FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: PreveCeutical Medical Inc (the "Issuer").

Trading Symbol: PREV

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Please see attached (Schedule "A")

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Please refer to Schedule "A" – Financial Statements, Note 14 – Related Parties.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

Please refer to Schedule "A" – Financial Statements at Note 11 – Share Capital, Note 12 – Stock Options, Note 13 – Warrants, and Schedule "C" - Management Discussion and Analysis under the heading "Liquidity and Capital Resources", and "Outstanding Share Data".

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities

legislation. Please see Schedule “B” attached.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated June 1, 2020.

Shabira Rajan
Name of Director or Senior Officer

Signed “Shabira Rajan”
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer PreveCeutical Medical Inc.	For Quarter Ended March 31, 2020	Date of Report YY/MM/D 20/05/29
Issuer Address 1177 W Hastings Street, Suite 2200, Vancouver, BC V6E 2K3		
City/Province/Postal Code Vancouver, BC V6E 2K3	Issuer Fax No.	Issuer Telephone No. (604) 416-7777
Contact Name Shabira Rajan	Contact Position CFO & Controller	Contact Telephone No. 604-416-7777 Ext 6239
Contact Email Address Shabira@preveceutical.com	Web Site Address www.preveceutical.com	

SCHEDULE "A"

Condensed Consolidated Interim Financial Statements

March 31, 2020

See attached.

PreveCeutical Medical Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

Unaudited - Expressed in Canadian Dollars

NOTICE TO READER

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

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

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

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Financial Position

Unaudited - Expressed in Canadian Dollars

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

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

Approved on behalf of the Board of Directors

***"Stephen Van Deventer**" Signed*
_____ *Director*

"***Keith Anderson"*** *Signed*
_____ *Director*

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

Unaudited - Expressed in Canadian Dollars

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

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

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

Unaudited - Expressed in Canadian Dollars

	Number of shares	Share Capital Amount $	Equity Component of convertible loan $	Share-based Compensation Reserve $	Reserves $	Accumulated Other Comprehensive Income $	Deficit $	Total $
Balance at December 31, 2018	390,188,905	12,903,473	2,030,360	4,235,701	177,981	(26)	(21,632,660)	(2,285,171)
Shares issued	6,100,000	305,000	-	-	-	-	-	305,000
Convertible loan equity	-	-	26,547	-	-	-	-	26,547
Shares issued costs	160,000	(21,024)	-	5,824	-	-	-	(15,200)
Debt modification	-	-	-	-	101,786	-	-	101,786
Recognition of deferred tax liability	-	-	(10,533)	-	-	-	-	(10,533)
Share based compensation	-	-	-	734	-	-	-	734
Fair value of expired options	-	-	-	(146,473)	-	-	46,473	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(683)	(1,177,893)	(1,178,576)
Balance at March 31, 2019	**396,448,905**	**13,187,449**	**2,046,374**	**4,095,786**	**279,767**	**(709)**	**(22,664,080)**	**(3,055,413)**
Balance at December 31, 2019	**396,448,905**	**13,176,958**	**2,051,650**	**3,147,970**	**719,923**	**101,281**	**(23,684,562)**	(4,486,780)
Debt modification	-	-	-	-	72,712	-	-	72,712
Share-based compensation	-	-	-	405	-	-	-	405
Fair value of expired options	-	-	-	(39,113)	-	-	39,113	-
Net loss and comprehensive loss for the period	-	-	-	-	-	133,517	(520,822)	(387,305)
Balance as at March 31, 2020	**396,448,905**	**13,176,958**	**2,051,650**	**3,109,262**	**792,635**	**234,798**	**(24,166,271)**	**(4,800,968)**

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

PreveCeutical Medical Inc.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited - Expressed in Canadian Dollars

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

Supplemental Cash Flow Information (Note 15)

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

Unaudited - Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

PreveCeutical Medical Inc. (the "Company") was incorporated on December 15, 2014, under the laws of British Columbia. The Company's principal business activity is the development of innovative options for preventive and curative therapies utilizing organic and nature identical products.

The Company is located at 1177 West Hastings Street, Suite 2200, Vancouver, British Columbia, V6E 2K3, Canada and its registered office is at 1040 West Georgia Street, Suite 1170, Vancouver, British Columbia V6E 4H1, Canada.

The Company incorporated a subsidiary, PreveCeutical (Australia) Pty Ltd. ("PreveCeutical (Australia)") in Australia on March 12, 2018. The Company's research programs are managed by PreveCeutical (Australia).

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

Several conditions exist that cast significant doubt about the ability of the Company to continue as a going concern. The Company does not have significant revenue to date and has incurred operating losses since inception. As at March 31, 2019, the Company had a deficit that is being funded by debt and issuance of equity. Management anticipates that the Company will meet its obligations and maintain its operations to support its payments to creditors and realize profits from future business activities. The Company is dependent on its ability to raise further capital through equity financing and funding from certain officers and shareholders to meet its commitments and fund its ongoing operations. One of the unprecedented challenges arising from the COVID-19 pandemic is the impact this has had on the investment market and the Company's ability to raise capital. The Company is taking actions to maintain solvency, including temporarily laying off two of its employees and implementing other cost cutting measures.

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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

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

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

Basis of Measurement

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

2. BASIS OF PREPARATION (Continued)

Basis of Measurement (Continued)

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

Principles of Consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Critical Accounting Estimates and Judgments

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

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

Critical Accounting Estimates

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

- **Intangible assets – useful life**

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

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

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

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

- **Income tax**

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Critical Accounting Estimates (Continued)

- **Convertible debts**

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

- **Share-based compensation**

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

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

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

- **Accounts receivable**

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

Critical Accounting Judgments

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

- **Intangible assets**

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

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

- **Research and development expenditures**

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

Unaudited - Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Judgments (Continued)

Research and development expenditures (Continued)

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

- **Going concern assumption**

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

- **The determination of the Company and its subsidiary's functional currency**

  The functional currency of the Company and its subsidiary is the currency of the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions which determined the primary economic environment.

- **Modification versus extinguishment of financial liability**

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

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

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

4. PREPAID AND DEPOSITS

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

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

The short-term R&D supply deposit relates to the R&D supply agreement the Company entered into, effective September 18, 2017, with a licensed producer of medical cannabis ("Supplier"). In exchange for 12,820,515 options, the Supplier supplied samples of cannabis-derived products and ingredient information for use by the Company in its R&D program. Each option was exercisable to one common share of the Company at $0.156 per share for a period of 24 months from the grant date. The fair value of the stock options was determined using the Black-Scholes option pricing model with the following assumptions: exercise price - $0.156, expected life – 2 years, volatility – 107%, risk-free rate – 1.54%, and dividend yield – 0%. The options expired on September 19, 2019. The R&D supply deposit is amortized from March 26,

Unaudited - Expressed in Canadian Dollars

4. PREPAID AND DEPOSITS (Continued)

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

5. PROPERTY, EQUPMENT AND FURNITURE

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

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

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

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

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

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

Unaudited - Expressed in Canadian Dollars

7. INTANGIBLE ASSETS

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

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

8. SHORT-TERM DEBT

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

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

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

Reconciliation of the short-term debt is as follows:

Unaudited - Expressed in Canadian Dollars

8. SHORT-TERM DEBT (Continued)

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

9. SHORT-TERM CONVERTIBLE DEBT

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

On April 20, 2018, the conversion price was amended from $0.10 to $0.06 per share and $162,691 was recorded as a loss on the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. On March 28, 2020, the maturity date for the debt was extended from March 28, 2020 to March 29, 2021, and a gain on modification of $72,712 (2019 - $67,666) was recorded in reserve.

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

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

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

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

Unaudited - Expressed in Canadian Dollars

10. LONG-TERM DEBT

Convertible debts – long term

The Company has entered into two revolving line of credit facility agreements with its Chief Executive Officer and its former President (collectively the "Lenders"), whom are shareholders of the Company. Both are unsecured, bear simple interest of 5% per annum and are convertible into common shares in the capital of the Company.

The first credit facility agreement was entered into on December 9, 2016 in the principal amount of $1,000,000. The agreement was amended March 31, 2017, wherein the principal amount was increased by $1,000,000 to a total of $2,000,000. Under the terms of the agreement and waiver (the "Waiver") dated September 30, 2017, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into common shares of the Company at the price of $0.10 per share. On April 20, 2018, the conversion price was amended from $0.10 to $0.06 per share and $845,130 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. On June 5, 2018, $280,752 of the principal amount and $19,248 of the interest amount was converted to equity at the conversion price of $0.06 per common share, for a total of 5,000,000 shares. As at March 31, 2020 and December 31, 2019, the Company has drawn $1,949,248 under the facility agreement and at March 31, 2020 has accrued interest of $290,806 (December 31, 2019 - $266,508).

The second facility was entered into on May 9, 2017, for a maximum of $1,000,000. Under the terms of the agreement and the Waiver, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible after October 28, 2017, into units, each consisting of one common share of the Company and one common share purchase warrant at a price of $0.10 per unit. Each common share purchase warrant entitles the holder to purchase one common share of the Company at the price of $0.20 for a period of 24 months after the issuance of the units, subject to acceleration. On April 20, 2018, the conversion price was amended from $0.10 per unit to $0.06 per unit and $372,234 was recorded as a loss on the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. As at March 31, 2020, and December 31, 2019, the Company has drawn $975,500 under the facility agreement and as at March 31, 2020 has accrued interest $121,243 (December 31, 2019 - $109,083).

On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of an unsecured convertible promissory note bearing simple interest at 5% per annum. This promissory note was added to the second facility above. Thereby, the terms of the facility entered into on May 9, 2017 apply to the January 26, 2018 agreement. On April 20, 2018, the conversion price was amended from $0.10 per unit to $0.06 per unit and $202,603 was recorded as a loss on the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. As at March 31, 2020, the Company had drawn the full $500,000 and at March 31, 2020 has accrued interest of $54,521 (December 31, 2019 - $48,288) on this promissory note.

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

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

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

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

11. SHARE CAPITAL

Authorized

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

Escrow shares

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

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

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

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

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

The terms of the securities held in escrow are as follows:

- 1/4 of escrow securities to be released on the Company's listing date;
- 1/3 of escrow securities to be released 6 months after the listing date;
- 1/2 of escrow securities to be released 12 months after the listing date;
- Remaining escrow securities to be released 18 months after the listing date.

Issuance

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

During the three months ended March 31, 2019, the Company had issued 6,100,0000 Units (Each Unit comprises of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of $0.08 per warrant for a period of two years from the issuance date, subject to acceleration) for a gross value of $305,000 through a non-brokered private placement offering. In connection with the private placement, the Company issued 160,000 units as finders fees, fair valued at $8,000 ($0.05 per unit). The Company also issued 224,000 broker warrants, fair valued at $5,824 (Note 13) and $15,200 in cash as finders' fees for this private placement.

12. STOCK OPTIONS

Stock Option Plan

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

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

Unaudited - Expressed in Canadian Dollars

12. STOCK OPTIONS (Continued)

The changes in stock options outstanding are as follows:

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

As at March 31, 2020, the Company had the following stock options outstanding and exercisable:

Date of Expiry	Number Outstanding	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
April 15, 2020	500,000	$ 0.07	375,000	$ 0.07	0.04
August 10, 2020	7,749,500	$ 0.05	7,749,500	$ 0.05	0.36
August 31, 2020	1,250,000	$ 0.05	1,250,000	$ 0.05	0.42
October 20, 2020	2,000,000	$ 0.13	2,000,000	$ 0.13	0.56
June 30, 2021	1,750,000	$ 0.10	1,750,000	$ 0.10	1.25
September 7, 2021	1,333,340	$ 0.06	1,333,340	$ 0.06	1.44
November 4, 2021	200,000	$ 0.03	200,000	$ 0.03	1.60
Total	**14,782,840**	**$ 0.07**	**14,657,840**	**$ 0.07**	**0.60**

As at March 31, 2019, the Company had the following stock options outstanding and exercisable:

Date of Expiry	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
May 1, 2019	500,000	$ 0.09	0.08
May 18, 2019	664,500	$ 0.13	0.13
August 29, 2019	1,100,000	$ 0.16	0.41
September 19, 2019	12,820,515	$ 0.16	0.47
August 10, 2020	9,249,500	$ 0.05	1.36
August 31, 2020	1,250,000	$ 0.05	1.42
October 20, 2020	2,000,000	$ 0.13	1.56
June 30, 2021	2,250,000	$ 0.10	2.25
September 7, 2021	1,333,340	$ 0.06	2.44
Total	**31,167,855**	**$ 0.11**	**1.04**

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

- Due to the lack of historical pricing information for the Company, the expected volatility is based on an average of historical prices of a comparable group of companies within the same industry.
- The risk-free interest rate is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options.
- The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model.
- The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period.

Unaudited - Expressed in Canadian Dollars

12. STOCK OPTIONS (Continued)

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

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

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

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

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

13. WARRANTS

The changes in warrants outstanding are as follows:

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

As at March 31, 2020, the Company had the following warrants outstanding and exercisable:

Date of Expiry	**Number Outstanding**	**Exercisable**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life in Years**
May 28, 2020	5,000,000	5,000,000	$ 0.06	0.16
June 29, 2020	134,151,350	134,151,350	$ 0.10	0.25
February 11, 2021	6,484,000	6,484,000	$ 0.08	0.87
July 12, 2022	21,000,000	7,000,000	$ 0.10	2.28
Total	**166,635,350**	**152,635,350**	**$ 0.10**	**0.36**

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

Unaudited - Expressed in Canadian Dollars

13. WARRANTS (Continued)

As at March 31, 2019, the Company had the following warrants outstanding and exercisable:

Date of Expiry	Number Outstanding	Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
June 30, 2019*	21,356,000	21,356,000	$ 0.20	0.25
June 29, 2020	134,151,350	134,151,350	$ 0.10	1.25
February 11, 2021	6,484,000	6,484,000	$ 0.08	1.87
July 12, 2022	21,000,000	7,000,000	$ 0.10	3.28
Total	182,991,350	168,991,350	$ 0.11	1.23

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

On July 12, 2017, 21,000,000 performance warrants were issued at an exercise price of $0.10 per warrant with the expiry date of July 12, 2022 to certain consultants, officer and other persons. The performance warrants will vest as follows:

- One third on the issue date;
- One third on the date of filing of a patent application in Canada, Australia or the United States by the Company for any of its technologies, including synthetic scorpion venom, gene therapy for obesity and diabetes or sol-gel delivery platform; and
- One third on the date of the filing of an additional patent application in Canada, Australia or the United States by the Company for any of its technologies, including synthetic scorpion venom, gene therapy for obesity and diabetes or sol-gel delivery platform.

14. RELATED PARTIES

Key Management Compensation

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

Name	Position	Nature of transaction
Stephen Van Deventer	CEO and Chairman	Management Services
Makarand Jawadekar	President, Director, Chief Scientific Officer	Management Services
Shabira Rajan	CFO and Controller	Management Services
Harendra Parekh	Chief Research Officer	Management Services
Kimberly Van Deventer	Director, PreveCeutical (Australia)	Management Services
Keith Anderson	Director	Directors fees
Mark Lotz	Director	Directors fees

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

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

Shared rent and general cost agreement

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

Unaudited - Expressed in Canadian Dollars

14. RELATED PARTIES (Continued)

Related Party Transactions

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

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

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

As at March 31, 2020, $232,466 (March 31, 2019 - $51,449) is payable to related parties for services incurred and reimbursement of expenses and recorded in accounts payable and accrued liabilities. All balances are unsecured, non-interest bearing, have no fixed repayment terms and are due on demand.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

16. MANAGEMENT OF CAPITAL

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

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

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

17. FINANCIAL INSTRUMENTS

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

Unaudited - Expressed in Canadian Dollars

17. FINANCIAL INSTRUMENTS (Continued)

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

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian and Australian financial institutions. The Company considers its credit risk on cash to be not significant and accounts receivable to be minimal.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's convertible debts (Notes 9 and 10) currently provides for interest at 5% per annum.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

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

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

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

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

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

Other Market Risk

Other market risks that the Company is exposed to include currency risk. Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities.

The Company is exposed to currency risk with its foreign subsidiary which is funded from time to time in the subsidiary's currency. The Company is also exposed to currency risk with its other foreign business transactions.

Unaudited - Expressed in Canadian Dollars

17. FINANCIAL INSTRUMENTS (Continued)

Other Market Risk (Continued)

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

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

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

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

18. SEGMENTED INFORMATION

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

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

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

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

19. OPTION PAYMENTS

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

Unaudited - Expressed in Canadian Dollars

19. OPTION PAYMENTS (Continued)

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

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

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

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

20. COMMITMENTS

The Company entered into a lease agreement for office premises commencing May 1, 2017 with an initial five-year term and a five-year equipment lease commencing July 1, 2017. For the three months ended March 31, 2020, the Company incurred $41,918 (March31, 2019 - $40,834) in rent expense.

Payments committed for the next three years are as follows:

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

20. COVID-19

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

21. EVENTS AFTER THE REPORTING DATE

Subsequent to the three months ended March 31, 2020:

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

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

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

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

21. EVENTS AFTER THE REPORTING DATE (Continued)

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

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

SCHEDULE "B"

Management Discussion and Analysis

March 31, 2020

See attached.

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of PreveCeutical Medical Inc. ("PreveCeutical" or the "Company") and its subsidiary, PreveCeutical (Australia) Pty Ltd. ("PreveCeutical (Australia)") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented, are not necessarily indicative of the results that may be expected for any future period.

This MD&A should be read in conjunction with the condensed consolidated interim financial statements, including the notes thereto, of the Company for the three months ended March 31, 2020 and 2019 and the audited consolidated financial statements for the year ended December 31, 2019.

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

These condensed consolidated interim financial statements, together with the following MD&A, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as potential future performance.

Results are reported in Canadian dollars unless otherwise noted.

For the purposes of preparing this MD&A, management, in conjunction with the Company's board of directors (the "Board of Directors"), considers the materiality of information. Information is considered material if:

(i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of PreveCeutical's common shares;

(ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or

(iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Management is responsible for the preparation and integrity of the condensed consolidated interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the condensed consolidated interim financial statements and this MD&A, is complete and reliable.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities laws. All statements, other than statements of historical fact, included herein, including, without limitation, statements regarding the Company's and PreveCeutical (Australia)'s, as applicable, future cash requirements, general business and economic conditions, the details of the Company's research programs, the proposed research and development services to be provided by UniQuest (as defined below), the anticipated business plans of the

FORWARD-LOOKING STATEMENTS (Continued)

Company regarding the foregoing, the ability of the Company to bring its products to market, including a synthesized, Nature Identical™, version of CELLB9, the timing of future business activities and the prospects of their success for the Company, and the Company's ability and success in executing its proposed business plans, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Often, but not always, forward-looking information can be identified by words such as "will", "pro forma", "plans", "aims", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such words including negative variations thereof, and by discussions of strategy or intentions. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the ability of the Company to obtain sufficient financing to fund its business activities and plans, the inability of the Company, UniQuest, Asterion (as defined below) or PreveCeutical (Australia) to, among other things, complete the Company's research programs as planned, the inability of the Company to generate revenue through its products, including through the sale of the Licensed Sleep-Aid Products (as defined herein), the inability of the Company or PreveCeutical (Australia) to obtain any required governmental, regulatory or stock exchange approvals (including Canadian Securities Exchange (the "CSE") approval), permits, consents or authorizations required to carry out any planned future activities, commercialise any therapeutics from the Company's research programs, pursue business partnerships or complete its research programs as planned, risks related to joint venture operations and risks related to the integration of acquisitions, as well as those factors discussed under the heading "Risks and Uncertainties". Other factors such as general economic, market or business conditions or changes in laws, regulations and policies affecting he biotechnology, medicinal cannabis or pharmaceutical industry, may also adversely affect the future results or performance of the Company.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance and that actual results are likely to differ, and may differ materially and adversely, from those expressed or implied by forward-looking statements contained in this MD&A. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and such beliefs, estimates and opinions may prove incorrect. For the reasons set out above, investors are cautioned against attributing undue certainty or placing undue reliance on to forward-looking statements.

DATE

This MD&A reflects information available as at June 1, 2020.

CORPORATE STRUCTURE

Name, Address and Incorporation

PreveCeutical Medical Inc., was incorporated under the *Business Corporations Act* (British Columbia) on December 15, 2014.

The Company's head office is located at 1177 West Hastings Street, Suite 2200, Vancouver, British Columbia, V6E 2K3, Canada and its registered and records office is located at 1040 West Georgia Street, Suite 1170, Vancouver, British Columbia, V6E 4H1, Canada.

The Company has a wholly-owned private Australian subsidiary, PreveCeutical (Australia), incorporated in Queensland, Australia, on March 12, 2018.

CORPORATE STRUCTURE (Continued)

Security Listings

PreveCeutical's securities are listed on the CSE under the symbol "PREV".

In addition to being listed on the CSE, the Company has its common shares listed for trading on the Frankfurt Stock Exchange under the symbol "18H" and on the OTCQB venture marketplace under the symbol "PRVCF".

Share Structure

At the annual general and special meeting of shareholders of the Company held on May 14, 2018, the shareholders passed a special resolution approving the subdivision of the Company's issued and outstanding common shares on the basis of five (5) new post-subdivision common shares for every one (1) pre-subdivision common share (the "Stock Split"). The Stock Split was approved by the Board of Directors on May 15, 2018.

The Company's common shares began trading on an ex-distribution basis on May 23, 2018. Each shareholder of record as of the close of business on the record date, May 24, 2018, received four additional common shares for each share held on the record date.

All of the Company's common shares and other securities and exercise prices included in the consolidated financial statements for the years ended December 31, 2019 and 2018, and this MD&A are reported on a post-Stock Split basis.

DESCRIPTION OF BUSINESS

PreveCeutical is a health sciences company that develops innovative options for preventive and curative therapies utilizing organic and nature identical products. The Company intends to secure the market share through a business to business strategy with the aim to build an extensive library of intellectual properties and enter into joint venture, development and licensing agreements with leaders in the pharmaceutical and cannabis industries.

PreveCeutical had one product for sale, the CELLB9® Immune System Booster. The CELLB9 inventory on hand was impaired during the year ended December 31, 2018, due to the expiration of the product. PreveCeutical has temporarily discontinued its sale of CELLB9 due to supply issues and its intention is to create a synthesized, Nature Identical™, version of the CELLB9 product as part of its stabilization of Blue Scorpion Venom (the "BSV") research program, which is discussed further below.

The Company expects to have revenue when it brings additional products to the market. The Company is working with its reseach team and its Chief Scientific Officer on the development and commercialization of certain products that are currently being researched by the Company. The Company is also actively looking at other products that it can bring to market.

The Company signed a licensing agreement (the "Licensing Agreement") on August 14, 2018, with Asterion Cannabis Inc. ("Asterion"). Under the Licensing Agreement, Asterion has granted the Company a non-exclusive worldwide license to use, manufacture, distribute and sell three natural health products, "Blissful Sleep" (NPN 80065538), "Blissful Sleep Ex" (NPN 80070168), and "Skullcap Serenity" (NPN 80067446) (collectively, the "Licensed Sleep-Aid Products").

The Licensing Agreement gives the Company a right to use Asterion's intellectual property to make or have made, use, distribute, sell, offer to sell and promote the Licensed Sleep Aid Products for an initial term of five years, renewable for five consecutive one-year terms. Pursuant to the Licensing Agreement,

DESCRIPTION OF BUSINESS (Continued)

PreveCeutical will pay to Asterion a royalty equal to 20% of the gross sales from the Licensed Sleep Aid Products sold by PreveCeutical.

Medicinal Cannabis Division

The Company launched its medicinal cannabis division in July 2018. This division is responsible for bringing medicinal cannabis-based products to market and overseeing the Company's cannabinoid ("CBD") Program for the soluble gel ("Sol-gel") delivery of CBDs (the "CBD Program").

On September 26, 2018, the Company entered into a development and joint venture agreement (the "D&JVA") with Asterion to form a joint venture (the "Joint Venture"), whereby PreveCeutical will assist Asterion in the development of a range of medicinal cannabis-based products through various research and development ("R&D") programs. Pursuant to the D&JVA,

(i) Asterion will be responsible for all costs related to the R&D programs adopted by the Joint Venture;

(ii) the intellectual property ("IP") and products developed by the Joint Venture during the term of the D&JVA will be owned 80% by Asterion and 20% by PreveCeutical; and

(iii) PreveCeutical will receive 20% of the net revenues generated from the IP and sale of products developed by the Joint Venture under the D&JVA.

There were no transactions in relation to the D&JVA during the three months ended March 31, 2020 and three months ended March 31, 2019.

On July 8, 2019, the Company and 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.

To exercise the Option, Asterion will be required to make a series of cash payments to the Company in the aggregate amount of $2,652,000 as follows:

Payment Date	Payment Amount (CAD)	Earned Interest (%)
Effective Date	$325,000 (paid)	6.25%
July 22, 2019(1)	$325,000 (paid)	12.50% *(additional 6.25%)*
August 22, 2019(1)	$325,000	18.75% *(additional 6.25%)*
September 22, 2019(1)	$390,000	26.25% *(additional 7.50%)*
October 22, 2019	$390,000	33.75% *(additional 7.50%)*
November 22, 2019	$390,000	41.25% *(additional 7.50%)*
December 22, 2019	$507,000	51.00% *(additional 9.75%)*
TOTAL:	**$2,652,000**	**51%**

Note:
(1) As at March 31, 2020, the Company has received $695,995 under the Option Agreement. $42,850 was received during the three months ended March 31, 2020. The Company has waived its right to deliver a termination notice to Asterion in respect of the termination of the Option Agreement as a result of such late payments until June 15, 2020.

DESCRIPTION OF BUSINESS (Continued)

Medicinal Cannabis Division (Continued)

By making all of the above cash payments to the Company, Asterion will be deemed to have exercised the Option in full; provided that prior to the exercise of the Option in full, Asterion will be deemed for all purposes to have acquired the various interests in and to the Sol-Gel IP, upon making the corresponding payment amounts to the Company as set forth in the above table. Upon the earlier of ten days after the date of the exercise by Asterion of the Option in full and December 22, 2019, the Company and Asterion will be deemed to have entered into a joint venture for the continued development and commercialization of the Sol-Gel IP.

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

Agreements with Asterion are considered to be a related party transactions as a director and executive officer of the Company is a control person of Asterion.

COVID-19 IMPACT

On March 11, 2020, the World Health Organization ("WHO") declared COVID-19 viral disease a pandemic. As of May 2020, the virus has spread to 188 countries with travel bans and restrictions implemented in many countries combined with social distancing measures to slow COVID-19 spread and flatten the epidemiological curve.

This pandemic has disrupted the worldwide economy and the global financial markets, affecting several businesses, including in Canada. The uncertainty of its duration has significantly affected the ability to raise capital. As the Issuer is currently dependent on equity and debt financing, this uncertainty and financial market disruption may impact the Issuer's ability to raise funds.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease.

The Company is closely monitoring the impact on its operations and related emerging risks and is taking steps to address the impact and risks. This includes reducing its burn rate by staff lay-off and deferring paying salaries to the remaining staff. The Company is also looking at innovative therapies to address COVID-19, including possible viral prevention using CBD Sol-gel. It is looking into funding from various government agencies to fund this possible initiative.

The Company has received a loan from CIBC under the Canada Emergency Business Account (CEBA) program for its operations (described under Subsequent Events).

Risks related to COVID-19 are more fully set out under "Risk and Uncertainties".

RESEARCH AND DEVELOPMENT

The Company currently has a number of ongoing R&D projects through which it plans to bring an array of innovative therapies to market. Four of the Company's R&D projects outlined below are currently being conducted by its research partner, the University of Queensland ("UQ") and UniQuest Pty Limited ("UniQuest"). The Company has also entered into a joint venture project with Sports1 Marketing Inc. to develop a new sports drink that aims to assist sports players in recovering from concussions.

RESEARCH AND DEVELOPMENT (Continued)

The R&D projects that are conducted in Australia are managed by PreveCeutical (Australia) providing the Company with better access to expertise and partnerships for its drug development programs. Australia has specialized hospitals with preeminent clinical trial capabilities as well as the diverse patient populations needed for the range of products that PreveCeutical is currently developing.

The isolation restrictions imposed by the current COVID-19 pandemic has had some impacted in the progress of the research.

Following are the Company's current research and development projects:

Stabilisation of Blue Scorpion Venom

The Company undertook the research of the stabilization of the BSV program which was conducted by its research partners at the University of Queensland ("UQ") and UniQuest Pty Limited ("UniQuest"). This program was successfully completed in October 2019 and the final report received by the Company is being evaluated. Under this program, four lead peptides were evaluated in a two compartment cell-based invasion model. These peptides exhibited a slowing of invasion in all cell lines tested. These peptides also showed modest suppression of a cancer cell biomarker responsible for driving metastasis, as well as drug and immune system resistance in brain cancer. Two lead peptides had already internalised into the cell demonstrating their rapid uptake, and so surface binding could not be captured. The Company is working with its patent attorneys on protecting the peptides by creating patents for these. The next steps for the Company will be to go through subsequent stages of drug development/validation and (pre)clinical evaluation for the lead peptides identified.

Sol-gels for Nasal Delivery of Cannabinoids

PreveCeutical has partnered with UQ and UniQuest for the development and evaluation of translatable formulations for systemic/central nervous system ("CNS") delivery. The focus of the CBD Program is to develop a cannabinoid-based nose-to-brain delivery system intended to provide relief for a range of ailments including pain, inflammation, seizures and neurological disorders. Engineered Sol-gels present an ideal platform for achieving this aim as they are in-solution upon administration, and rapidly gelate when warming as a result of contact with mucosal tissue. The Company believes that the Sol-gels will pave the way for safer and more reliable drug delivery for agents such as CBDs that are rapidly metabolized or that would benefit from direct nose-to-brain CNS delivery.

The CBD Program commenced in the third quarter of 2017 and is progressing well. As at March 31, 2020, this program was 68% completed, with the following highlights:

- Completion of chemical fingerprinting via HPLC of plant-derived cannabinoids.
- Completion of the trial of devices with differing nozzle designs using an in-house developed inhalation model is complete.
- An optimal spray profile for nose-to-brain delivery has been achieved with a custom device, when administered in a human adult nasal cast.
- Ethics approval to access human nasal mucosal tissue for the toxicity evaluation and tissue disposition studies has been obtained and the studies are in progress.
- Acute nasal toxicity evaluation has been completed, with the cannabinoid-infused sol-gel displaying negligible toxicity when applied to human nasal mucosal tissue as confirmed by a clinical biomarker detection assay, and complemented by histopathological evaluation of tissue.

RESEARCH AND DEVELOPMENT (Continued)

Smart siRNA for the Treatment of Diabetes and Obesity

The program that is researching the development of Smart-siRNAs for the treatment of diabetes and obesity is being researched (the "D&O Program") commenced at UQ in July 2019. This program encompasses three distinct phases spanning over three years.

In the D&O Program, through rational design and systematic evaluation, select targeted bio-responsive gene carrier-and-release systems are anticipated to deliver Smart-siRNA's to target cells. With effective gene-silencing optimized, the program aims to target the single gene implicated in both type 2 diabetes and obesity. The program expects to demonstrate that this strategy is safe and effective in appropriate preclinical (mice) models of type 2 diabetes and obesity, paving the way for broader pre-clinical safety and efficacy evaluations.

The Program focuses on the library design of bio-responsive gene carrier-and-release ("BGCR") systems, where almost 200 carrier system constructs have now been rationally designed, taking into account a range of head group chemistries and charge as well as a panel of ligands that promote self-assembly and targeting.

Screening of a panel of first-generation siRNA sequences against PTP-1B in mouse-derived cells has commenced, with promising levels of silencing recorded for the novel sequences. A series of in-house cell models of diabetes and obesity in which the novel siRNAs are being screened successfully developed and optimized.

A table of novel nucleic acid compositions consisting of more than 150 gene sequences against human PTP1B that contrast from those that are already reported and protected by intellectual property rights has been created.

All the cell-based studies are now in progress in mouse-derived and this program has now progressed towards re-designing the constructs to be applicable to PTP-1B gene silencing in mice

The select lead siRNA candidates are being re-designing into Smart-siRNA constructs using proprietary chemistry. The designed, synthesized and purified these Smart-siRNA have been re-evaluated in vitro, and were shown to maintain their gene silencing ability, while now being amenable to withstanding the stability challenges expected when trialled in vivo.

As at March 31, 2020, theD&O Program was 45.4% complete.

Disulfide Linker Technology in Engineering Analgesic Peptides

This R&D program, which commenced in July 2018, is being conducted to extend the application of the disulfide linker technology in engineering pain relieving peptides for moderate to severe pain and inflammatory conditions (the "Linker Program"). The Linker Program involves peptide library synthesis, pharmacological evaluation, alongside pharmacokinetic assessment and efficacy determinations in appropriate animal models of pain and inflammation. As at December 31, 2019, this program was 58% complete.

High throughput screening of 50-peptide library across the main opioid receptor sub-types is complete.

Some peptides have been identified as showing exceptional selectivity for the target receptor sub-type of interest, with encouraging potency also recorded. These lead candidates are being further scrutinized *in silico* to facilitate their refined design and the aim of further enhancing potency and biostability.

RESEARCH AND DEVELOPMENT (Continued)

Disulfide Linker Technology in Engineering Analgesic Peptides (Continued)

Ethics approvals detailing the complete study plan for the screening of lead peptide candidates in animals (rat models of pain/inflammation) were drafted, reviewed in-house and final submissions made to UQ's animal ethics committee, and this has subsequently been approved by UQ.

The vast majority of peptide candidates have now been ranked with select, lead peptides being nominated for preclinical evaluation. The first lead candidate has progressed through an in vivo 'dose finding' study, with the optimal dose confirmed, the activity of each lead peptide in preclinical studies will be determined.

Management has not yet determined whether these programs have an economically recoverable value, and management continues to evaluate the same to assess whether additional efforts and funds should be allocated to such projects

OVERALL PERFORMANCE

During the three months ended March 31, 2020, the Company continued to work on research and development, business development and financing including:

- Considering new partnerships with respect to its Sol-gel drug delivery system.
- Collaborating with UQ and UniQuest in the filing with the Australian Patent Office of two new patent applications for cyclic peptide and their use in pain management.
- Retaining patent lawyers and working with them on drafting patents for the dynorphin IP.
- Communicating with investors to raise equity funding for the Company.
- Filing a joint Patent Cooperation Treaty (PCT) application with UQ, Australia to protect certain cyclic peptides and their use in pain management.
- Monitoring the impact of COVID-19 on operations and addressing the issues and risks.

As products and therapies are developed through the Company's programs, the Company anticipates that it will either enter into strategic partnerships to manufacture and market such products or it will license the intellectual property to other companies.

For the three months ended March 31, 2020, the Company continued to focus on business development and its research programs. These programs continue to be funded by equity and debt.

As the Company does not have a revenue income stream at this time, the cost of operations and meeting of commitments are currently being financed by funding from equity and debt. To ensure that the Company has funding to continue its operation, management has taken a number of steps that are outlined under the Liquidity and Capital Resources section.

At March 31, 2020, the Company had a cash balance of $30,451, and working capital deficiency of $1,753,577 compared to a cash balance of $28,480 and working capital deficiency of $1,546,563 at December 31, 2019. For the three months ended March 31, 2020, the Company's funding included short term debt and receipt of payment for the and long term convertible debts and funding under the Option Agreement.

OVERALL PERFORMANCE (Continued)

Selected Financial Information

	As at March 31, 2020	As at December 31, 2019
Cash	$30,451	$28,480
Total assets	$663,037	$857,638
Non-current liabilities	$3,582,583	$3,509,608
Total liabilities	$5,464,005	$5,344,418
Working capital deficiency	$1,753,577	$1,546,563
Deficit	$24,166,271	$23,684,562
Shareholders' deficiency	$4,800,968	$4,486,780

Selected Operating Information

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Revenues	-	$3,031
Net loss	$520,822	$1,177,893
Net loss and comprehensive loss	$387,305	$1,178,576
Net loss per share	$0.001	$0.003

FINANCIAL RESULTS OF OPERATION

During the three months ended March 31, 2020, the Company continued its focus on developing its product line and identifying, reviewing and commissioning additional products for manufacturing, marketing and R&D and on securing additional funding for its operations. The Company also worked on strategies to address the impact of the COVID-19 pandemic.

The Company's deficit at March 31, 2020, of $24,166,271, includes the costs of the reverse takeover and listing costs of $2,585,202 incurred in the year ended December 31, 2017, and loss on modification of convertible debt in the amount of $1,582,658 recorded during the year ended December 31, 2018.

The Company had a net loss and comprehensive loss of $387,305 for the three months ended March 31, 2020, compared to $1,178,576 for the three months ended March 31, 2019. The Company did record revenue for the year three months ended March 31, 2020. Revenue for three months ended March 31, 2019 was $3,031.

Operating expenses were $279,754 for the three months ended March 31, 2020, compared to $1,059,719 for the three months ended March 31, 2019.

Other expenses including interest, accretion, and foreign exchange gain/loss for the three months ended March 31, 2020, was $283,918 compared to $131,738 for the three months ended March 31, 2019.

This was offset by other income of $42,850, relating to option payments, for the three months ended $42,850 and income tax recovery in the amount of $10,533 for the three months ended March 31, 2019.

Foreign exchange gain on translating foreign operations was $133,517 for the three months ended March 31, 2020. A forecign exchange loss of $683 on translating foreign operations was recorded for the three months ended March 31, 2019.

FINANCIAL RESULTS OF OPERATION (Continued)

Other expenses for the three months ended March 31, 2020, included accretion expense of $84,698 ($68,374 for the three months ended March 31, 2019), financing cost of $60,040 ($51,943 for the three months ended March 31, 2019), and foreign exchange loss of $139,180 ($11,421 for the three months ended March 31, 2019). The higher exchange loss for the three months ended March 31, 2020 relates to the weakening of the Australian dollar compared to the Canadian dollar.

For the three months ended March 31, 2019, the Company received revenue of $3,031 from online sales of, CELLB9, with a gross profit of $2,268. CELLB9 inventory was impaired in the December 31, 2018 financial statements and there were no sales for the three months ended March 31, 2020.

Financing costs in the amount of $60,040 for the three months ended March 31, 2020 was $8,097 higher than the financing cost of $51,943 for the three months ended March 31, 2019. This financing cost relates to accrued interest on the outstanding debt ($55,191) interest recorded for the lease liability ($4,572) and interest paid on outstanding payables in the amount of $277. Accretion cost for the three months ended March 31, 2020 was $84,698, which was $16,324 higher than the accretion cost of $68,374 for the three months ended March 31, 2019.

The convertible debts bear a simple interest rate of 5%. As at March 31, 2020, the balance for the short-term convertible debt was $721,548 ($767,647 at December 31,2019), including the accrued interest which was not paid during the period. The decrease of $46,099 was for reduction in debt equity recorded due to extension of the debt due date . The long-term convertible debt balance, including accrued interest, at March 31, 2020 was $3,406,436, an increase of $109,441 from December 31, 2019 ($3,296,995 at December 31, 2019). The increase was due to accrual of interest not paid out. This debt is classified as long-term debt as the Lenders have signed a waiver by which there will be no demand on the funds until July 31, 2021.

Expenses for the three months ended March 31, 2020, amounted to $279,754 which was $779,202 lower than the three months ended March 31, 2019 ($1,058,956). For the three months ended March 31, 2020, the Company continued to work on efficiencies and cost reduction strategies which accounted for lower expense as outlined below:

- For the three months ended March 31, 2020, there was a decrease of $548,902 in R&D costs ($147,456 for the three months ended March 31, 2020 compared to $696,358 for the three months ended March 31, 2019). These costs are for the three R&D projects previously mentioned, amortization of the R&D Supply Agreement and fees paid for R&D related consulting. The costs are lower as there were no costs for the BSV program.
- Business development and investor relations expenses for the three months ended March 31, 2020, was $98,378 lower than the same period in 2019 ($19,985 for the three months ended March 31, 2020, compared to $118,363 for the three months ended March 31, 2019). The decrease relates to the Company's cost reduction strategies.
- Salary, wages and consulting fees were $98,039 lower during the three months ended March 31, 2020, compared to the three months ended March 31, 2019 ($14,390 for the three months ended March 31, 2020 compared to $112,429 for the three months ended March 31, 2019). The decrease related to reducing the services of consultants including services for marketing and publicity, and reduction in salaries during the three months ended March 31, 2020. This was related to the Company's cost reduction strategies and further efforts to address the uncertainties and capital raising impacts due to COVID-19.
- Professional fees for the three months ended March 31, 2020, was $55,190 compared to $81,048 for the three months ended March 31, 2019, a decrease of $25,858. The decrease related to reduction is legal services during the three months ended March 31, 2020.

FINANCIAL RESULTS OF OPERATION (Continued)

- There was not travel during the three months ended March 31, 2020. The scheduled travel to Australia in March 2020 has been postponed due to the COVID-10 travel restrictions. Travel, meals and vehicle expenses for the three months ended March 31, 2019, was $5,329.
- Marketing and promotion expenses for the three months ended March 31, 2020, were $600 compared to $2,868 for the three months ended March 31, 2019. The decrease of $2,268 relates to a reduction in marketing initiatives as the Company is currently not selling its product, CELLB9 and reduced consulting services expenses for marketing and promotions.
- Rent expenses for the three months ended March 31, 2020, was negative $16,946 compared to negative $15,588 for the three months year ended March 31, 2019, a decrease of $1,358. The decrease relates to the rent reimbursement the Company receives from Asterion with whom the Company has been sharing the office space since November 2018. With the adoption of IFRS 16 *Leases*, and change in accounting policy, the lease payments are not recorded as a rental expense. Please refer to the "Changes in Accounting Policy" section below.
- Amortization expense for the three months ended March 31, 2020, was $42,086 compared to $43,297 for three months ended March 31, 2019, a slight decrease of $1,211.
- The remaining expenses for the three months ended March 31, 2020, were $16,993 compared to $14,852 for the three months ended March 31, 2019, an increase of $2,141. The decrease is mostly due to the payment of insurance premium in the three months ended March 31, 2020.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information prepared in accordance with IFRS for each of the last eight quarters ended March 31, 2020.

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	$0	$0	$0	$0	$3,031	$809	$1,017	$11,231
Net loss	$520,822	$76,408	$610,772	$1,713,827	$1,177,893	$5,686,304	$2,614,692	$2,165,884
Comprehensive loss for the period	$387,305	$40,268	$576,772	$1,681,977	$1,178,576	$5,732,671	$2,574,065	$2,160,170
Basic and diluted loss per share	$0.001	$0.000	$0.001	$0.004	$0.003	$0.015	$0.007	$0.009
Cash	$30,451	$28,480	$6,602	$37,545	$64,893	$64,329	$855,497	$2,859,606
Working capital/(deficiency)	($1,753,577)	($1,546,563)	($1,864,724)	($1,476,636)	($207,445)	$194,510	$2,873,475	$4,857,332
Total assets	$663,037	$857,638	$1,364,533	$1,752,329	$2,230,577	$1,902,077	$4,569,178	$7,531,015
Total liabilities	$5,464,005	$5,344,418	$6,312,840	$6,130,929	$5,285,990	$4,187,247	$3,603,699	$4,239,019
Deficit	$24,166,271	$23,684,588	$23,499,746	$24,198,644	$22,664,080	$21,632,660	$16,648,069	$14,035,792
Shareholders' equity (deficiency)	($4,800,968)	($4,486,780)	($4,948,307)	($4,378,600)	($3,055,413)	$(2,285,171)	$965,479	3,391,996

The net loss of $5,732,671 in Q4 2018 was higher than net losses in other quarters due to the impairment of prepaid agreements ($2,775,000) and loss on modification of convertible debt ($1,582,658).

The quarterly operating results continue to meet management's expectations. The Company continues to depend on funding for its operations, including the R&D programs, from equity and debt financing.

The higher net loss in Q3 2018 of $2,574,065 compared to other quarters was mostly due to higher R&D expenditures costs and higher business development, investor relations, marketing and promotions costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to depend on equity and debt for funding until it starts bringing products from its R&D programs. The Company received $42,850 for the Option Agreement during the three months ended March 31, 2020.

As at March 31, 2020, the Company had a working capital deficiency of $1,753,577 and cash of $30,451. As at December 31, 2019, there was a working capital deficiency of $1,546,563 and cash balance of $28,480.

As at March 31, 2020, the Company has two lease commitments. The Company entered into a lease with Golden Properties Ltd. for the leasing of office space starting May 1, 2017. The initial lease period is five years with an option to renew for five more years. On July 1, 2017, the Company entered into a lease agreement with Xerox Canada Ltd. for the leasing of equipment for a period of five years.

The annual commitment is as follows:

	Rent	Equipment	Total
2020	150,502	3,390	153,892
2021	164,184	4,520	168,704
2022	54,728	2,260	56,988
TOTAL	**$ 369,414**	**$ 10,170**	**$ 379,584**

The Company anticipates that it will continue to incur more costs, including R&D and patent filing costs, than revenue into next year. The Company is in the development stage and is primarily focused on developing marketable products.

Management continues to take steps to ensure that the Company has funds to pay for its obligations and continue its operations. These include:

1. Securing investment in the Company by way of private placements.
2. Issuing warrants as part of the Company's non brokered private placements. Exercise of any such warrants will provide more funding for the Company. The exercise of such warrants is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants (over which the Company has no control), and therefore there can be no guarantee that any existing warrants will be exercised.
3. Entering into convertible credit facility agreements with the founders of the Company, Kimberly Van Deventer (former President and Director of the Company) and Stephen Van Deventer (Chief Executive Officer and Director of the Company) (the "Lenders") as follows:

   December 9, 2016

   This agreement was originally for the principal amount of up to one million dollars. This was amended on March 31, 2017, increasing the principal amount to two million dollars. Under the terms of the agreement and waiver in respect of same, the amount of outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into common shares in the capital of the Company at the price of $0.10 per share (amended to $0.06 per share on April 20, 2018).

   As March 31, 2020, the Company has drawn $1,949,248 under the agreement, which bears simple interest at 5% per annum. The Lenders have signed a waiver by which there will be no demand on the funds until July 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

On May 20, 2020, $2 million of this debt ($1,728,811 principal and $271,189 interest) was assigned to two assignees. The debt was converted by the assignees at a price of $0.023 per common share for a total of 86,965,522 Shares. More information is provided under "Subsequent Events".

The principal outstanding after the conversion is $220,438.

May 9, 2017

On May 9, 2017, the Company entered into an additional convertible credit facility agreement with the Lenders in the principal amount of one million dollars to be used towards the operations of the Company. Under the terms of the agreement and waiver in respect of same, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into units, each consisting of one common share in the capital of the Company and one common share purchase warrant entitling the holder to purchase one common share in the capital of the Company at the price of $0.20 per share for a period of twenty-four months after the issuance of the units, subject to acceleration. Funds borrowed under this agreement bear simple interest at 5% per annum and are convertible at a price of $0.10 per unit (amended to $0.06 per unit on April 20, 2018). As at December 31, 2019, the Company has drawn $975,500 under this credit facility. The amount can be further increased if required, at the election of the Company. The Lenders have signed a waiver by which there will be no demand on the funds until July 31, 2021..

January 26, 2018

On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of an unsecured convertible promissory note bearing simple interest at 5% per annum. This promissory note was added to the May 9, 2017 facility above. Thereby, the terms of the facility entered into on May 9, 2017, apply to the January 26, 2018, agreement. The principal amount and any accrued interest are convertible into common shares of the Company at the option of the Lender at $0.10 per share (amended to $0.06 per unit on April 20, 2018). As at March 31, 2020, the Company has drawn the full amount of $500,000 under this agreement.

March 28, 2018

On March 28, 2018, the Company entered into a credit facility agreement (as amended) with its former President, Ms. Kimberly Van Deventer, for $700,000. Under the terms of this credit facility, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible into common shares of the Company at the option of Ms. Van Deventer at $0.10 per share (amended to $0.06 per unit on April 20, 2018). On March 28, 2020, the maturity date of this credit facility agreement was extended to the earlier of (i) March 29, 2021, and (ii) the date upon which a declaration is made pursuant to the terms of the agreement. The maturity date may be further extended by Ms. Van Deventer, providing written notice to the Company. As at March 31, 2020, the Company has drawn $695,000 under this agreement.

4. Entering into a loan agreement with the Company's CEO and Chairman, Mr. Stephen Van Deventer, whereby Mr. Van Deventer loaned the Company a principal sum of $300,000. In consideration for this loan, the Company has granted 5,000,000 transferable common share purchase warrants to Mr. Van Deventer, each warrant entitling Mr. Van Deventer to purchase one common share in the capital of the Company at an exercise price equal to $0.06 per share for a period of one year from the date of grant. As at March 31, 2020, the Company has drawn the full amount of $300,000 under this agreement.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

5. Receiving advances in the aggregate amount of $18,100 by way of callable debt from the Company's CEO, CFO, a related employee, a related company, and the past President.

6. The Company is continuing to look into other funding including grants in Australia for R&D.

RELATED PARTY TRANSACTIONS

1. Management

During the three months ended March 31, 2020, compensation to management and directors included:

- Consulting fees in the amount of $20,379 invoiced Dr. Makarand Jawadekar, PreveCeutical's President, Chief Science Officer and Director. This amount was not paid at March 31, 2020.
- Salary and benefits paid to Stephen Van Deventer, PreveCeutical's Chairman and Chief Executive Officer in the amount of $4,721.
- Salary and benefits paid to Shabira Rajan, PreveCeutical's Chief Financial Officer and Controller in the amount of $2,556.

2. Cornerstone Global Partnership Inc. ("CGP")

CGP is a corporation owned by the Company's Chief Executive Officer and Chairman, Mr. Stephen Van Deventer and the Company's former President, Ms. Kimberly Van Deventer.

For the three months ended March 31, 2020, CGP had invoiced the Company $14,875 for services provided by Ms. Kimberly Van Deventer. As at March 31, 2020, the Company owed CGP $59,261 in relation to these services.

3. Short term loan

The Company entered into a six-month loan agreement in the amount of $300,000 with Mr. Stephen Van Deventer on May 29, 2019, with an interest of 5% per annum compounded semi-annually. For the three months ended March 31, 2020, interest in the amount of $3,835 was accrued for this loan. On February 21, 2020, the maturity date was amended from November 29, 2019 to May 29, 2020.

CGP loaned the Company $3,000 on July 5, 2019. No interest was payable on this loan. This amount was outstanding at December 31, 2019.

Sydney Cole, an employee related to the Company's CEO, loaned the Company $3,000 on September 25, 2019, $2,000 on September 26, 2019, $650 on December 12, 2019 and $450 on February 4, 2020. No interest was payable on this loan. The total loan payble to Ms. Cole in the amount of $6,100 was outstanding at March 31 ,2020.

Stephen Van Deventer, Chief Executive Officer of the Company loaned the Company $1,500 on November 27, 2019 and another $1,500 on March 27, 2020. No interest was payable on this loan. The amount outstanding at March 31, 2020 was $4,500.

On November 27, 2019, Shabira Rajan, Chief Financial Officer of the Company loaned $1,500 to the Company. No interest was payable on this loan. This amount outstanding at December 31, 2019 was $1,500.

Ms. Kimberly Van Deventer, the Company's shareholder and former President, lent the Company $3,000 on November 27, 2019. No interest was payable on this loan, and this amount was outstanding as at December 31, 2019.

RELATED PARTY TRANSACTIONS (Continued)

4. **Convertible loan** (Credit Facility Agreements)

Credit facility agreements were entered into with the Lenders for funding of the Company's working capital shortfall. The initial agreement was entered into on December 9, 2016, and amended on March 31, 2019, in the principal amount of $2 million (the "December 2016 Debt").

For the three months ended March 31, 2020, accrued interest under this facility, at a 5% simple interest rate per annum, amounted to $24,299 ($21,16 for the three months ended March 31, 2019). This facility is categorized as long-term debt as the lenders have signed a waiver by which there will be no demand on the funds until July 31, 2021.

The Company entered into a second credit facility agreement with the Lenders in the amount of $1 million on May 9, 2017, to cover additional operational costs. For the three months ended March 31, 2020, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $12,160 ($12,027 for the three months ended March 31, 2019). This facility is categorized as long-term debt as the lenders have signed a waiver by which there will be no demand on the funds until July 31, 2021.

The Company entered into an agreement with the Lenders in the amount of $500,000 on January 26, 2018, to cover additional research, development and operational costs. For the three months ended March 31, 2020, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $6,233 ($6,164 for the three months ended March 31, 2019).

The Company entered into a credit facility agreement with the former President of the Company, Ms. Kimberly Van Deventer in the amount of $700,000 on March 28, 2018, to cover additional operational costs. For the three months ended March 31, 2020, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $8,664 ($8,319 for the three months ended March 31, 2019).

5. **Asterion (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 the 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. For the three months ended March 31, 2020, Asterion reimbursed the Company $20,958 ($21,778 for three months ended March 31, 2019) for rent and parking and $3,050 ($1,174 for the three months ended March 31, 2019) for administrative costs.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are disclosed in Note 3 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020.

OUTSTANDING SHARE DATA

On January 13, 2020, 500,000 options that were issued to an employee at an exercise price of $0.10 per common share of the Company were forfeited as the employee had resigned.

OUTSTANDING SHARE DATA (Continued)

As at March 31, 2020:

(i) the Company had 396,448,905 common shares issued and outstanding;
(ii) the Company had 159,949,750 common share purchase warrants outstanding;
(iii) the Company had 6,685,600 broker common share purchase warrants outstanding; and
(iv) the Company had 14,782,840 stock options and supplier agreement options outstanding.

On April 14, 2020, 500,000 options that were issued to an employee at an exercise price of $0.10 per common share of the Company were forfeited as the employee had resigned.

On April 15, 2020, 500,000 options that were issued to a consultant at an exercise price of $0.07 per common share of the Company expired.

On May 20, 2020, the Company issued 8,643,731 common shares at a price of $0.023 per Share to settle an outstanding debt of $198,806.

On May 20, 2020, the Company issued 86,956,522 common shares at a price of $0.23 per Share for conversion of debt that was assigned to two assinees.

On May 28, 2020, 5,000,000 bonus warrants, issued in connection with the issue of debt, at an exercise price of $0.06 per common share, expired.

As at June 1, 2020:

(i) the Company had 492,049,158 common shares issued and outstanding;
(ii) the Company had 154,949,750 common share purchase warrants outstanding;
(iii) the Company had 6,685,600 broker common share purchase warrants outstanding; and
(iv) the Company had 13,782,840 stock options and supplier agreement options outstanding.

FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides descriptions and measurement of the significant risks as at March 31, 2020:

Interest Rate Risk

The Company is funded by equity and debt. As the current debt is with the Company's related parties and is at a fixed simple interest rate there is no current impact on interest rate fluctuations and the Company considers interest rate risk on outstanding loans not to be significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at an excessive cost.

The Company manages its liquidity risk by maintaining adequate financing from related party facilities, forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

As at March 31, 2020, the Company had a working capital deficiency of $1,753,577 compared to the working capital deficiency at December 31, 2019, of $1,546,563. This included cash of $30,451 ($28,480

FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

at December 31, 2019) available to meet short-term business requirements and current liabilities of $1,881,422 ($1,834,810 at December 31, 2019). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The short-term convertible debt is due on demand.

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

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	682,010	$	-	$	682,010
Lease liability		146,979		176,147		323,126
Callable debt		330,885		-		330,885
Convertible debt – short-term		721,548		-		721,548
Convertible debt – long-term		-		3,406,436		3,406,436
	$	1,881,422	$	3,582,583	$	5,464,005

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

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	595,084	$	-	$	595,084
Lease liability		146,979		212,613		359,592
Callable debt		325,100		-		325,100
Convertible debt – short-term		767,647		-		767,647
Convertible debt – long-term		-		3,296,995		3,296,995
	$	1,834,810	$	3,509,608	$	5,344,418

Credit Risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held by large Canadian financial institutions. The Company considers its credit risk on cash and accounts receivable not significant.

Fair Values

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

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties related to its operations, some of which are beyond its control. Such risks include, but are not limited to:

- The industry is capital intensive and subject to fluctuations in market sentiment, foreign exchange and interest rates.

RISKS AND UNCERTAINTIES (Continued)

- The only sources of future funds for further product development and marketing which are presently available are funding from equity capital and debt. Management has been successful in accessing the equity markets during the year, but there is no assurance that such sources will be available on acceptable terms in the future. Capital market conditions and other factors beyond the Issuer's control, including the current COVID-19 pandemic, may also play important roles in the ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to the Company's management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that the Company feels the business requires, or unavailable on acceptable terms, the Company may be required to cease operating or to modify its business plans in a manner that undermines its ability to achieve its business objectives.
- Any future equity financings for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders. The Company cannot predict the size of future sales and issuances of equity securities, convertible securities to equity securities or the effect, if any, that future sales and issuances of equity securities or convertible securities will have on the market price of the Company's common shares. Sales or issuances of a substantial number of equity securities or convertible securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Company's common shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in their earnings per common share, and further suffer such dilution upon the conversion of convertible securities into equity.
- The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. Although it is not possible to reliably estimate the length and severity of these developments and their impact on the financial results and condition of the Issuer and its operating subsidiaries in future periods.
- The Company intends to outsource the manufacture of its products, including the Licensed Sleep-Aid Products, to third parties. Such third-parties, in turn source raw materials in order to produce the Company's products. The availability of raw materials, as well as variations in the price of raw materials, may, therefore, increase the Company's operating costs. The subsequent effect on the Company's operating profit margins depends on, among other things, the Company's ability to increase the prices of its finished products in the context of a competitive market. Fluctuations in raw material prices may, therefore, increase or decrease the Company's operating profit margins. Price increases may also result in downward pressure on sales volume. Furthermore, the Company's third-party manufacturer(s) will be competing with other producers and manufacturers to secure raw materials, and such producers or manufacturers may, because of a variety of factors, including but not limited to their relationships with suppliers, size, and competitive position within the industry, be able to secure raw materials before the Company's manufacturer(s) could secure such material, or may push the prices of raw materials higher because of such producers' or other manufacturers' demand for raw materials that the Company also requires. Potential delays in the Company's or any of its third-party manufacturers' ability to secure raw materials could undermine the Company's commitments to produce and deliver its products to distributors, which could undermine market share, revenue, and subsequently, profitability.
- In both domestic and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, advertising, importation, exportation, licensing, sale and storage of the Company's products are affected by extensive laws, governmental regulations, administrative determinations,

RISKS AND UNCERTAINTIES (Continued)

court decisions and other similar constraints. Such laws, regulations and other constraints may exist at the federal, provincial/state or local levels in Canada, Australia, the United States and at all levels of government in foreign jurisdictions. There can be no assurance that the Company or any of its distributors are in compliance with all of these regulations. The failure of the Company or its distributors to comply with these regulations or new regulations could disrupt future sales of theCompany's products (either existing or in development) could lead to the imposition of significant penalties or claims and could negatively impact the Company's business. The adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of the Company's products, resulting in significant loss of sales revenues

- The Company has no significant history of earnings and, due to the nature of the Company's business, there can be no assurance that the Company will be profitable. The continued operation of the Company and the ability of the Company to execute its current and future business plans will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such an event, the probability of resale of the securities purchased would be diminished. While the Company may generate additional working capital through further equity offerings, there is no assurance that any such funds will be available on terms acceptable to the Company, or at all. If available, future equity financing may result in substantial dilution to current shareholders. At present, it is impossible to determine what amounts of additional funds, if any, may be required.

- The markets for nutrient and health-related products are characterized by evolving regulatory and industry standards, changes in consumer tastes, needs, habits, and frequent new product introductions and enhancements within the industry. The introduction of products embodying new technologies or substances and the emergence of new industry standards and service offerings could render the Company’s existing products and products currently under development obsolete or undermine the Company’s ability to compete with such other products successfully. The Company’s success will largely depend upon its ability to evolve its products and services to sufficiently keep pace with technological and regulatory developments (domestically and in foreign jurisdictions) and respond to the needs of its existing and prospective customers. Failure to anticipate or respond adequately to technological developments or future customer or regulatory requirements, or any significant delays in product development or introduction, could damage the Company’s competitive position in the market place and affect current and/or future commercialization plans. There can be no assurance that the Company will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis

- The development of new products and strategies is a costly, complex and time-consuming process, and the investment in R&D, technology product development and marketing often involves a prolonged time until a return is achieved on such an investment. The Company has made, and will continue to make, significant investments in R&D, technology and related product opportunities. Investments in new products are inherently speculative and risky. While the Company will continue to dedicate a significant amount of resources to its development efforts in order to maintain a competitive position in the market, significant revenue from such investments may not be achieved for a prolonged period of time, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as lucrative as the margins the Company has anticipated.

- The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company’s ability to continue operating and the market price for the Company’s common shares and could use

RISKS AND UNCERTAINTIES (Continued)

significant resources. Even if the Company is involved in litigation and wins, litigation may redirect significant Company resources. Litigation may also create a negative perception of the Company's brand. The Company is a respondent to the BCSC Matter and the Company filed, among others, the 2018 Civil Claim in the Supreme Court of British Columbia against certain of the non-issuer respondents to the BCSC Matter. On July 11, 2019, the Company was named as a defendant in a lawsuit commenced in the Supreme Court of British Columbia (Tietz and Loewen v. Bridgemark Financial Corp. et al.) (the "Class Action Claim"). The Class Action Claim was brought under the British Columbia Class Proceedings Act and alleges certain misrepresentations in connection with various private placements conducted by the defendants. The plaintiffs are seeking an unspecified amount of damages for claims arising from alleged misrepresentations regarding, in respect of the Company, the Company's disclosure of its June 2018 private placement. The Company intends to vigorously defend the Class Action Claim and has already taken legal action against certain of the other defendants named in the Class Action Claim. The timeline and potential outcome of each of the BCSC Matter, the 2018 Civil Claim and the Class Action Claim remain uncertain and could potentially negatively impact the business of the Company..

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward-looking statements.

SUBSEQUENT EVENTS

On April 14, 2020, 500,000 options that were issued to an employee at an exercise price of $0.10 per common share of the Company were forfeited as the employee had resigned.

On April 15, 2020, 500,000 options that were issued to a consultant at an exercise price of $0.07 per common share of the Company expired.

On May 28, 2020, 5,000,000 bonus warrants, issued in connection with the issue of debt, at an exercise price of $0.06 per common share, expired.

On May 20, 2020, the Company entered into a debt settlement agreement for full and final payment of the supplier's outstanding payables in the amount of $198,806. 8.643,731 common shares of the Company, at an issuance price of $0.023, were issued for this settlement. All Shares issued pursuant to the Debt Settlement are subject to a hold period of four months and one day in Canada.

On May 20,2020, the Company entered into two assignment and assumption agreements whereby certain arm's length assignees (the "Assignees") acquired all of Stephen Van Deventer and Kimberly Van Deventer's right, title, interests and obligations in and under a convertible credit facility agreement dated effective December 9, 2016, as amended, as to the aggregate principal amount of $1,728,811 and the accrued interest thereon in the aggregate amount of $271,189 (the "Assigned Amounts"). The Assignees have elected to convert the Assigned Amounts into an aggregate of 86,956,522 Shares (the "Assignment Conversion") at a price of $0.023 per Share. The Shares issued in connection with the Assignment Conversion will not be subject to a hold period in Canada.

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

SUBSEQUENT EVENTS (Continued)

Other

Additional information regarding the Company is available on the Company's website at www.preveceutical.com. Additional information relating to the Company, including other continuous disclosure documents required by the securities regulators, is filed on System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com.

The effective date of this report is June 1, 2020.