

PreveCeutical Medical Inc.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023

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, judgments 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 September 30, 2024 and December 31, 2023

Expressed in Canadian Dollars

| | Note | September 30, 2024 (unaudited) | December 31, 2023 (audited) |
|---|------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 236 | \$ 1,432 |
| Accounts receivable | | 25,909 | 5,349 |
| Prepaid and deposits | | 313,163 | 56,992 |
| | | 339,308 | 63,773 |
| Equipment | 4 | 2,300 | 961 |
| Intangible assets | 5 | 113,073 | 116,776 |
| TOTAL ASSETS | | \$ 454,681 | \$ 181,510 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 12 | \$ 2,438,332 | \$ 2,065,508 |
| Callable debt | 6,12 | 648,323 | 470,853 |
| Convertible debt - short term | 7,12 | 3,588,338 | 3,363,319 |
| Loan | 8 | - | 60,000 |
| | | 6,674,993 | 5,959,680 |
| Loan - long term | 8 | 62,096 | - |
| TOTAL LIABILITIES | | 6,737,089 | 5,959,680 |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 9 | 19,580,201 | 19,308,453 |
| Share-based compensation reserve | 10 | 1,449,705 | 1,313,011 |
| Reserves | 11 | 1,830,829 | 1,827,880 |
| Accumulated other comprehensive income | | 175,774 | 181,601 |
| Deficit | | (29,318,917) | (28,409,115) |
| TOTAL SHAREHOLDERS' DEFICIENCY | | (6,282,408) | (5,778,170) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY | | \$ 454,681 | \$ 181,510 |

Nature of operations and going concern Note 1)

Events after the reporting date (Note 17)

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 nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

| | Note | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------|-------------------------------------|---------------------|------------------------------------|---------------------|
| | | 2024 | 2023 | 2024 | 2023 |
| EXPENSES | | | | | |
| Amortization | 4,5 | \$ 2,540 | \$ 2,436 | \$ 7,561 | \$ 7,406 |
| Business development and investor relations | | 24,104 | 24,361 | 78,877 | 76,662 |
| Office and general | 10 | 69,253 | 10,052 | 74,988 | 21,606 |
| Professional fees | 12 | 81,069 | 34,776 | 285,950 | 187,168 |
| Rent, utilities, repair and maintenance | | 1,337 | 563 | 3,538 | 4,858 |
| Research and development | 12 | 20,393 | 28,019 | 61,232 | 68,432 |
| Salaries and wages | 12 | 31,603 | 39,450 | 99,260 | 118,626 |
| Share-based compensation | 10 | - | 2,826 | - | 89,146 |
| Transfer agent and filing fees | | 11,188 | 10,640 | 47,732 | 36,522 |
| Total expenses | | 241,487 | 153,123 | 659,138 | 610,426 |
| LOSS FROM OPERATIONS | | | | | |
| | | (241,487) | (153,123) | (659,138) | (610,426) |
| Foreign exchange loss | | (11,873) | (6,806) | (28,715) | (11,132) |
| Interest expense | 6,7,8,12 | (82,386) | (79,706) | (245,255) | (229,844) |
| NET LOSS | | (335,746) | (239,635) | (933,108) | (851,402) |
| Foreign currency translation adjustment | | (2,599) | 38 | (5,827) | 1,575 |
| NET LOSS AND COMPREHENSIVE LOSS | | \$ (338,345) | \$ (239,597) | \$ (938,935) | \$ (849,827) |
| Basic and diluted loss per common share | | \$ (0.001) | \$ 0.000 | \$ (0.002) | \$ (0.002) |
| Weighted average number of outstanding shares | | 536,938,915 | 535,303,359 | 536,112,150 | 535,303,359 |

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 nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

| | Share capital | | Share-based compensation reserve | Reserves | Accumulated other comprehensive income | Deficit | Total |
|--|---------------------|---------------------|--|---------------------|--|-----------------------|----------------------|
| | Number of shares | Amount | | | | | |
| 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 | - | - | 89,146 | - | - | - | 89,146 |
| Fair value of expired options | - | - | (125,073) | - | - | 125,073 | - |
| Net loss and comprehensive loss for the year | - | - | - | - | 1,575 | (851,402) | (849,827) |
| Balance, September 30, 2023 | 535,303,359 | \$19,308,453 | \$ 1,270,712 | \$ 1,827,880 | \$183,183 | \$(27,986,046) | \$(5,395,818) |
| Balance, December 31, 2023 | 535,303,359 | \$19,308,453 | \$ 1,313,011 | \$ 1,827,880 | \$181,601 | \$(28,409,115) | \$(5,778,170) |
| Placement of units | 4,600,000 | 115,000 | - | - | - | - | 115,000 |
| Share issue costs | - | (23,252) | - | 2,949 | - | - | (20,303) |
| Fair value of exercised options | 1,800,000 | 180,000 | (90,000) | - | - | - | 90,000 |
| Stock options granted for services | - | - | 250,000 | - | - | - | 250,000 |
| Fair value of expired options | - | - | (23,306) | - | - | 23,306 | - |
| Net loss and comprehensive loss for the period | - | - | - | - | (5,827) | (933,108) | (938,935) |
| Balance, September 30, 2024 | 541,703,359 | \$19,580,201 | \$ 1,449,705 | \$ 1,830,829 | \$175,774 | \$(29,318,917) | \$(6,282,408) |

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 nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

| | Nine months ended September 30, | |
|--|------------------------------------|------------------|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (933,108) | \$ (851,402) |
| Adjustments for net loss: | | |
| Amortization | 7,561 | 7,406 |
| Share-based compensation | - | 89,146 |
| Accrued interest | 245,255 | 229,656 |
| | (680,292) | (525,194) |
| Change in cash on working capital items: | | |
| Accounts receivable | (20,429) | 15,407 |
| Prepaid and deposits | (5,824) | (51,018) |
| Accounts payable and accrued liabilities | 345,760 | 301,009 |
| Net cash used in operating activities | (360,785) | (259,796) |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| Purchase of property and equipment | (1,077) | - |
| Net cash used in investing activities | (1,077) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds received on the placement of units, net of issuance costs | 105,800 | - |
| Repayment of short-term debt and loans | (73,000) | - |
| Proceeds from short-term debt and loans | 239,210 | 57,200 |
| Proceeds from the exercise of securities | 90,000 | 199,228 |
| Net cash provided by financing activities | 362,010 | 256,428 |
| Effect of change in foreign currency | (1,344) | (573) |
| Change in cash, during the period | (1,196) | (3,941) |
| Cash, beginning of period | 1,432 | 5,624 |
| Cash, end of period | \$ 236 | \$ 1,683 |

Supplemental Cash Flow Information (Note 13)

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

PreveCeutical Medical Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

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 5428 Marine Drive, West Vancouver, British Columbia, V7W 2R2, 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 September 30, 2024, 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 September 30, 2024 and December 31, 2023, the Company reported the following:

| | September 30, 2024 | December 31, 2023 |
|----------------------------|--------------------|-------------------|
| Net loss for the period | \$ 933,108 | \$ 1,274,471 |
| Working capital deficiency | \$ 6,335,685 | \$ 5,895,907 |
| Deficit | \$ 29,318,917 | \$ 28,409,115 |

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, 2023. These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 27, 2024.

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.

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.

PreveCeutical Medical Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

3. MATERIAL ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements, the material accounting policies and the significant judgments made by management in applying the Company's material 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, 2023.

4. EQUIPMENT

| COST | Computer Equipment | |
|--|---------------------------|---------------|
| Balance, December 31, 2022 and December 31, 2023 | \$ | 18,769 |
| Additions | | 1,799 |
| Balance, September 30, 2024 | \$ | 20,568 |
| ACCUMULATED AMORTIZATION | | |
| Balance, December 31, 2022 | \$ | 17,397 |
| Additions | | 411 |
| Balance, December 31, 2023 | | 17,808 |
| Additions | | 460 |
| Balance, September 30, 2024 | \$ | 18,268 |
| Net book value, December 31, 2023 | \$ | 961 |
| Net book value, September 30, 2024 | \$ | 2,300 |

5. INTANGIBLE ASSETS

| COST | Trademarks | | License | | Total |
|---|-------------------|---------------|----------------|----------------|-------------------|
| Balance, December 31, 2022 | \$ | 37,394 | \$ | 109,025 | \$ 146,419 |
| Additions | | 3,896 | | - | 3,896 |
| Translation | | - | | (2,312) | (2,312) |
| Balance, December 31, 2023 | | 41,290 | | 106,713 | 148,003 |
| Translation | | - | | 3,936 | 3,936 |
| Balance, September 30, 2024 | \$ | 41,290 | \$ | 110,649 | \$ 151,939 |
| ACCUMULATED AMORTIZATION | | | | | |
| Balance, December 31, 2022 | \$ | 16,426 | \$ | 5,451 | \$ 21,877 |
| Additions | | 4,129 | | 5,316 | 9,445 |
| Translation | | - | | (95) | (95) |
| Balance, December 31, 2023 | | 20,555 | | 10,672 | 31,227 |
| Additions | | 3,097 | | 4,004 | 7,101 |
| Translation | | - | | 538 | 538 |
| Balance, September 30, 2024 | \$ | 23,652 | \$ | 15,214 | \$ 38,866 |
| Net book value, December 31, 2023 | \$ | 20,735 | \$ | 96,041 | \$ 116,776 |
| Net book value, September 30, 2024 | \$ | 17,638 | \$ | 95,435 | \$ 113,073 |

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 into a license agreement for the exclusive rights to the delivery of cannabinoids using sol-gel technology. In accordance with the agreement, the Company must pay a license fee totaling US\$80,000 in two separate installments. \$51,592 (US\$40,000) was paid during the year ended December 31, 2021. The second installment of \$56,471 (US\$40,000), due in the year ended December 31, 2022, remains outstanding. 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.

PreveCeutical Medical Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

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 September 30, 2024, the Company has drawn \$300,000 (December 31, 2023 - \$300,000) on this loan and has accrued \$84,717 (December 31, 2023 - \$73,457) of interest.

During the three and nine months ended September 30, 2024, the Company's Chief Executive Officer lent the Company \$22,780 and \$239,210 respectively in advances, which are unsecured, payable on demand, and bear no interest, a total of \$73,000 was repaid on this debt during the three and nine-month period ended September 30, 2024. Total outstanding on September 30, 2024 was \$263,606 (December 31, 2023 - \$97,396). Reconciliation of the callable debt is as follows:

| | | |
|------------------------------------|-----------|----------------|
| Balance, December 31, 2022 | \$ | 361,457 |
| Cash item | | |
| Advance | | 94,396 |
| Non-cash items | | |
| Interest expense accrued | | 15,000 |
| Balance, December 31, 2023 | \$ | 470,853 |
| Cash item | | |
| Advance | | 239,210 |
| Repayments | | (73,000) |
| Non-cash item | | |
| Interest expense accrued | | 11,260 |
| Balance, September 30, 2024 | \$ | 648,323 |

7. CONVERTIBLE DEBT

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 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 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 Lenders' rights, 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 three and nine months ended September 30, 2024, \$Nil (December 31, 2023 - \$199,228) was drawn from this credit facility. As at September 30, 2024, the principal outstanding was \$2,997,526 (December 31, 2023 - \$2,997,526) and accrued interest was \$590,812 (December 31, 2023 - \$365,793).

PreveCeutical Medical Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

7. CONVERTIBLE DEBT (Continued)

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

| | | |
|------------------------------------|-----------|------------------|
| Balance, December 31, 2022 | \$ | 2,870,100 |
| Cash item | | |
| Issuance of convertible debt | | 199,228 |
| Non-cash items | | |
| Interest expense accrued | | 293,991 |
| Balance, December 31, 2023 | \$ | 3,363,319 |
| Non-cash items | | |
| Interest expense accrued | | 225,019 |
| Balance, September 30, 2024 | \$ | 3,588,338 |

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 \$20,000 was extended to December 31, 2023. As of September 14, 2023, the deadline for qualifying CEBA loan holders to achieve partial loan forgiveness was further extended to January 18, 2024. For those submitting a refinancing loan application by this date and needing a grace period for finalizing the loan payout, partial loan forgiveness remains possible if the outstanding principal and applicable interest are fully paid by March 28, 2024.

On January 18, 2024, the Company had not fully repaid the CEBA loan, and as a result, it no longer qualifies for the forgiveness incentive offered by the government. Therefore, the outstanding amount of the loan will be subject to the terms outlined, with the loan converting to a three-year term loan at a 5% per annum interest rate starting on January 19, 2024, and the repayment deadline extended to December 31, 2026. No principal payments are required until the maturity date.

As of September 30, 2024, no repayments had been made. The Company accrued interest of \$756 and \$2,096 during the three and nine months ended September 30, 2024 (December 31, 2023 - \$Nil).

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common Class “A” voting shares without par value. As at September 30, 2024, there were 541,703,359 common shares of the Company issued and outstanding.

Issuance

On May 29, 2024, the Company completed the first tranche of a non-brokered private placement, raising \$115,000 by issuing 4,600,000 units at \$0.025 per unit. Each unit includes one common share and one-half of a common share purchase warrant. Each whole warrant allows the holder to purchase one common share at \$0.05 until May 29, 2026. The Company incurred cash share issuance costs of \$20,303 of which \$11,103 were recorded in accounts payable and accrued liabilities as of September 30, 2024. Additionally, 368,000 finders' warrants were issued, with a fair value of \$2,949 calculated using the Black-Scholes option pricing model. Each warrant can be exercised for the purchase of one common share at \$0.05 per share until May 29, 2026.

On September 10, 2024, a consultant of the Company exercised 1,800,000 share purchase options previously granted. The exercise was completed at a price of \$0.05 per share, resulting in the issuance of 1,800,000 common shares and total proceeds of \$90,000 to the Company. The issued shares are subject to a statutory hold period of four months and one day from the exercise date, as per regulatory requirements. Share based compensation reserve of \$90,000 was transferred to share capital in connection with this exercise.

There was no share issuance during the nine months period ended September 30, 2023.

PreveCeutical Medical Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

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, 2022 | 18,500,000 | \$0.027 |
| Granted | 6,900,000 | \$0.030 |
| Expired | (3,500,000) | \$0.034 |
| Forfeited | (2,000,000) | \$0.025 |
| Balance at December 31, 2023 | 19,900,000 | \$0.027 |
| Granted | 5,000,000 | \$0.050 |
| Exercised | (1,800,000) | \$0.050 |
| Expired | (2,000,000) | \$0.025 |
| Balance at September 30, 2024 | 21,100,000 | \$0.030 |

As at September 30, 2024, the Company had the following stock options outstanding and exercisable:

| Date of Expiry | Number Outstanding | Weighted Average Exercise Price | Number Exercisable | Weighted Average Remaining Life in Years |
|--------------------|-----------------------|------------------------------------|-----------------------|---|
| May 31, 2025 | 1,000,000 | \$0.025 | 1,000,000 | 0.67 |
| September 3, 2025 | 3,200,000 | \$0.050 | 3,200,000 | 0.93 |
| October 19, 2025 | 2,000,000 | \$0.025 | 2,000,000 | 1.05 |
| February 17, 2027 | 3,000,000 | \$0.030 | 3,000,000 | 2.38 |
| March 16, 2027 | 1,000,000 | \$0.030 | 1,000,000 | 2.46 |
| April 21, 2027 | 500,000 | \$0.030 | 500,000 | 2.55 |
| July 18, 2027 | 8,000,000 | \$0.025 | 8,000,000 | 2.80 |
| September 11, 2027 | 150,000 | \$0.030 | 150,000 | 2.95 |
| December 11, 2027 | 2,250,000 | \$0.030 | 2,250,000 | 3.20 |
| Total | 21,100,000 | \$0.030 | 21,100,000 | 2.21 |

PreveCeutical Medical Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

Unaudited - Expressed in Canadian Dollars

10. STOCK OPTIONS (Continued)

As at December 31, 2023, the Company had the following stock options outstanding and exercisable:

| Date of Expiry | Number Outstanding | Weighted Average Exercise Price | Number Exercisable | Weighted Average Remaining Life in Years |
|--------------------|--------------------|---------------------------------|--------------------|--|
| July 18, 2024 | 2,000,000 | \$0.025 | 2,000,000 | 0.55 |
| May 31, 2025 | 1,000,000 | \$0.025 | 1,000,000 | 1.42 |
| October 19, 2025 | 2,000,000 | \$0.025 | 2,000,000 | 1.80 |
| February 17, 2027 | 3,000,000 | \$0.030 | 3,000,000 | 3.13 |
| March 16, 2027 | 1,000,000 | \$0.030 | 1,000,000 | 3.21 |
| April 21, 2027 | 500,000 | \$0.030 | 500,000 | 3.31 |
| July 18, 2027 | 8,000,000 | \$0.025 | 8,000,000 | 3.55 |
| September 11, 2027 | 150,000 | \$0.030 | 150,000 | 3.70 |
| December 11, 2027 | 2,250,000 | \$0.030 | 2,250,000 | 3.95 |
| Total | 19,900,000 | \$0.027 | 19,900,000 | 2.92 |

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 entered a marketing service agreement with a consultant on September 1, 2024 for services to be rendered from September 3, 2024 to March 3, 2025 and total consideration of \$400,000 of which \$150,000 is to be paid in cash and \$250,000 to be settled through the issuance of 5,000,000 share purchase options. Each option vests immediately and entitles the holder to acquire one common share at \$0.05 per share for a 12-month term. Options and acquired shares will be subject to a statutory hold period of four months and one day from the grant date.

The options were valued at \$250,000 based on the fair value of the services to be provided, in accordance with IFRS 2: Share-Based Payment. Upon issuance, the fair value was recorded as an increase in share-based compensation reserve and prepaid expenses. The fair value of \$250,000 is expensed into office and general expense in the statements of loss and comprehensive loss straight-line over the period the services are rendered.

The Company used the Black-Scholes option pricing model to determine the fair value of 4,650,000 options granted and vested during the nine months ended September 30, 2023, with weighted average fair values of \$0.019 per option.

The following weighted average assumptions were used:

| Nine months ended September 30, | 2024 | 2023 |
|---------------------------------|------|---------|
| Risk-free interest rate | - | 3.44% |
| Expected dividend yield | - | 0.00% |
| Expected stock price volatility | - | 118.49% |
| Expected option life in years | - | 4.00 |
| Forfeiture rate | - | 0.00% |

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes

PreveCeutical Medical Inc.

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10. STOCK OPTIONS (Continued)

in these input assumptions can materially affect the fair value estimate. For the three and nine months ended September 30, 2024, the Company recorded \$Nil (three and nine months ended September 30, 2023 - \$2,826 and \$89,146, respectively) in relation to the vesting of the stock options.

11. WARRANTS

On May 29, 2024, the Company issued 2,300,000 warrants as part of a non-brokered private placement. Each unit sold in the placement included one common share and one-half of a common share purchase warrant. Each whole warrant allows the holder to purchase one common share at \$0.05 for 24 months from the issuance date. If the common shares trade at or above \$0.08 for ten consecutive trading days, the expiry date of the warrants can be accelerated with at least 30 days' notice. The Company applied the residual method to allocate the unit purchase price between the shares and warrants comprising the units, resulting in a \$Nil value assigned to these warrants.

Additionally, 368,000 finders' warrants were issued, each allowing the purchase of one common share at \$0.05 for 24 months from the issuance date. The fair value of these warrants issued on May 29, 2024, in the amount of \$2,949 was determined as follows using the Black-Scholes option pricing model and the following inputs:

| Nine months ended September 30, | 2024 | 2023 |
|--|-------------|-------------|
| Risk-free interest rate | 4.31% | - |
| Expected dividend yield | \$Nil | - |
| Expected stock price volatility | 90.18% | - |
| Expected option life in years | 2.00 | - |
| Forfeiture rate | 0.00% | - |

The changes in warrants outstanding are as follows:

| | Number of warrants outstanding | Weighted Average Exercise Price |
|---------------------------------------|---|--|
| Balance at December 31, 2022 and 2023 | - | - |
| Granted | 2,668,000 | \$ 0.05 |
| Balance at September 30, 2024 | 2,668,000 | \$ 0.05 |

As at September 30, 2024, the Company had the following warrants outstanding:

| Date of Expiry | Number Outstanding | Weighted Average Exercise Price | Number Exercisable | Weighted Average Remaining Life in Years |
|-----------------------|-------------------------------|--|-------------------------------|---|
| May 29, 2026 | 2,668,000 | \$0.05 | 2,668,000 | 1.66 |
| Total | 2,668,000 | \$0.05 | 2,668,000 | 1.66 |

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 |
| 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 |

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12. RELATED PARTIES (Continued)

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Salaries and wages | \$ 30,233 | \$ 31,692 | \$ 95,093 | \$ 95,158 |
| Management consulting | 34,506 | 20,548 | 76,131 | 83,025 |
| Directors' fees | 1,370 | 1,318 | 4,053 | 4,050 |
| | \$ 66,109 | \$ 53,558 | \$ 175,277 | \$ 182,233 |

For the three and nine months ended September 30, 2024 and 2023, management consulting fees payable to the Chief Science Officer were recorded as research and development consulting expenses. Director fees are included in salaries and wages on the condensed interim consolidated statements of operations and comprehensive loss.

Related Party Transactions

Other related transactions for the three and nine months ended September 30, 2024 and 2023 included wages, benefits, and interest cost from a related company.

Related party transactions for the three and nine months ended September 30, 2024 and 2023 are as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Wages, benefits and consulting fees to employees and consultants related to certain officers | \$ 21,000 | \$ 27,440 | \$ 63,000 | \$ 82,354 |
| Accrued loan interest payable to certain officer and past officer | 79,335 | 79,335 | 236,280 | 229,656 |
| Securities issued to certain officers and directors | - | - | - | 58,330 |
| | \$ 100,335 | \$ 106,775 | \$ 299,280 | \$ 370,340 |

Related Party Payable

As at September 30, 2024, \$1,377,560 (December 31, 2023 - \$1,486,923) 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

| | 2024 | 2023 |
|---|----------------|-----------|
| For the nine months ended September 30, | \$ | \$ |
| Interest expense - debt accrued | 238,375 | 229,656 |
| Stock options granted for services | 250,000 | - |
| Intangible assets included in accounts payable | 62,353 | 58,532 |
| Private placement issuance costs included in accounts payable | 11,103 | - |
| Non-cash private placement issuance costs | 2,949 | - |
| Interest - paid to vendors and bank | 6,880 | 724 |
| Equipment included in accounts payable | 722 | - |

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.

14. MANAGEMENT OF CAPITAL (Continued)

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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 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 September 30, 2024, the shareholders' deficiency was \$6,282,408 (December 31, 2023 - \$5,778,170). The Company did not change its approach to capital management during the nine months ended September 30, 2024. 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, callable debt, loan and accounts payable and accrued liabilities as their carrying values approximate the fair values. 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. The Company's cash is held through large Canadian and Australian financial institutions. The carrying amount of cash represents the maximum exposure to credit risk.

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 debt (Note 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. On January 19, 2024, the CEBA loan was converted into a three-year term loan at a 5% per annum interest rate with maturity date of December 31, 2026 (Note 8).

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 September 30, 2024, the Company had a working capital deficiency of \$6,335,685 compared to a working capital deficiency of \$5,895,907 at December 31, 2023. This includes cash of \$236 (December 31, 2023 - \$1,432) available to meet short-term business requirements and current liabilities of \$6,674,993 (December 31, 2023 - \$5,959,680). 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 September 30, 2024:

| | On demand | Less than 1 year | 1 to 3 years | Total |
|--|--------------|------------------|--------------|--------------|
| Accounts payable and accrued liabilities | \$ - | \$ 2,438,332 | \$ - | \$ 2,438,332 |
| Callable debt | 648,323 | - | - | 648,323 |
| Convertible debt - short term | 3,588,338 | - | - | 3,588,338 |
| Loan | - | - | 62,096 | 62,096 |
| | \$ 4,236,661 | \$ 2,438,332 | \$ 62,096 | \$ 6,737,089 |

15. FINANCIAL INSTRUMENTS (Continued)

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The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2023:

| | On demand | Less than 1 year | 1 to 3 years | Total |
|--|--------------|------------------|--------------|--------------|
| Accounts payable and accrued liabilities | \$ - | \$ 2,065,508 | \$ - | \$ 2,065,508 |
| Callable debt | 470,853 | - | - | 470,853 |
| Convertible debt | 3,363,319 | - | - | 3,363,319 |
| Loan | - | 60,000 | - | 60,000 |
| | \$ 3,834,172 | \$ 2,125,508 | \$ - | \$ 5,959,680 |

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 September 30, 2024 and December 31, 2023, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

| | September 30, 2024 US Dollars | December 31, 2023 US Dollars |
|--|----------------------------------|---------------------------------|
| Cash | \$ 49 | \$ 25 |
| Accounts payable and accrued liabilities | (330,420) | (272,802) |
| | \$ (330,371) | \$ (272,777) |

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately \$33,037 (December 31, 2023 - \$27,278) 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 September 30, 2024 and December 31, 2023, the Company's long-term assets were located in Canada and Australia as follows:

| | September 30, 2024 | | | 2023 | | |
|--------------------|--------------------|-----------|------------|-----------|-----------|------------|
| | Canada | Australia | Total | Canada | Australia | Total |
| Computer equipment | \$ 2,300 | \$ - | \$ 2,300 | \$ 961 | \$ - | \$ 961 |
| Intangible assets | 17,637 | 95,436 | 113,073 | 20,734 | 96,042 | 116,776 |
| Total | \$ 19,937 | \$ 95,436 | \$ 115,373 | \$ 21,695 | \$ 96,042 | \$ 117,737 |

17. EVENTS AFTER THE REPORTING DATE

IP agreement

On October 29, 2024, the Company entered into an agreement with BioGene Therapeutics Inc. ("BioGene") to sell specific intellectual property assets related to its gene therapy technologies for diabetes and obesity. This includes patents, research data, proprietary methods, and licensing rights from its collaboration with UniQuest (University of Queensland). BioGene will pay a total of USD\$1,060,000, consisting of USD\$500,000 payable in cash within 24 months and USD\$560,000 to be settled through the issuance of 16 million shares valued at \$0.035 per share. The Company will also receive up to \$30,000 in expense reimbursements for audit-related expenses. Upon closing, BioGene will acquire full ownership of the assets with no associated liabilities from PreveCeutical.

17. EVENTS AFTER THE REPORTING DATE (Continued)

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IP agreement (Continued)

Furthermore, the Company has announced its plan to distribute approximately 75% of the Consideration Shares to its shareholders on a pro-rata basis. The precise allocation and record date for this distribution remain subject to tax consultations and strategic planning.

Stock options

On October 31, 2024, 500,000 stock options with an exercise price of \$0.03 were forfeited.