PreveCeutical Medical Inc.

Consolidated Audited Financial Statements

For the years ended December 31, 2022, and 2021

Expressed in Canadian Dollars

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PREVECEUTICAL MEDICAL INC.

Opinion

We have audited the consolidated financial statements of PreveCeutical Medical Inc. and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficiency for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,481,370 during the year ended December 31, 2022 and, as of that date, the Company's working capital deficiency is $4,761,051. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

LANGLEY
600–19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 1, 2022

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

LANGLEY
600–19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

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

PreveCeutical Medical Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
Expressed in Canadian Dollars

	Note		December 31, 2022		December 31, 2021
ASSETS					
Current assets					
Cash		**$**	**5,624**	$	16,064
Accounts receivable	15		**18,549**		54,989
Prepaid and deposits	4		**39,049**		11,619
			63,222		82,672
Equipment	5		**1,372**		2,230
Intangible assets	6		**124,542**		76,299
TOTAL ASSETS		**$**	**189,136**	$	161,201
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	15	**$**	**1,532,716**	$	1,335,988
Callable debt	8,15		**361,457**		398,319
Convertible debt – short term	9,15		**2,870,100**		854,557
Loan	10		**60,000**		-
			4,824,273		2,588,864
Loan	10		**-**		60,000
Convertible debt – long term	11,15		**-**		1,616,352
TOTAL LIABILITIES			**4,824,273**		4,265,216
SHAREHOLDERS' DEFICIENCY					
Share capital	12		**19,308,453**		18,561,945
Equity portion of convertible debt	9,11		**-**		754,821
Share-based compensation reserve			**1,306,639**		3,720,675
Reserves			**1,827,880**		1,202,310
Accumulated other comprehensive income			**181,608**		182,722
Deficit			**(27,259,717)**		(28,526,488)
TOTAL SHAREHOLDERS’ DEFICIENCY			**(4,635,137)**		(4,104,015)
TOTAL LIABILITIES AND SHAREHOLDERS’ DEFICIENCY		**$**	**189,136**	$	161,201

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

Approved on behalf of the Board of Directors

*“Stephen Van Deventer ” signed*________ Director

*“Linnéa Olofsson ” signed*______________ Director

PreveCeutical Medical Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended December 31, 2022 and 2021
Expressed in Canadian Dollars

	Note		Year ended December 31, 2022		2021
EXPENSES					
Amortization	5,6	**$**	**9,891**	$	5,091
Business development and investor relations			**74,999**		109,672
Office and general			**9,125**		8,937
Professional fees	15		**299,450**		328,356
Rent, utilities, repair and maintenance	15		**3,786**		5,282
Research and development	3,15		**78,423**		62,173
Salaries and wages	15		**187,248**		225,346
Share-based compensation	13		**334,105**		90,066
Transfer agent and filing fees			**61,793**		62,928
Total expenses			**1,058,820**		897,851
LOSS FROM OPERATIONS			**(1,058,820)**		(897,851)
Foreign exchange loss			**(1,417)**		(212,641)
Accretion expense	9,11		**(30,452)**		(329,027)
Interest expense	7,8,9,11,16		**(206,822)**		(137,869)
Impairment of accounts receivable	15		**(38,815)**		-
Gain (loss) on asset disposal	5		**789**		(2,778)
Loss on debt modification	9,11		**(145,833)**		(189,851)
Gain on debt settlement	12		**-**		22,969
LOSS BEFORE INCOME TAX RECOVERY			**(1,481,370)**		(1,747,048)
Income tax recovery			**-**		20,477
NET LOSS			**(1,481,370)**		(1,726,571)
Foreign currency translation adjustment			**(1,114)**		201,963
NET LOSS AND COMPREHENSIVE LOSS		**$**	**(1,482,484)**	$	(1,524,608)
Basic and diluted loss per common share	14	**$**	**(0.003)**	$	(0.003)
Weighted average number of outstanding shares			**521,789,934**		507,953,238

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

PreveCeutical Medical Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the years ended December 31, 2022 and 2021
Expressed in Canadian Dollars

	Share capital							
	Number of shares	Amount	Equity component of convertible loan	Share-based compensation reserve	Reserves	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2020	492,149,158	$17,567,304	$ 1,095,962	$ 3,749,390	$921,329	$ (19,241)	$(26,918,698)	$(3,603,954)
Debt conversion	16,272,951	912,610	(391,876)	-	-	-	-	520,734
Debt modification	-	-	189,851	-	-	-	-	189,851
Debt settlement	3,281,250	82,031	-	-	-	-	-	82,031
Debt extinguishment	-	-	(118,639)	-	280,981	-	-	162,342
Recognition of deferred tax liability	-	-	(20,477)	-	-	-	-	(20,477)
Share-based compensation	-	-	-	90,066	-	-	-	90,066
Fair value of expired options	-	-	-	(112,957)	-	-	112,957	-
Fair value of expired warrants	-	-	-	(5,824)	-	-	5,824	-
Net loss and comprehensive loss for the year	-	-	-	-	-	201,963	(1,726,571)	(1,524,608)
Balance, December 31, 2021	**511,703,359**	**$18,561,945**	**$754,821**	**$ 3,720,675**	**$ 1,202,310**	**$182,722**	**$(28,526,488)**	**$(4,104,015)**
Debt conversion	22,000,000	712,997	(162,997)	-	-	-	-	550,000
Debt modification	-	-	145,833	-	-	-	-	145,833
Share issue costs	-	(6,489)	-	-	-	-	-	(6,489)
Debt settlement	1,600,000	40,000	-	-	-	-	-	40,000
Debt extinguishment	-	-	(737,657)	-	625,570	-	-	(112,087)
Share-based compensation	-	-	-	334,105	-	-	-	334,105
Fair value of expired options	-	-	-	(925,341)	-	-	925,341	-
Fair value of expired warrants	-	-	-	(1,822,800)	-	-	1,822,800	-
Net loss and comprehensive loss for the year	-	-	-	-	-	(1,114)	(1,481,370)	(1,482,484)
Balance, December 31, 2022	**535,303,359**	**$19,308,453**	**$ -**	**$ 1,306,639**	**$ 1,827,880**	**$181,608**	**$(27,259,717)**	**$(4,635,137)**

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

PreveCeutical Medical Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
Expressed in Canadian Dollars

	Years ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**$ (1,481,370)**	$ (1,726,571)
Adjustments for net loss:		
Amortization	**9,891**	5,092
Share-based compensation	**334,105**	90,066
Accretion expense	**30,452**	329,027
Accrued interest	**205,528**	133,966
Deferred income tax recovery	**-**	(20,477)
(Gain) loss on disposal of assets	**(789)**	2,778
Gain on debt settlement	**-**	(22,969)
Impairment of accounts receivable	**38,815**	-
Loss on modification	**145,833**	189,851
	(717,535)	(1,019,237)
Change in cash on working capital items:		
Accounts receivable	**(2,353)**	35,724
Prepaid and deposits	**(26,958)**	9,979
Accounts payable and accrued liabilities	**524,202**	547,144
Net cash used in operating activities	**(222,644)**	(426,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets		(55,199)
Proceeds from sale of equipment	**850**	2,500
Net cash provided by (used in) investing activities	**850**	(52,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue costs	**(6,489)**	-
Proceeds from short-term debt and loans	**218,206**	46,750
Proceeds from convertible debt	**-**	90,000
Proceeds from overdraft facility	**-**	143,051
Repayment of overdraft facility	**-**	(143,051)
Net cash provided by financing activities	**211,717**	136,750
Effect of change in foreign currency	**(363)**	201,963
Change in cash, during the year	**(10,440)**	(140,376)
Cash, beginning of year	**16,064**	156,440
Cash, end of year	**$ 5,624**	$ 16,064

Supplemental Cash Flow Information (Note 16)

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

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

PreveCeutical Medical Inc. (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 885 Cambie Street, Suite 2500, Vancouver, British Columbia, V6B 0R6, 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).

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

Several conditions exist that 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 December 31, 2022, 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 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. 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 December 31, 2022 and 2021, the Company reported the following:

	December 31, 2022	December 31, 2021
Net loss for the year	$ 1,481,370	$ 1,726,571
Working capital deficiency	$ 4,761,051	$ 2,506,192
Deficit	$ 27,259,717	$ 28,526,488

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 1, 2023.

2. BASIS OF PREPARATION (Continued)

Basis of Measurement

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

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

Principles of Consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates and Judgments

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

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

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 lives**

  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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Estimates (Continued)

- **Share-based compensation**

  The fair value of stock options granted 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 its historical share price or 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 vest.

- **Convertible debts**

  The convertible debts were separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the 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.

- **Accounts receivable**

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

- **Research and development expenditures**

  Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at December 31, 2022 and 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Judgments (Continued)

- **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**

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

Financial Instruments

Financial Assets

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

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

Financial assets measured at amortized costs

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

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

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

Impairment

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

Financial Liabilities

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

As at December 31, 2022 and 2021, the Company’s financial instruments are comprised of cash, accounts receivable, convertible debt, callable debt, loan, accounts payable and accrued liabilities.

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

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

The Company’s financial instruments are accounted for as follows.

Financial Asset	
Cash	FVTPL
Accounts receivable	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Callable debt	Amortized cost
Loan	Amortized cost
Convertible debt	Amortized cost

Compound Financial Instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

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

Computer equipment	55%

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

Intangible Assets

Recognition and measurement

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

Subsequent expenditure

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

Amortization

Amortization is recorded using the straight-line method and is intended to amortize the cost of the assets over their estimated useful lives. The estimated useful life of the Company's intangible assets is as follows:

Trademarks	10 years
Licenses	20 years

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

Government Assistance

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are applied against the cost of the asset and recognized in profit or loss on a systematic basis over the useful life of the asset. The Company received $Nil (2021 - $297,049) as government grants and is netted against research and development expenses.

Research and Development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. As at December 31, 2022, the Company has not capitalized any research and development costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Non-Financial Assets

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

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

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

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

Share Capital

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

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

Share-based Compensation

The Company has a stock option plan, described in Note 13, which grants stock options to the Company's directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Exchange

Functional currency

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

Foreign currency transaction and balances

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the consolidated balance sheet date;
- Revenues and expenses are translated at the average exchange rate for the period (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in accumulated other comprehensive income (loss).

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Income Taxes

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

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

Loss per Share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

4. PREPAID AND DEPOSITS

As at December 31,		**2022**		**2021**
Prepaid and deposits	$	39,049	$	11,619
Total prepaid and deposits	**$**	**39,049**	**$**	**11,619**

Expressed in Canadian Dollars

5. EQUIPMENT

		Computer Equipment		Total
COST				
Balance, December 31, 2020	$	47,452	$	47,452
Disposals		(26,319)		(26,319)
Balance, December 31, 2021		21,133		21,133
Disposals		(2,364)		(2,364)
Balance, December 31, 2022	**$**	**18,769**	**$**	**18,769**
ACCUMULATED AMORTIZATION				
Balance, December 31, 2020	$	38,411	$	38,411
Additions		1,532		1,532
Disposals		(21,040)		(21,040)
Balance, December 31, 2021		18,903		18,903
Additions		797		797
Disposals		(2,303)		(2,303)
Balance, December 31, 2022	**$**	**17,397**	**$**	**17,397**
Net book value, December 31, 2021	$	2,230	$	2,230
Net book value, December 31, 2022	**$**	**1,372**	**$**	**1,372**

During the year ended December 31, 2022, the Company sold computer equipment and recognized a gain on disposal of $789 (2021 - loss on disposal of $2,778). During the year ended December 31, 2021, the Company disposed electronics and computer equipment. Some equipment was sold, and some were disposed with no value.

6. INTANGIBLE ASSETS

		Trademarks		License		Total
COST						
Balance, December 31, 2020	$	33,787	$	-	$	33,787
Additions		3,607		51,592		55,199
Balance, December 31, 2021		37,394		51,592		88,986
Additions		-		56,471		56,471
Translation		-		962		962
Balance, December 31, 2022	**$**	**37,394**	**$**	**109,025**	**$**	**146,419**
ACCUMULATED AMORTIZATION						
Balance, December 31, 2020	$	9,128	$	-	$	9,128
Additions		3,559		-		3,559
Balance, December 31, 2021		12,687		-		12,687
Additions		3,739		5,355		9,094
Translation		-		96		96
Balance, December 31, 2022	**$**	**16,426**	**$**	**5,451**	**$**	**21,877**
Net book value, December 31, 2021	$	24,707	$	51,592	$	76,299
Net book value, December 31, 2022	**$**	**20,968**	**$**	**103,574**	**$**	**124,542**

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

During the year ended December 31, 2021, the Company entered a license agreement for the exclusive rights to the delivery of cannabinoids using the sol-gel technology. In accordance with the agreement, the Company must pay a license fee totalling US$80,000 to be paid in two separate instalments. $51,592 (US$40,000) was paid during the year ended December 31, 2021. $56,471 (US$40,000) was paid during the year ended December 31, 2022. Per the terms of the agreement the Company will pay an annual royalty equal to the greater of US$40,000 or 5% of net sales derived from the license, commencing January 1, 2024.

Expressed in Canadian Dollars

7. OVERDRAFT FACILITY

On June 10, 2021, PreveCeutical (Australia) entered into an overdraft facility ("Facility") with Australia and New Zealand Banking Group Limited ("ANZ") by which PreveCeutical (Australia) has temporary access to borrow up to AUD300,000 ($278,850) with a termination date of October 9, 2021. Interest on the outstanding amount on the Facility was the 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. As at December 31, 2021, the overdraft on the Facility was repaid and the Facility was terminated. Total interest, loan application fee, and overdraft fee, totaling $2,492 (AUD2,646), and the amount drawn on the 2021 Facility of $143,051 (AUD153,901) was paid in full on August 25, 2021.

There was no overdraft facility in place as at December 31, 2022 and 2021.

8. CALLABLE 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. 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.

As at December 31, 2022, the Company has drawn $300,000 (2021 - $300,000) on this loan and has accrued $58,457 (2021 - $41,069) of interest.

During the year ended December 31, 2022, 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 December 31, 2022 was $3,000 (2021 - $57,250).

- The Company's Chief Executive Officer lent the Company $53,057 (2021 - $46,750) during the year ended December 31, 2022. The total advanced amount of $104,307 at July 18, 2022 was transferred to the July 18, 2022 Credit Facility (defined under Short-term Convertible Debt). No amount was outstanding as at December 31, 2022 (2021 - $51,250).

- The Company's shareholder and former President's outstanding loan at July 18, 2022, in the amount of $3,000 loan was transferred to the July 18, 2022 Credit Facility (defined under Short-term Convertible Debt). No amount was outstanding as at December 31, 2022 (2021 - $3,000).

- A company owned by the Company's Chief Executive Officer had a $3,000 loan outstanding as at December 31, 2022 and 2021. 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, 2020	$	335,134
Cash item		
Advance		46,750
Non-cash item		
Interest expense		16,435
Balance, December 31, 2021	**$**	**398,319**
Cash item		
Advance		53,057
Non-cash items		
Transferred to July 18, 2022, credit facility		(107,307)
Interest expense		17,388
Balance, December 31, 2022	**$**	361,457

9. SHORT-TERM CONVERTIBLE DEBT

Short-term Convertible Debt 1

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. On March 31, 2021, the term of the credit facility was amended to due on demand.

On March 30, 2022, the Company entered into an assignment and assumption agreement whereby a certain arm's length assignee (the "Assignee") acquired all of the Company's past President's right, title, interests and obligations in and under a convertible credit facility agreement dated effective March 28, 2018, as amended, as to the aggregate principal amount of $206,495 and the accrued interest thereon in the aggregate amount of $43,505 (the "Assigned Amounts"). Included in the assignment and assumptions agreement, the conversion price was amended from $0.06 to $0.025 per share and $145,833 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. The Assignee has elected to convert the Assigned Amounts into an aggregate of 10,000,000 shares at a price of $0.025 per share.

In April 2022 and May 2022, $13,000 and $16,000, respectively, were drawn from the credit facility. The total amount drawn on facility at December 31, 2021, $695,000 and interest of $234,683 was accrued. This facility was terminated on July 18, 2022, and the outstanding principal ($517,505) and accrued interest ($104,679) for a total amount of $622,184 was transferred to the July 18, 2022 Credit Facility described below.

Short-term Convertible Debt 2

On July 18, 2022, the Company entered into a convertible credit facility agreement (the "July 18, 2022 Credit Facility") with the Company's Chief Executive Officer and the Company's past President (collectively, the "Lenders") in the principal amount of $3,000,000 with a simple annual interest rate of 10%. The outstanding loan and interest are payable on demand by giving at least fifteen (15) business days written notice to the Company. Per the July 18, 2022, Credit Facility, any outstanding principal and accrued interest can be converted into fully paid and non-assessable common shares in the capital of the Company at a conversion price of $0.025 per share.

As per the July 18, 2022 Credit Facility, the Lenders consolidated outstanding principal and accrued interest for certain convertible debts (described under each debt) and transferred the aggregate amount of $2,448,786 to this facility. The Lenders transferred short-term advances at July 18, 2022, in the amount of $107,307 and outstanding accounts payables at that date in the amount of $346,056 to this facility.

During the year ended December 31, 2022, $136,149 (2021 - $Nil) was drawn from this credit facility. As at December 31, 2022, the principal outstanding was $2,798,304 (2021 - $Nil) and accrued interest was $71,802 (2021 - $Nil).

On November 11, 2022, the Company entered into an assignment agreement whereby a certain arm's length assignee (the "Assignee") acquired all of the Company's Chief Executive Officer and the Company's past President's right, title, interests and obligations in and under a convertible credit facility agreement dated effective July 18, 2022, as to the aggregate principal amount of $240,000 and the accrued interest thereon in the aggregate amount of $60,000 (the "Assigned Amount"). The Assignee has elected to convert the Assigned Amounts into an aggregate of 12,000,000 shares at a price of $0.025 per share.

Expressed in Canadian Dollars

9. SHORT-TERM CONVERTIBLE DEBT (Continued)

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

Balance, December 31, 2020	$	801,025
Non-cash items		
Interest expense		34,750
Accreted interest		18,782
Balance, December 31, 2021	**$**	**854,557**
Cash item		
Issuance of convertible debt		165,149
Non-cash items		
Principal and interest transferred		2,448,785
Short term debt transferred		107,307
Amounts payable to lenders transferred		346,056
Interest expense		147,841
Accreted interest transferred		(139,498)
Debt conversion - principal		(446,495)
Debt conversion - interest		(103,505)
Principal transferred		(517,505)
Interest transferred		(104,679)
Debt extinguishment		112,087
Balance at December 31, 2022	**$**	**2,870,100**

10. LOAN

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 three-year term loan charging an interest rate of 5%. On January 12, 2022, the repayment deadline was extended to December 31, 2023, and the repayment deadline to qualify for partial forgiveness of up to a third of the value of the loans (up to $20,000) was extended to December 21, 2023. The loan is for the Company’s operations.

No repayments were made, and no interest was accrued during the year ended December 31, 2022.

11. LONG-TERM CONVERTIBLE DEBT

The Company 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 rights, 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 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.

11. LONG-TERM CONVERTIBLE DEBT (Continued)

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. 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 $391,876 was reclassed to share capital and accretion of $56,401 was recognized in profit or loss.

During the year ended December 31, 2022, the Company was drawn $Nil (2021 - $90,000) under this facility and accrued interest of $Nil (2021 - $3,251). As at December 31, 2022 and 2021, $Nil principal and $Nil accrued interest were payable under the facility agreement.

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.

On July 18, 2022, this facility was terminated and the outstanding principal ($975,500) and accrued interest ($237,060) for an aggregate amount of $1,212,560 was transferred to the July 18, 2022 Credit Facility.

As at December 31, 2022, there was no principal or accrued interest outstanding. As at December 31, 2021, the Company had drawn $975,500 under this facility agreement and had accrued interest in the amount of $206,766.

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

On July 18, 2022, this facility was terminated and the outstanding principal ($500,000) and accrued interest ($114,041) for an aggregate amount of $614,041 was transferred to the July 18, 2022 Credit Facility.

As at December 31, 2022 there was no principal or accrued interest outstanding. As at December 31, 2021, the Company had drawn the full $500,000 and had accrued interest in the amount of $98,356.

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 year ended December 31, 2021, the Company recorded a $162,342 gain on deemed extinguishment of debt as a gain on extinguishment of the debt in reserve.

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

Expressed in Canadian Dollars

11. LONG-TERM CONVERTIBLE DEBT (Continued)

Balance at December 31, 2020	**$**	**1,816,402**
Cash item		
Issuance of convertible debt		90,000
Non-cash items		
Interest expense		82,781
Accreted interest		310,245
Debt extinguishment		(162,342)
Debt conversion – principal		(475,637)
Debt conversion – interest		(45,097)
Balance at December 31, 2021	**$**	**1,616,352**
Non-cash items		
Interest expense		40,299
Accreted interest		30,452
Principal transferred		(1,475,500)
Interest transferred		(351,101)
Accreted interest transferred		139,498
Balance at December 31, 2022	**$**	**-**

12. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common Class “A” voting shares without par value. As at December 31, 2022, there were 535,303,359 common shares of the Company issued and outstanding.

Issuance

Share issuance during the year ended December 31, 2022, consisted of:

- 10,000,000 common shares issued on March 30, 2022, at a conversion price of $0.025 in relation to a convertible debt conversion in the amount of $250,000 (principal amount of $206,495 and interest amount of $43,505) (Note 9). The Company incurred $6,489 in legal costs associated with the issuance of the 10,000,000 common shares.
- 1,600,000 common shares issued on March 30, 2022, fair valued at $40,000 to settle two arm’s length creditors’ outstanding payment of $40,000. No gain or loss on the settlement of debt was recorded.
- 12,000,000 common shares issued on November 21, 2022, at a conversion price of $0.025 in relation to a convertible debt conversion in the amount of $300,000 (principal amount of $240,000 and interest amount of $60,000) (Note 9).

Share issuance during the year ended December 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 11).
- 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.

13. 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.

Expressed in Canadian Dollars

13. STOCK OPTIONS (Continued)

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 Vested	Weighted Average Exercise Price
Balance at December 31, 2020	17,432,840	$ 0.054
Granted	3,500,000	$ 0.034
Expired	(1,433,340)	$ 0.028
Balance at December 31, 2021	19,499,500	$ 0.049
Granted	17,000,000	$ 0.025
Expired	(15,999,500)	$ 0.053
Cancelled	(2,000,000)	$ 0.025
Balance at December 31, 2022	**18,500,000**	**$ 0.027**

As at December 31, 2022, 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
February 14, 2023[(1)]	1,000,000	$0.040	1,000,000	$0.040	0.12
March 14, 2023[(1)]	1,000,000	$0.040	1,000,000	$0.040	0.20
September 30, 2023	1,500,000	$0.025	1,500,000	$0.025	0.75
May 31, 2025[(2)]	1,000,000	$0.025	750,000	$0.025	2.41
July 18, 2024	2,000,000	$0.025	2,000,000	$0.025	1.55
July 18, 2027	10,000,000	$0.025	10,000,000	$0.025	4.55
October 19, 2025	2,000,000	$0.025	2,000,000	$0.025	2.80
Total	**18,500,000**	**$0.027**	**18,250,000**	**$0.027**	**3.14**

(1) Subsequent to December 31, 2022, these stock options expired unexercised.
(2) The options are to vest one-fourth on grant date and one-fourth every three months thereafter.

As at December 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 29, 2022	5,000,000	$0.050	5,000,000	$0.050	0.49
June 30, 2022	1,250,000	$0.100	1,250,000	$0.100	0.50
August 10, 2022	6,499,500	$0.050	6,499,500	$0.050	0.61
August 31, 2022	1,250,000	$0.050	1,250,000	$0.050	0.67
September 22, 2022 [(1)]	2,000,000	$0.040	1,000,000	$0.040	0.73
February 14, 2023	1,000,000	$0.040	1,000,000	$0.040	1.12
March 14, 2023	1,000,000	$0.040	1,000,000	$0.040	1.20
September 30, 2023	1,500,000	$0.025	375,000	$0.025	1.75
Total	**19,499,500**	**$0.049**	**17,374,500**	**$0.051**	**0.73**

(1) The options are to vest one-fourth on grant date and one-fourth every three months thereafter.

Expressed in Canadian Dollars

13. STOCK OPTIONS (Continued)

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

- 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 17,000,000 (2021 - 3,500,000) options granted during the year ended December 31, 2022, with a weighted average fair value of $0.019 (2021 - $0.024).

The following weighted average assumptions were used:

	2022	2021
Risk-free interest rate	3.23%	0.36%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	122.22%	145.43%
Expected option life in years	4.00	2.00
Forfeiture rate	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these input assumptions can materially affect the fair value estimate. For the year ended December 31, 2022, the Company recorded $334,105 (2021 - $90,066) in relation to the vesting of the stock options.

14. WARRANTS

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at 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 December 31, 2021	21,000,000	$ 0.10
Expired – performance warrants	(21,000,000)	$ 0.10
Balance December 31, 2022	**Nil**	**$ Nil**

As at December 31, 2022, the Company had no warrants outstanding and exercisable.

As at December 31, 2021, 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
July 12, 2022	21,000,000	21,000,000	$ 0.10	0.53
Total	**21,000,000**	**21,000,000**	**$ 0.10**	**0.53**

Expressed in Canadian Dollars

15. 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, interim CFO and Chairman	Management Services
Makarand Jawadekar	President, Director, Chief Scientific Officer	Management Services
Shabira Rajan	Former CFO and Controller	Management Services
Harendra Parekh	Chief Research Officer	Management Services
Keith Anderson	Director	Director Fees
Mark Lotz	Director	Director Fees
James Henderson	Director, PreveCeutical (Australia)	Director Fees

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

Year ended December 31,		2022		2021
Salaries and wages	$	123,500	$	146,764
Management consulting		201,265		133,673
Directors' fees		12,087		47,660
	$	**336,852**	**$**	**328,097**

Management consulting for the year ended December 31, 2022 and 2021, payable to the Chief Science Officer, was recorded as research and development consulting, and Directors fees is included in Salaries and wages in Consolidated Statements of Operations and Comprehensive Loss.

Option Agreement

On July 8, 2019, the Company and Asterion Cannabis Inc. ("Asterion") entered into an option to purchase agreement (the "Option Agreement"), whereby the Company 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 IP. Refer to Note 20. The Option Agreement was terminated due to non-payment on September 11, 2022.

Shared rent and general cost agreement

On November 1, 2018, the Company entered into a shared rent and general cost agreement with 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. As at December 31, 2022, the Company was owed $Nil net of impairment allowance (2021 - $44,141) for reimbursement of shared costs. During the year ended December 31, 2022, the Company recognized an impairment loss of $38,815 related to the reimbursement of costs owing from Asterion.

Related Party Transactions

Other related transactions for the years ended December 31, 2022 and 2021 included wages, benefits, royalty, interest and reimbursement for shared rent and general cost from a related company.

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the years ended December 31, 2022 and 2021 are as follows:

Year ended December 31,		2022		2021
Wages, benefits and consulting fees to employees and consultants related to certain officers	$	122,069	$	97,048
Accrued loan interest payable to certain officer and past officer		205,528		128,211
Shared rent and general costs received from a related company (Asterion)		(8,499)		(9,553)
Stock options and warrants issued to certain officers and directors		260,340		-
	$	**579,438**	**$**	**215,706**

Expressed in Canadian Dollars

15. RELATED PARTIES (Continued)

Related Party Payable

As at December 31, 2022, $1,161,497 (2021 - $953,405) 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 (Notes 8 and 9).

16. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31,	2022 $	2021 $
Interest expense – debt accrued	205,528	128,211
Interest – paid to vendors and bank	1,294	3,903
Income taxes paid	-	-
Intangible assets included in accounts payable	56,471	-

Change in cash on working capital items includes the transfer of $346,056 of accounts payables to the Lenders to the July 18, 2022 Credit Facility (see Note 9, Short-term Convertible Debt 2).

17. MANAGEMENT OF CAPITAL

The Company manages its shareholders' deficiency as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

As at December 31, 2022, the shareholders' deficiency was $4,635,137 (2021 - $4,104,015). The Company did not change its approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27.00% (2021 - 27.00%) to the income for the year and is reconciled as follows:

	2022	2021
Loss before income taxes	$ 1,481,370	$ 1,747,048
Canadian statutory income tax rate	27%	27%
Expected income tax recovery	(399,970)	(471,703)
Items not deductible for income tax purposes	148,455	222,732
Differences on tax rates between Canada and Australia	(3,644)	(5,502)
Foreign exchange impact on timing differences	422	448
Reversal of temporary differences	(38,418)	(7,274)
Under/ over provided in prior years	(73,176)	64,615
Unused tax losses and tax offsets not recognized	366,331	176,207
Income tax recovery	$ -	$ (20,477)

Expressed in Canadian Dollars

18. INCOME TAXES (Continued)

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

	2022	2021
Deferred tax liability on equity component of debt	$ -	$ (709,327)
Deferred tax asset recognized to offset liability	-	709,327
	$ -	$ -

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

	2022	2021
Non-capital losses carried forward	$17,333,485	$16,121,456
Excess of undepreciated capital cost over carrying value of fixed assets	20,598	27,623
Share issuance costs	13,164	54,023
Debt	703,371	527,377
Intangible assets	9,094	-
	$18,079,712	$16,730,479

Year	Amount
2035	$ 196,000
2036	1,471,000
2037	3,639,000
2038	7,280,000
2039	1,635,000
2040	819,000
2041	800,000
2042	851,000
Indefinitely	644,000
	$ 17,335,000

19. FINANCIAL INSTRUMENTS

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

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on cash and accounts receivable. The Company's cash is held through large Canadian and Australian financial institutions. The carrying amount of cash and accounts receivable represent the maximum exposure to credit risk. At December 31, 2022, the Company had impaired $38,815 (2021 - $nil) owing from Asterion (Note 15). The remaining accounts receivable balance relates to goods and services tax receivable.

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 11) 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. Interest rate on the short-term loan of $300,000 was 5% per annum compounded semi-annually. No interest is charged on the loan until December 31, 2023. If the loan cannot be repaid by December 31, 2023, it will be converted into a three-year term loan charging an interest rate of 5%.

Expressed in Canadian Dollars

19. FINANCIAL INSTRUMENTS (Continued)

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 December 31, 2022, the Company had a working capital deficiency of $4,761,051 compared to a working capital deficiency of $2,506,192 at December 31, 2021. This included cash of $5,624 (2021 - $16,064) available to meet short-term business requirements and current liabilities of $4,824,273 (2021 - $2,588,864). The current liabilities include the July 18, 2022 Credit Facility with the Lenders being the current CEO and past President. 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 December 31, 2022:

	1 year	2 to 3 years	Total
Callable debt (Note 8)	$ 361,457	$ -	**$ 361,457**
Convertible debt – short-term (Note 9)	2,870,100	-	**2,870,100**
Loan (Note 10)	60,000	-	**60,000**
	$ 3,291,557	**$ -**	**$ 3,291,557**

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2021:

	1 year	2 to 3 years	Total
Callable debt (Note 8)	$ 398,319	$ -	**$ 398,319**
Convertible debt – short-term (Note 9)	929,683	-	**929,683**
Loan (Note 10)	-	60,000	**60,000**
Convertible debt – long-term (Note 11)	-	1,182,266	**1,182,266**
Convertible debt – long-term (Note 11)	-	598,356	**598,356**
	$ 1,328,002	**$ 1,840,622**	**$ 3,168,624**

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 monetary assets and liabilities which are held in a currency other than the functional currency.

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

As at December 31, 2022 and 2021, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	December 31, 2022 US Dollars	December 31, 2021 US Dollars
Cash	$ 49	$ 550
Accounts receivable	-	-
Accounts payable and accrued liabilities	(201,843)	(156,686)
	$ (201,794)	$ (156,136)

Expressed in Canadian Dollars

19. FINANCIAL INSTRUMENTS (Continued)

Other Market Risk (Continued)

Based on the above, assuming all other variables remain constant, a 10% (2021 - 10%) weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $20,179 (2021 - $15,614) 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 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.

No payment was received during the year ended December 31, 2022 and 2021 under this Option.

The Option Agreement was terminated on September 11, 2022 due to non-payment of scheduled amounts. Asterion is considered to be a related party as a director and executive officer of the Company is a control person of Asterion.

21. SEGMENTED INFORMATION

The Company has one reportable segment being the licensing, branding, and marketing nutraceutical and wellness products.

As at December 31, 2022 and 2021, the Company's long-term assets were located in Canada and Australia as follows:

December 31,	**2022**			**2021**		
	Canada	**Australia**	**Total**	**Canada**	**Australia**	**Total**
Computer equipment	$ 1,372	$ -	$ 1,372	$ 2,230	$ -	$ 2,230
Intangible assets	20,968	103,574	124,542	24,707	51,592	76,299
Total	$ 22,340	$ 103,574	$ 125,914	$ 26,937	$ 51,592	$ 78,529

22. CONTINGENT LIABILITY

The Company received a Notice of Hearing from the British Columbia Securities Commission ("BCSC") on February 14, 2022 regarding an alleged misrepresentation in breach of certain BCSC policies. The Company anticipates that it will be required to pay certain penalties in respect of this matter but the amount is undetermined at this time.

23. EVENTS AFTER THE REPORTING DATE

a) On January 10, 2023, the Company entered into a license option agreement with a third party pursuant to which the third party has been granted an option to license the sol-gel technology for the delivery of cannabinoid products on an exclusive basis. The third party has been granted exclusive rights to the sol-gel technology from the date of the option agreement to the earlier of December 31, 2023 or the signing of the license agreement.

   If the option to license is exercised, the license agreement is expected to contain certain milestones which will require payments made by the third party to the Company when each milestone is met and approved. The license agreement is also expected to include terms relating to royalty on net sales.

   i) Upfront payment: Upon exercise of the option - EUR 1,000,000.
   ii) Milestone payment 1: Upon the first initiation of a Phase III Clinical Study for a licensed product - EUR 2,000,000.
   iii) Milestone payment 2: Upon first IND application to the US FDA or similar authority in Canada, Australia, or Europe within the territory by the third party or its affiliates for a licensed product - EUR 250,000.
   iv) Milestone payment 3: Upon first NDA approval by the US FDA or similar authority in Canada, Australia, or Europe within the territory by the third party or its affiliates for a licensed product - EUR 1,200,000.
   v) Milestone payment 4: When the first commercial sale of a licensed product after regulatory approval takes place - EUR 3,000,000.

b) On February 17, 2023, the Company issued 3,000,000 stock options to certain directors at an exercise price of $0.03 per common share of the Company, with a term of four years.

c) On March 16, 2023, the Company issued 1,000,000 stock options to a consultant of the Company at an exercise price of $0.03 per common share of the Company, with a term of four years.

d) On April 21, 2023, the Company issued 500,000 stock options to a consultant of the Company at an exercise price of $0.03 per common share of the Company, with a term of four years.