjustments to net loss:				
Amortization - capital assets		**1,530**		5,341
Amortization - right-of-use assets		**-**		36,745
Share-based compensation		**29,816**		404
Accretion expenses		**102,371**		84,698
Accrued interest		**33,995**		55,191
Gain on debt settlement		**(22,969)**		-
Loss on modification of convertible debt		**189,851**		-
		(161,302)		(338,443)
Change in cash on working capital items:				
Accounts receivable		**9,185**		4,745
Prepaid expenses and deposits		**14,743**		149,557
Accounts payable and accrued liabilities		**155,123**		86,926
Net cash used in operating activities		**17,749**		(97,215)
CASH FLOWS FROM FINANCING ACTIVITIES				
Lease liability payments		**-**		(36,466)
Proceeds from short-term debt and loans		**25,000**		1,950
Proceeds from convertible debt		**90,000**		-
Net cash provided by financing activities		**115,000**		(34,516)
Effect of change in foreign currency		**(187,748)**		133,702
Change in cash, during the period		**(54,999)**		**1,971**
Cash, beginning of the period		**156,440**		28,480
Cash, end of the period	**$**	**101,441**	**$**	30,451

Supplemental Cash Flow Information (Note 17)

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 588 Broughton Street, Suite 2601, Vancouver, British Columbia, V6G 3E3, Canada and its registered office is at 595 Howe Street, 10th Floor, Vancouver, British Columbia V6C 2T5, 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 may 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, 2021, 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.

Since January 2020, 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. The duration and enduring impact of the COVID-19 outbreak is unknown currently, 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. In 2020, the Company had moved its personnel to remote working environments, and 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.

As at March 31, 2021, and December 31, 2020, the Company reported the following:

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Net loss for the period/year	$ 495,896	$ 3,801,118
Working capital deficiency	$ 1,946,638	$ 1,766,997
Deficit	$ 27,414,594	$ 26,918,698

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, 2020.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on May 28, 2021.

2. BASIS OF PREPARATION (Continued)

Basis of Measurement

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

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

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, 2020.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Estimates (Continued)

- **Income tax**

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

- **Share-based compensation**

  The fair value of stock options granted, and compensatory warrants are measured using the Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, the exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. 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 vest.

- **Convertible debts**

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

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

  The right of use asset and lease liability is measured by discounting the future lease payments at an 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.

Unaudited - Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Judgments (Continued)

- **Research and development expenditures**

  Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at March 31, 2021.

- **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 the 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, 2021	December 31,2020
Current		
Advance to UniQuest for projects	-	658
Other prepaid and deposits	6,855	15,195
	6,855	**15,853**
Non-current		
Advance to UniQuest for equipment	-	5,745
Total prepaid and deposits	**$ 6,855**	**$ 21,598**

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 were recorded as a prepayment and amounts for work completed were expensed to research and development ("R&D").

Other prepaids and deposits relate to annual payment for service that is amortized over the twelve months.

Unaudited - Expressed in Canadian Dollars

5. PROPERTY, EQUIPMENT AND FURNITURE

	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
COST	$	$	$	$	$
Balance, December 31, 2019	56,045	1,683	36,221	82,943	176,892
Disposals	(8,593)	(1,683)	(36,221)	(82,943)	(129,440)
Balance, December 31, 2020	47,452	-	-	-	47,452
Additions	-	-	-	-	-
Balance, March 31, 2021	**47,452**	**-**	**-**	**-**	**47,452**
ACCUMULATED AMORTIZATION					
Balance, December 31, 2019	40,387	1,391	15,527	20,858	78,163
Additions	5,149	56	2,017	3,456	10,678
Disposals	(7,125)	(1,447)	(17,544)	(24,314)	(50,430)
Balance, December 31, 2020	38,411	-	-	-	38,411
Additions	685	-	-	-	685
Balance, March 31, 2021	**39,096**	**-**	**-**	**-**	**39,096**
Net book value, December 31, 2020	9,041	-	-	-	9,041
Net book value, March 31, 2021	**8,356**	**-**	**-**	**-**	**8,356**

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company had a lease agreement for office space in Vancouver, British Columbia. Upon transition to IFRS 16 *Leases,* effective January 1, 2019, the Company recognized $502,177 for the ROU asset and $502,177 for a lease liability. This lease was terminated on May 30, 2020. The Company recognized a gain on the lease termination of $7,623.

There were no transactions for the ROU asset and liability during the three months ended March 31, 2021.

The continuity of the ROU asset and lease liability for the year ended December 31, 2020, is as follows:

Right-of-use asset		
Value of right-of-use asset as at January 1, 2020	$	355,613
Amortization		(61,241)
Lease termination – value of asset		(502,177)
Lease termination – accumulated amortization		207,805
Value of right-of-use asset as at December 31, 2020		**-**

Lease liability		
Lease liability recognized as of January 1, 2020	$	359,592
Lease payments		(64,950)
Lease interest		7,353
Lease termination		(301,995)
Lease liability recognized as of December 31, 2020		**-**

Unaudited - Expressed in Canadian Dollars

7. INTANGIBLE ASSETS

	Trademarks
COST	$
Balance, December 31, 2019	31,136
Additions	2,651
Balance, December 31, 2020	33,787
Additions	-
Balance at March 31, 2021	**33,787**
ACCUMULATED AMORTIZATION	
Balance, December 31, 2019	5,882
Additions	3,246
Balance, December 31, 2020	9,128
Additions	845
Balance at March 31, 2021	**9,973**
Net book value, December 31, 2020	24,659
Net book value, March 31, 2021	**23,814**

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

8. OVERDRAFT FACILITY

On May 19, 2020, PreveCeutical (Australia) entered into an overdraft facility ("Facility") with Australia and New Zealand Banking Group Limited ("ANZ") by which the PreveCeutical (Australia) has temporary access to borrow up to AUD425,000 ($405,663) with a termination date of August 19, 2020. The amount on the Facility was increased to AUD475,000 ($453,388) on June 22, 2020. A loan application fee of AUD475 ($435) was paid. Interest on the outstanding amount on the Facility was Bank Bill Swap Bid Rate ("BBSY") plus a margin of 2.40% per annum payable monthly in addition to a line fee of 2.40% per annum payable quarterly and on termination of the Facility.

Total interest, loan application fee, and overdraft fee, totalling $5,236 (AUD5,654), and the amount drawn on this Facility of $435,084 (AUD $470,514) was paid in full on August 19, 2020. The Company did not have an overdraft facility with ANZ during the three months ended March 31, 2021.

9. 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 warrants were not exercised and expired on May 28, 2020.

The Company has drawn $300,000 on this loan and has accrued $28,620 of interest as at March 31, 2021 (interest accrued at December 31, 2020, was $24,634). 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. On March 5, 2021, the term of the debt was amended to due on demand.

During the three months ended March 31, 2021, 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, 2021, was $35,500 and at December 31, 2020 was $10,500):

- The Company's Chief Executive Officer lent the Company $20,000 on February 19, 2021, and $5,000 on March 26, 2021. The total amount advanced at March 31, 2021 was $29,500 ($4,500 at December 31, 2020).

Unaudited - Expressed in Canadian Dollars

9. SHORT-TERM DEBT (Continued)

- The Company's shareholder and former President had a $3,000 loan outstanding as at March 31, 2021, and at December 31, 2020. 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, 2021, and at December 31, 2020. This amount was loaned to the Company during the year ended December 31, 2019.

Reconciliation of the short-term debt is as follows:

Balance, December 31, 2019		$ 325,100
Cash items		
Advance		2,250
Repayments		(7,900)
Non-cash items		
Interest expense		15,684
Balance at December 31, 2020	**$**	**335,134**
Advance		25,000
Non-cash items		
Interest expense		3,986
Balance at March 31, 2021	**$**	**364,120**

10. 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 conversion price was amended to $0.06 per share on April 20, 2018. The original maturity date on the facility was March 28, 2019.

On March 28, 2019, the maturity date for the debt was extended from March 28, 2019, to March 29, 2020, and a gain on modification of $67,666 was recorded in reserve, and 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 was recorded in reserve.

There were no draws on this facility for three months ended March 31, 2021, and the year ended December 31, 2020. As at March 31, 2021, and December 31, 2020, $695,000 was drawn on the facility, bearing 5% simple interest. As at March 31, 2021, interest of $105,888 (December 31, 2020 - $97,321) 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, 2019	$	767,647
Non-cash items		
Interest expense		34,845
Accreted interest		71,245
Debt modification		(72,712)
Balance at December 31, 2020	**$**	**801,025**
Non-cash items		
Interest expense		8,567
Accreted interest		18,783
Balance at March 31, 2021	**$**	**828,375**

11. LONG-TERM DEBT

On April 14, 2020, the Company received a loan of $40,000 under the Canada Emergency Business Account (CEBA) program. On December 15, 2020, the Company received an additional $20,000 under the program. This is an interest-free loan up to December 31, 2022, $20,000 of which is eligible for complete forgiveness if $40,000 is fully repaid on or before December 31, 2022. If the loan cannot be repaid by December 31, 2022, it will be converted into a 3-year term loan charging an interest rate of 5%. The loan is for the Company's operations.

No repayments were made, and no interest was accrued during the three months ended March 31, 2021.

12. LONG-TERM CONVERTIBLE DEBT

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.

Long-term Convertible Debt 1

The first credit facility agreement was entered into on December 9, 2016, in the principal amount of $1,000,000. The agreement was amended on 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.

On May 11, 2020, and May 15, 2020, the Company entered into two assignment and assumption agreements whereby certain arm's length assignees (the "Assignees") acquired all of the right, title, interests and obligations in and under this convertible credit facility agreement for a principal amount of $1,728,811 and the accrued interest of $271,189. Included in the assignment and assumptions agreement, the conversion price was amended from $0.06 to $0.023 per share and $1,206,521 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. During the year ended December 31, 2020, the assigned debt and accrued interest (aggregate balance of $2,000,000) was converted to for a total of 86,956,522 shares. As a result of the conversion, the equity portion of convertible debt of $2,178,836 was reclassed to share capital and accretion of $214,240 was recognized in profit or loss.

On March 12, 2021, the Company entered into an assignment and assumption agreement whereby certain arm's length assignee (the "Assignee") acquired all of the right, title, interests and obligations in and under this convertible credit facility agreement for a principal amount of $475,637 and the accrued interest of $45,097. Included in the assignment and assumptions agreement, the conversion price was amended from $0.06 to $0.032 per share and $189,851 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. During the three months ended March 31, 2021, the assigned debt and accrued interest (aggregate balance of $520,734) was converted for a total of 16,272,951 shares. As a result of the conversion, the equity portion of convertible debt of $520,734 was reclassed to share capital and accretion of $56,401 was recognized in profit or loss.

During the three months ended March 31, 2021, the Company drew a total of $90,000 under this facility. As at March 31, 2021 the Company has drawn $Nil (December 31, 2020 - $384,638) under the facility agreement and has accrued interest of $Nil (December 31, 2020 - $41,488).

Long-term Convertible Debt 2

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

As at March 31, 2021, and December 31, 2020, the Company has drawn $975,500 under the facility agreement and has accrued interest of $170,018 (December 31, 2020 - $157,991).

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. Thereby, the terms of the facility entered into on May 9, 2017, apply to the January 26, 2018, agreement.

Unaudited - Expressed in Canadian Dollars

12. LONG-TERM CONVERTIBLE DEBT (Continued)

Long-term Convertible Debt 2 (Continued)

On April 20, 2018, the conversion price was amended from $0.10 per unit to $0.06 per unit.

As at March 31, 2021, and December 31, 2020, the Company has drawn the full $500,000 and has accrued interest of $79,521 (December 31, 2020 - $73,356) on this promissory note.

On September 1, 2020, the Lenders signed a waiver to waive the right to demand the funds for all of the above loans until after April 1, 2024. During the three months ended March 31, 2021, the Company recorded a $139,724 gain on modification of the debt in reserve.

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, 2019	**$**	**3,296,995**
Cash items		
Issuance of convertible debt		165,200
Non-cash items		
Equity portion of convertible debt		(22,777)
Interest expense		120,146
Accreted interest		385,533
Debt modification		(128,695)
Debt conversion – principal		(1,728,811)
Debt conversion – interest		(271,189)
Balance at December 31, 2019	**$**	**1,816,402**
Cash items		
Issuance of convertible debt		90,000
Non-cash items		
Interest expense		21,442
Accreted interest		83,588
Debt modification		(139,724)
Debt conversion – principal		(475,637)
Debt conversion – interest		(45,097)
Balance at March 31, 2021	**$**	**1,350,974**

13. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common Class “A” voting shares without par value. There were 511,703,359 common shares of the Company issued and outstanding as at March 31, 2021.

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.

The final release from the escrow agreement was conducted on July 14, 2020. The escrow is now complete, and there were no securities held in escrow as at March 31, 2021, and December 31, 2020.

Unaudited - Expressed in Canadian Dollars

13. SHARE CAPITAL (Continued)

Issuance

Share issuance during the three months March 31, 2021, consisted of:

- 16,272,951 common shares issued on March 12, 2021, at a conversion price of $0.032 in relation to a convertible debt conversion in the amount of $520,734 (principal amount of $475,637 and interest amount of $45,097). (Note 12).
- 3,281,250 common shares issued on March 12, 2021; fair valued at $82,031 to settle two arm's length creditors' outstanding payment of $105,000. A gain on the settlement of debt of $22,969 was recorded.

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

14. 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 Granted	Weighted Average Exercise Price
Balance at December 31, 2019	15,282,840	$ 0.070
Granted	7,000,000	$ 0.047
Exercised	(100,000)	$ 0.025
Expired and forfeited	(4,750,000)	$ 0.094
Balance at December 31, 2020	**17,432,840**	**$ 0.054**
Granted	2,000,000	$ 0.040
Balance at March 31, 2021	**19,432,840**	**$ 0.052**

As at March 31, 2021, the Company had the following stock options outstanding and exercisable:

Date of Expiry	Number Outstanding	Weighted Average Outstanding Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
June 30, 2021	1,250,000	$0.100	1,250,000	$0.100	0.25
September 7, 2021	1,333,340	$0.060	1,333,340	$0.060	0.44
November 4, 2021	100,000	$0.025	100,000	$0.0025	0.60
June 29, 2022	5,000,000	$0.050	5,000,000	$0.050	1.25
August 10, 2022	6,499,500	$0.050	6,499,500	$0.050	1.36
August 31, 2022	1,250,000	$0.050	1,250,000	$0.050	1.42
September 22, 2022	2,000,000	$0.040	1,500,000	$0.040	1.48
February 14, 2023	1,000,000	$0.040	250,000	$0.040	1.88
March 14, 2023	1,000,000	$0.040	250,000	$0.040	1.96
Total	**19,432,840**	**$0.052**	**17,432,840**	**$0.053**	**1.27**

Unaudited - Expressed in Canadian Dollars

14. STOCK OPTIONS (Continued)

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**

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:

- 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 financial statements of operations and comprehensive loss.

The Company used the Black-Scholes option pricing model to determine the fair value of 1,000,000 options vested during the three months ended March 31, 2021, with a weighted average fair value of $0.028. No options were vested for the three months ended March 31, 2020.

The following weighted average assumptions were used with vesting from the date of grant for the three months ended March 31, 2021:

	March 31, 2021
Risk-free interest rate	0.26%
Expected dividend yield	0.00%
Expected stock price volatility	154.72%
Expected option life in years	1.75
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, 2021, the Company recorded $29,816 ($406 for the three months ended March 31, 2020) in relation to the vesting of the stock options.

15. WARRANTS

Changes in warrants outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2019	166,635,350	$ 0.10
Expired - private placement	(134,151,350)	$ 0.10
Expired – debt arrangement	(5,000,000)	$ 0.06

Unaudited - Expressed in Canadian Dollars

15. WARRANTS (Continued)

	Number of Warrants	Weighted Average Exercise Price
Balance December 31, 2020	**27,484,000**	**$ 0.10**
Expired - private placement	(6,100,000)	$ 0.08
Expired - broker option warrants	(384,000)	$ 0.08
Balance at March 31, 2021	**21,000,000**	**$ 0.10**

As at March 31, 2021, the Company had the following warrants outstanding and exercisable:

Date of Expiry	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
July 12, 2022	21,000,000	$ 0.10	1.28
Total	**21,000,000**	**$ 0.10**	**1.28**

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**

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 vested 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.

As at December 31, 2020, all the warrants were vested as the Company has filed the required two patent applications in Australia.

16. 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
James Henderson	Director, PreveCeutical (Australia)	Director and public officer fees

Unaudited - Expressed in Canadian Dollars

16. RELATED PARTIES (Continued)

Key Management Compensation (Continued)

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,		2021		2020
Salaries and wages	$	45,006	$	7,277
Management consulting		19,160		20,379
Directors' fees		62,312		-
	$	126,478	$	27,656

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.

Related Party Transactions

Other related transactions for the three months ended March 31, 2021, and 2020 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, 2021, and 2020 are as follows.

Three months ended March 31,		2021		2020
Wages and benefits to employees and fees to consultant related to certain officer and past officer	$	24,262	$	16,142
Accrued loan interest payable to certain officers and past officer		33,996		47,706
Shared rent and general cost received from a related company (Asterion)		(1,724)		(24,008)
	$	56,534	$	39,840

As at March 31, 2021, $728,989 (March 31, 2020 - $232,466) was payable to related parties for wages, services and reimbursement of expenses. All balances are unsecured, non-interest bearing, have no fixed repayment terms and are due on demand. These amounts are included in accounts payable and accrued liabilities and do not include the loans from certain officers (Note 9).

17. SUPPLEMENTAL CASH FLOW INFORMATION

		March 31, 2021		March 31, 2020
Interest expense – debt - accrued	$	33,996	$	55,191
Interest – lease		-		4,572
Interest – paid to vendors and bank		354		277

18. 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.

Unaudited - Expressed in Canadian Dollars

18. MANAGEMENT OF CAPITAL (Continued)

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. 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, 2021, the shareholders' deficiency was $3,325,442 (December 31, 2020 - $3,603,954). The Company did not change its approach to capital management during the three months ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

19. 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 risks.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian 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 10 and 12) currently provide for interest at 5% per annum. There was no interest on the short-term advances made by the Company's officers and employees. The interest rate on the short-term loan of $300,000 was at 5% per annum compounded semi-annually. There is no interest charged on the long-term debt till December 31, 2022. If the loan cannot be repaid by December 31, 2022, it will be converted into a 3-year term loan charging an interest rate of 5%.

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, 2021, the Company had a working capital deficiency of $1,946,638 compared to a working capital deficiency of $1,766,997 at December 31, 2020. This included cash of $101,441 (December 31, 2020 - $156,440) available to meet short-term business requirements and current liabilities of $2,136,463 (December 31, 2020 - $2,030,004). 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, 2021:

	1 year	2 to 3 years	**Total**
Short-term debt (Note 9)	$ 364,120	-	$ **364,120**
Convertible debt – short-term (Note 10)	800,888	-	**800,888**
Long term debt (Note 11)	-	60,000	**60,000**
Convertible debt – long-term (Note 12)	-	-	**-**
Convertible debt – long-term (Note 12)	-	1,145,518	**1,145,518**
Convertible debt – long-term (Note 12)	-	579,520	**579,520**
	$ 1,165,008	$ 1,785,038	$ **2,950,046**

Unaudited - Expressed in Canadian Dollars

19. 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, 2020:

		1 year		2 to 3 years		Total
Short-term debt (Note 9)	$	335,134	$	-	**$**	**335,134**
Convertible debt – short-term (Note 10)		792,320		-		**792,320**
Long term debt (Note 11)		-		60,000		**60,000**
Convertible debt – long-term (Note 12)		-		427,484		**427,484**
Convertible debt – long-term (Note 12)		-		1,133,491		**1,133,491**
Convertible debt – long-term (Note 12)		-		573,356		**573,356**
	$	**1,127,454**	**$**	**2,194,331**	**$**	**3,321,785**

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 March 31, 2021 and December 31, 2020, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

		March 31, 2021		December 31, 2020
		US Dollars		US Dollars
Cash	$	552	$	570
Accounts payable and accrued liabilities		(98,240)		(88,838)
	$	(97,688)	$	(88,268)

Based on the above, assuming all other variables remain constant, a 10% (2020 - 10%) weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $3,200 (December 31, 2020, - $10,220) in net income (loss).

20. 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.

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 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 buyback intention.

For the three months ended March 31, 2021, the Company did not receive and option payment ($42,850 was received for the three months ended March 31, 2020) under the Option Agreement. This amount was recorded as an option payment under other income.

Unaudited - Expressed in Canadian Dollars

20. OPTION PAYMENTS (Continued)

Asterion is a related party as a director and executive officer of the Company is a control person of Asterion.

21. SEGMENTED INFORMATION

The Company did not have any sales revenue during the three months ended March 31, 2021, and for the three months ended March 31, 2020.

As at March 31, 2021, and December 31, 2020, the Company's long-term assets were located in Canada and Australia as follows:

	March 31, 2021			December 31, 2020		
	Canada	Australia	Total	Canada	Australia	Total
Computer equipment	$ 8,356	$ -	$ 8,356	$ 9,041	$ -	$ 9,041
Deposits	-	-	-	-	5,745	5,745
Intangible assets	23,814	-	23,814	24,659	-	24,659
Total	$ 32,170	$ -	$ 32,170	$ 33,700	$ 5,745	$ 39,445

22. COMMITMENTS

The Company did not have any commitments as at March 31, 2021.