PreveCeutical Medical Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

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 interim consolidated financial statements, they must be accomplished by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 interim consolidated financial statements.

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

PreveCeutical Medical Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2023 and December 31, 2022
Expressed in Canadian Dollars

	Note		June 30, 2023 (unaudited)		December 31, 2022 (audited)
ASSETS					
Current assets					
Cash		$	**2,511**	$	5,624
Accounts receivable			**4,238**		18,549
Prepaid and deposits			**64,709**		39,049
			71,458		63,222
Equipment	4		**1,166**		1,372
Intangible assets	5		**119,458**		124,542
TOTAL ASSETS		$	**192,082**	$	189,136
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	12	$	**1,701,409**	$	1,532,716
Callable debt	6,12		**377,509**		361,457
Convertible debt	7,12		**3,212,211**		2,870,100
Loan	8		**60,000**		60,000
TOTAL LIABILITIES			**5,351,129**		4,824,273
SHAREHOLDERS' DEFICIENCY					
Share capital	9		**19,308,453**		19,308,453
Share-based compensation reserve			**1,293,686**		1,306,639
Reserves			**1,827,880**		1,827,880
Accumulated other comprehensive income			**183,145**		181,608
Deficit			**(27,772,211)**		(27,259,717)
TOTAL SHAREHOLDERS' DEFICIENCY			**(5,159,047)**		(4,635,137)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$	**192,082**	$	189,136

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

Approved on behalf of the Board of Directors

"Stephen Van Deventer " signed Director

"Linnéa Olofsson " signed Director

PreveCeutical Medical Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three and six months ended June 30, 2023 and 2022
Unaudited - Expressed in Canadian Dollars

	Note		Three months ended June 30, 2023		2022		Six months ended June 30, 2023		2022
EXPENSES									
Amortization	4,5	**$**	**2,481**	$	1,105	**$**	**4,970**	$	2,231
Business development and investor relations			**25,283**		15,851		**52,301**		35,346
Office and general			**4,359**		1,496		**11,554**		2,715
Professional fees	12		**45,247**		41,952		**152,392**		81,844
Rent, utilities, repair and maintenance	12		**2,304**		1,093		**4,295**		2,214
Research and development	12		**20,180**		19,289		**40,413**		38,239
Salaries and wages	12		**39,589**		42,658		**79,176**		98,596
Share-based compensation	10		**8,957**		19,996		**86,320**		32,615
Transfer agent and filing fees			**14,160**		30,348		**25,882**		41,051
Total expenses			**162,560**		173,788		**457,303**		334,851
LOSS FROM OPERATIONS			**(162,560)**		(173,788)		**(457,303)**		(334,851)
Foreign exchange (loss) gain			**8,757**		(158,075)		**(4,326)**		(314,910)
Accretion expense	7		**-**		(53,958)		**-**		(160,810)
Interest expense	6,7,13		**(76,775)**		(30,798)		**(150,138)**		(62,067)
Gain on asset disposal	4		**-**		-		**-**		789
Loss on debt modification	7		**-**		-		**-**		(145,833)
NET LOSS			**(230,578)**		(416,619)		**(611,767)**		(1,017,682)
Foreign currency translation adjustment			**1,077**		157,732		**1,537**		314,652
NET LOSS AND COMPREHENSIVE LOSS		**$**	**(229,501)**	$	(258,887)	**$**	**(610,230)**	$	(703,030)
Basic and diluted loss per common share		**$**	(0.000)	$	(0.000)	**$**	**(0.001)**	$	(0.001)
Weighted average number of outstanding shares			**535,303,359**		523,303,359		**535,303,359**		517,663,580

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

PreveCeutical Medical Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the six months ended June 30, 2023 and 2022
Unaudited - 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, 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	10,000,000	379,830	(136,319)	-	-	-	-	243,511
Debt modification	-	-	145,833	-	-	-	-	145,833
Debt settlement	1,600,000	40,000	-	-	-	-	-	40,000
Convertible loan equity	-	-	7,718	-	-	-	-	7,718
Share-based compensation	-	-	-	32,615	-	-	-	32,615
Fair value of expired options	-	-	-	(359,531)	-	-	359,531	-
Net loss and comprehensive loss for the period	-	-	-	-	-	314,652	(1,017,682)	(703,030)
Balance, June 30, 2022	523,303,359	$18,981,775	$772,053	$ 3,393,759	$ 1,202,310	$497,374	$(29,184,639)	$(4,337,368)
Balance, December 31, 2022	535,303,359	$19,308,453	$ -	$ 1,306,639	$ 1,827,880	$181,608	$(27,259,717)	$(4,635,137)
Share-based compensation	-	-	-	86,320	-	-	-	86,320
Fair value of expired options	-	-	-	(99,273)	-	-	99,273	-
Net loss and comprehensive loss for the period	-	-	-	-	-	1,537	(611,767)	(610,230)
Balance, June 30, 2023	**535,303,359**	**$19,308,453**	**$ -**	**$ 1,293,686**	**$ 1,827,880**	**$ 183,145**	**$(27,772,211)**	**$(5,159,047)**

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

PreveCeutical Medical Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2023 and 2022
Unaudited - Expressed in Canadian Dollars

	Six months ended June 30, 2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	**$**	**(611,767)**	$ (1,017,682)
Adjustments for net loss:			
Amortization		**4,970**	2,231
Share-based compensation		**86,320**	32,615
Accretion expense		**-**	160,810
Accrued interest		**150,321**	61,356
Gain on disposal of assets		**-**	(789)
Loss on modification		**-**	145,833
		(370,156)	(615,626)
Change in cash on working capital items:			
Accounts receivable		**14,238**	(5,037)
Prepaid and deposits		**(27,973)**	8,717
Accounts payable and accrued liabilities		**172,560**	207,696
Net cash used in operating activities		**(211,331)**	(404,250)
CASH FLOWS FROM INVESTING ACTIVITY			
Proceeds from sale of equipment		**-**	850
Net cash provided by investing activity		**-**	850
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue costs		**-**	(6,489)
Proceeds from short-term debt and loans		**8,614**	51,057
Proceeds from convertible debt		**199,228**	29,000
Net cash provided by financing activities		**207,842**	73,568
Effect of change in foreign currency		**376**	316,406
Change in cash, during the period		**(3,113)**	(13,426)
Cash, beginning of period		**5,624**	16,064
Cash, end of period	**$**	**2,511**	$ 2,638

Supplemental Cash Flow Information (Note 13)

The accompanying notes are an integral part of these condensed interim consolidated 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 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 condensed interim 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 condensed interim 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 June 30, 2023, 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.

As at June 30, 2023 and December 31, 2022, the Company reported the following:

	Six months ended June 30, 2023	Year ended December 31, 2022
Net loss for the period	$ 611,767	$ 1,481,370
Working capital deficiency	$ 5,279,671	$ 4,761,051
Deficit	$ 27,772,211	$ 27,259,717

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated 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 interim consolidated financial statements do not include all the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 24, 2023.

Basis of Measurement

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

2. BASIS OF PREPARATION (Continued)

Basis of Measurement (Continued)

The condensed interim 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 condensed interim 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

In preparing these condensed interim consolidated 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, 2022.

Critical Accounting Estimates and Judgments

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

- **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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Estimates (Continued)

- **Convertible debts**

  The convertible debts were separated into their liability and equity components on the 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 June 30, 2023.

- **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.

Unaudited - Expressed in Canadian Dollars

4. EQUIPMENT

		Computer Equipment		Total
COST				
Balance, December 31, 2021	$	21,133	$	21,133
Disposals		(2,364)		(2,364)
Balance, June 30, 2023 and December 31, 2022	**$**	**18,769**	**$**	**18,769**
ACCUMULATED AMORTIZATION				
Balance, December 31, 2021	$	18,903	$	18,903
Additions		797		797
Disposals		(2,303)		(2,303)
Balance, December 31, 2022		17,397		17,397
Additions		206		206
Balance, June 30, 2023	**$**	**17,603**	**$**	**17,603**
Net book value, December 31, 2022	$	1,372	$	1,372
Net book value, June 30, 2023	**$**	**1,166**	**$**	**1,166**

5. INTANGIBLE ASSETS

COST		Trademarks		License		Total
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
Additions		3,896		-		3,896
Translation		-		(4,530)		(4,530)
Balance, June 30, 2023	**$**	**41,290**	**$**	**104,495**	**$**	**145,785**
ACCUMULATED AMORTIZATION						
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
Additions		2,064		2,700		4,764
Translation		-		(314)		(314)
Balance, June 30, 2023	**$**	**18,490**	**$**	**7,837**	**$**	**26,327**
Net book value, December 31, 2022	$	20,968	$	103,574	$	124,542
Net book value, June 30, 2023	**$**	**22,800**	**$**	**96,658**	**$**	**119,458**

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.

Unaudited - Expressed in Canadian Dollars

6. 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 June 30, 2023, the Company has drawn $300,000 (December 31, 2022 - $300,000) on this loan and has accrued $65,895 (December 31, 2022 - $58,457) 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.

- 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 June 30, 2023 (December 31, 2022 - $Nil).

- 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 June 30, 2023 (December 31, 2022 - $Nil).

- A company owned by the Company's Chief Executive Officer had a $3,000 loan outstanding as at June 30, 2023 and December 31, 2022. This amount was loaned to the Company during the year ended December 31, 2019.

During the six months ended June 30, 2023 the Company's Chief Executive Officer lent the Company $8,614 in advances, which are unsecured, payable on demand, and bearing no interest. Total outstanding on June 30, 2023 was $11,614 (December 31, 2022 - $3,000).

Reconciliation of the short-term debt is as follows:

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	**$**	**361,457**
Cash item		
Advance		8,614
Non-cash item		
Interest expense		7,438
Balance, June 30, 2023	**$**	377,509

7. CONVERTIBLE DEBT

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

Unaudited - Expressed in Canadian Dollars

7. CONVERTIBLE DEBT (Continued)

Convertible Debt 1 (Continued)

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.

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.

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.

During the six months ended June 30, 2023, $214,685 (December 31, 2022 - $136,149) was drawn from this credit facility. As at June 30, 2023, the principal outstanding was $2,997,526 (December 31, 2022 - $2,798,304) and accrued interest was $214,685 (December 31, 2022 - $71,802).

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

Balance at 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	**$**	**2,870,100**
Cash item		
Issuance of convertible debt		199,228
Non-cash item		
Interest expense accrued		142,883
Balance at June 30, 2023	**$**	**3,212,211**

Unaudited - Expressed in Canadian Dollars

8. 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 31, 2023. The loan is for the Company's operations.

No repayments were made, and no interest was accrued during the six months ended June 30, 2023.

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common Class "A" voting shares without par value. As at June 30, 2023, there were 535,303,359 common shares of the Company issued and outstanding.

Issuance

There was no share issuance during the six months period ended June 30, 2023.

Share issuance during the six months ended June 30, 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 7). 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.

10. STOCK OPTIONS

Stock Option Plan

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

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

The changes in stock options outstanding are as follows:

	Number of Stock Options Vested	Weighted Average Exercise Price
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
Granted	4,500,000	$ 0.030
Expired	(2,000,000)	$ 0.040
Forfeited	(2,000,000)	$ 0.025
Balance at June 30, 2023	**19,000,000**	**$ 0.026**

Unaudited - Expressed in Canadian Dollars

10. STOCK OPTIONS (Continued)

As at June 30, 2023, 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
September 30, 2023	1,500,000	$0.025	1,500,000	$0.025	0.25
May 31, 2025	1,000,000	$0.025	1,000,000	$0.025	1.92
July 18, 2024	2,000,000	$0.025	2,000,000	$0.025	1.05
July 18, 2027	8,000,000	$0.025	8,000,000	$0.025	4.05
October 19, 2025	2,000,000	$0.025	2,000,000	$0.025	2.30
February 17, 2027	3,000,000	$0.030	3,000,000	$0.030	3.64
March 16, 2027	1,000,000	$0.030	1,000,000	$0.030	3.71
April 21, 2027	500,000	$0.030	500,000	$0.030	3.81
Total	**19,000,000**	**$0.026**	**19,000,000**	**$0.026**	**3.05**

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.

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 condensed interim consolidated financial statements of operations and comprehensive loss.

The Company used the Black-Scholes option pricing model to determine the fair value of 4,500,000 options granted and vested during the six months ended June 30, 2023, with a weighted average fair value of $0.019. The weighted average fair value of 1,000,000 options vested during the six months ended June 30, 2022, was $0.0155.

The following weighted average assumptions were used:

Unaudited - Expressed in Canadian Dollars

10. STOCK OPTIONS (Continued)

Six months ended June 30,	**2023**	**2022**
Risk-free interest rate	3.42%	1.18%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	118.55%	149.35%
Expected option life in years	4.00	1.97
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 six months ended June 30, 2023, the Company recorded $86,320 (six months ended June 30, 2022 - $32,615) in relation to the vesting of the stock options.

11. WARRANTS

The changes in warrants outstanding are as follows:

	Number of Warrants	**Weighted Average Exercise Price**
Balance at December 31, 2021	21,000,000	$ 0.10
Expired – performance warrants	(21,000,000)	$ 0.10
Balance June 30, 2023 and December 31, 2022	**Nil**	**$ Nil**

As at June 30, 2023 and December 31, 2022, the Company had no warrants outstanding and exercisable.

12. RELATED PARTIES

Key Management Compensation

The Company's key management consist of the following executive officers and directors:

Name	**Position**	**Nature of transaction**
Stephen Van Deventer	CEO, 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	Former Director	Directors fees
Mark Lotz	Former Director	Directors fees
James Henderson	Director, PreveCeutical (Australia)	Directors fees
Linnea Olofsson	Director	Directors fees
Kathleen Rokita	Director	Directors fees
C. Evan Ballantyne	Director	Directors fees

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

	Three months ended June 30,		**Six months ended June 30,**	
	2023	2022	**2023**	2022
Salaries and wages	$ 31,733	$ 31,662	$ 63,466	$ 63,324
Management consulting	20,575	46,289	62,477	92,239
Directors' fees	1,346	(1,966)	2,732	9,410
	$ 53,654	**$ 75,985**	**$ 128,675**	**$ 164,973**

Management consulting for the six months ended June 30, 2023 and 2022, payable to the Chief Science Officer, was recorded as research and development consulting, and Directors fees is included in Salaries and wages in the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss.

Unaudited - Expressed in Canadian Dollars

12. RELATED PARTIES (Continued)

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 June 30, 2023, the Company was owed $Nil net of impairment allowance (December 31, 2022 - $Nil) 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 six months ended June 30, 2023 and 2022 included wages, benefits, royalty, interest and reimbursement for shared rent and general cost from a related company.

Except as disclosed elsewhere in the condensed interim consolidated financial statements, related party transactions for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Wages, benefits and consulting fees to employees and consultants related to certain officers	$ 27,446	$ 30,749	$ 54,914	$ 61,498
Accrued loan interest payable to certain officer and past officer	46,772	30,466	150,321	61,356
Shared rent and general costs received from a related company (Asterion)	-	(1,436)	-	(2,943)
Stock options and warrants issued to certain officers and directors	-	12,850	58,330	12,850
	$ 74,218	**$ 72,629**	**$ 263,565**	**$ 132,761**

Related Party Payable

As at June 30, 2023, $1,328,797 (December 31, 2022 - $1,161,497) 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 6 and 7).

13. SUPPLEMENTAL CASH FLOW INFORMATION

For the six months ended June 30,	**2023 $**	**2022 $**
Interest expense – debt accrued	150,321	61,356
Interest – paid to vendors and bank	353	711
Income taxes paid	-	-
Intangible assets included in accounts payable	59,102	-

14. 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.

Unaudited - Expressed in Canadian Dollars

14. MANAGEMENT OF CAPITAL (Continued)

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 June 30, 2023, the shareholders' deficiency was $5,159,047 (December 31, 2022 - $4,635,137). The Company did not change its approach to capital management during the six months ended June 30, 2023. The Company is not subject to externally imposed capital requirements.

15. 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 12). 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 7) 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%.

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 June 30, 2023, the Company had a working capital deficiency of $5,279,671 compared to a working capital deficiency of $4,761,051 at December 31, 2022. This included cash of $2,511 (December 31, 2022 - $5,624) available to meet short-term business requirements and current liabilities of $5,351,129 (December 31, 2022 - $4,824,273). 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 June 30, 2023:

	1 year	2 to 3 years	Total
Callable debt (Note 6)	$ 377,509	$ -	**$ 377,509**
Convertible debt (Note 7)	3,212,211	-	**3,212,211**
Loan (Note 8)	60,000	-	**60,000**
	$ 3,649,720	**$ -**	**$ 3,649,720**

Unaudited - Expressed in Canadian Dollars

15. 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, 2022:

	1 year	2 to 3 years	Total
Callable debt (Note 6)	$ 361,457	$ -	**$ 361,457**
Convertible debt (Note 7)	2,870,100	-	**2,870,100**
Loan (Note 8)	60,000	-	**60,000**
	$ 3,291,557	**$ -**	**$ 3,291,557**

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 June 30, 2023 and December 31, 2022, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	June 30, 2023 US Dollars	December 31, 2022 US Dollars
Cash	$ 61	$ 49
Accounts payable and accrued liabilities	(247,025)	(201,843)
	$ (246,964)	$ (201,794)

Based on the above, assuming all other variables remain constant, a 10% (2022 - 10%) weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $32,698 (December 31, 2022 - $20,179) in net income (loss).

16. SEGMENTED INFORMATION

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

As at June 30, 2023 and December 31, 2022, the Company's long-term assets were located in Canada and Australia as follows:

June 30,	**2023**			**2022**		
	Canada	**Australia**	**Total**	**Canada**	**Australia**	**Total**
Computer equipment	$ 1,166	$ -	$ 1,166	$ 1,372	$ -	$ 1,372
Intangible assets	22,799	96,659	119,458	20,968	103,574	124,542
Total	$ 23,965	$ 96,659	$ 120,624	$ 22,340	$ 103,574	$ 125,914

17. 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.