

## **INTRODUCTION**

The following management discussion and analysis (“MD&A”) of the financial condition and results of operations of PreveCeutical Medical Inc. (“PMI” or the “Company”) constitutes management’s review of the factors that affected PMI’s financial and operating performance for the three months ended March 31, 2017. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars unless otherwise noted. 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.

Subsequent to the issue of the previously issued financial statements, the board of directors of the Company amended the issuance price of 5,000,000 common shares issued to certain shareholders on October 10, 2015 from \$0.0001 to \$0.02 per share. The restatement did not impact net cash from operating activities. It affected the share capital amount and subscription receivable amounts which increased by \$99,500.

For the purposes of preparing this MD&A, management, in conjunction with 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 PMI’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 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 financial statements and this MD&A is complete and reliable.

Additional information is available on PMI’s website at [www.preveceutical.com](http://www.preveceutical.com).

The effective date of this report is May 23, 2017.

## **FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact, certain information contained herein is forward-looking statements. Forward-looking statements are usually identified by the use of certain terminology, including “will”, “may”, “expects”, “should”, “anticipates” or “intends” or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause PMI’s actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements.

Forward-looking statements used in this MD&A are subject to various risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

**PREVECEUTICAL MEDICAL INC.**  
MANAGEMENT DISCUSSION AND ANALYSIS – AMENDED AND RESTATED  
FOR THE PERIOD ENDED MARCH 31, 2017

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**DESCRIPTION OF BUSINESS**

PMI is a private British Columbia company which is in the business of licensing, branding and marketing nutraceutical and wellness products, using nature and science to develop lasting contributions to health and well-being.

PMI currently has one product available for sale, the CELLB9™ immune-system booster. CELLB9 is an oral solution containing polarised and potentiated essential minerals extracted from a novel peptide, obtained from Blue Scorpion serum. The active potentiated ingredients in the Blue Scorpion serum appear to support health at a deep cellular level, having been used for many years and in over 40 countries. The solution is colourless and odourless and can be administered orally. CELLB9 is produced by Samson Pharmaceuticals Inc., in its FDA approved facility in the United States of America.

PMI has signed a research agreement with UniQuest Pty Limited (“UniQuest”) (University of Queensland’s main commercialization company), for the development of Scorpion Venom Derived Natural & Synthetic Peptides. In collaboration with UniQuest, PMI would like to identify the active components (peptides) that are providing the immune boosting and tumor selective painting properties, access synthetic versions of the active peptides as an alternative to relying on milking the Caribbean Blue Scorpions, and ultimately identify other therapeutic applications for the Blue Scorpion Venom and/or active peptides.

PMI is in the process of evaluating additional nutraceutical and wellness products that fit its acquisition, licensing, branding and marketing strategy. Management has not yet determined whether these products have a value that is economically recoverable.

**OVERALL PERFORMANCE**

PMI is still in the development stage. Its focus is on developing nutraceutical and wellness products that will generate future revenue. There were no sales for the period ended March 31, 2017.

**SELECTED FINANCIAL INFORMATION**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Revenues	\$0	\$0
Net (Loss)	(\$368,212)	(\$3,127,217)
Net (Loss) per Share	(\$0.0083)	(\$0.0822)
Cash/(Bank Indebtedness)	\$150,870	(\$47,036)
Total Assets	\$410,277	\$207,183
Total Liabilities	\$918,261	\$503,244
Shareholders' equity(deficit)	(\$507,984)	(\$296,061)

## **RESULTS OF OPERATION**

For the three months ended March 31, 2017, PMI was focusing on developing its product line and building resources. PMI was working on relationship with UniQuest which has resulted in two research and development contracts signed in April 2017.

There was no revenue for the three months ended March 31, 2017. PMI incurred expenses in the amount of \$368,000, majority of which was for salaries (\$120,000), consulting (\$71,000), advertising, travel and meals (\$60,000), promotions and events (\$58,000), and other expenses (\$59,000).

## **LIQUIDITY AND CAPITAL RESOURCES**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at March 31, 2017, there was a working capital deficiency of \$521,235.

As is typical with start-up companies there will be more costs than revenue in the first few years. PMI is in the development stage focusing on developing its marketable products. To support its initial operations, PMI is dependent on equity financing.

PMI is not subject to any externally imposed capital requirements, and there has been no change with respect to the overall capital risk management strategy during the fiscal year.

Management is taking steps to ensure PMI has funding to continue its operations which include:

1. To increase access to equity, PMI entered into an amalgamation agreement dated March 21, 2017, (the “Amalgamation”) with Carrara Exploration Corp (“Carrara”). In conjunction with the Amalgamation, Carrara will undertake a non-brokered private placement (the “Private Placement”) of up to 10,000,000 units (the “Units”) for minimum gross proceeds of \$1 million and maximum gross proceeds of \$5 million at a price of \$0.50 per unit and consisting of one Carrara Share and one transferable common share purchase warrant exercisable at \$1.00 per share for a period of twelve months from the closing of the Private Placement (with expiration date acceleration provision).

Upon closing of the amalgamation with Carrara, PMI will have access to at least \$1.0 million and additional \$2 million if warrants are exercised within a year. Management is confident that it will raise more than \$1.0 million for this placement.

2. To cover any shortfall for operational funding and working capital requirements, PMI entered into a credit facility agreement with Kimberly Van Deventer (President and director) and Stephen Van Deventer (CEO and director) on December 9, 2016, by which they will extend a line of credit (“LOC”) to PMI as required covering operations costs. Per the agreement, PMI will be able to draw on the LOC up to \$1 million. Funds borrowed under this agreement will bear simple interest at 5% per annum and are convertible into common shares of the Company at \$0.50 (being the share price offered in the Company’s ongoing private placement). On March 31, 2017, this agreement was amended to increase the LOC from \$1 million to \$2 million. The credit facility amount can be further increased if required.
3. PMI is continuing to look into other funding including grants for research and development.

## **RELATED PARTY TRANSACTIONS**

### 1. Management

During the three months ended March 31, 2017, compensation to directors included:

- Consulting fees were paid to Hill Road Capital, a company related to PMI's Director and VP Corporate Development, Brian Harris, in the amount of \$30,000.
- Consulting fees were paid to SHROF Financial Management, a company owned by PMI's CFO and Controller, Shabira Rajan, in the amount of \$30,000.
- Salary was paid to Stephen Van Deventer, PMI's Chairman and CEO in the amount of \$45,000 for services provided.
- Salary was paid to Kimberly Van Deventer, PMI's President and director in the amount of \$36,000 for services provided.

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

CGP is a company owned by Stephen Van Deventer, CEO and Chairman of PMI and Kimberley Van Deventer, President and director of PMI.

During the three months ended March 31, 2017, PMI paid office rent of \$6,000 to CGP.

Short term loan of \$105,000 was made to PMI by CGP in January 2016 which was payable for the exclusive right and license to use CGP's property including and not limited to trademarks, intellectual property and URLs (the "Property") and the use of the Property on packing, advertising and promotional material associated with PMI's business. For the three months ended March 31, 2017 interest in the amount of \$723 was payable on the loan. The balance of the loan including interest at March 31, 2017 was \$73,949.

### 3. Credit Facility Agreement with Stephen Van Deventer and Kimberley Van Deventer

Stephen and Kimberley Van Deventer are key executives and directors of PMI. The Credit facility agreement was entered into to cover any funding shortfall to cover operating costs. The initial agreement was for \$1 million. This was subsequently increased to \$2 million. For the three months ended March 31, 2017, accrued interest under this facility amounted to \$6,578. Loan amount at March 31, 2017 including interest before IAS 32 adjustment for financial instruments was \$876,578. With the adjustments the debt amount was \$721,000.

On May 30, 2017, the share subscription receivable of \$99,500 will be settled in full against this credit facility.

## **OUTSTANDING SHARE DATA**

As of the date of this MD&A, we have 44,579,408 common shares issued and outstanding. There were no shares purchased with warrants, and no share options were converted into common shares during the period.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Details of Financial Instruments and Risk Management are disclosed in the notes to the March 31, 2017 Unaudited Financial Statement.

## **RISKS AND UNCERTAINTIES**

In conducting its business, PMI faces a number of risks and uncertainties related to its operations, some of which are beyond its control. These risks include (but are not limited to):

- The industry is capital intensive and subject to fluctuations in market sentiment, foreign exchange and interest rates.
- The only sources of future funds for further product development and marketing which is presently available are the sale of inventory and funding from equity capital. 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.
- Any future equity financings for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- PMI intends to make products available for sale globally. As such, operations are subject to political risk due to political, economic, social and other uncertainties, including the risk of civil rebellion, nationalization, land ownership disputes, renegotiation or termination of existing and future contracts, permits or other agreement, changes in laws or taxation policies, currency exchange restrictions and changing political conditions.
- PMI's continued operations require licenses from various parties and governmental authorities. There is no assurance that PMI will be successful in obtaining or maintaining the necessary licenses and permits to continue with the development and commercialization activities or that current licenses will remain in force as granted.
- While management believes that control over bank accounts and PMI's assets is adequate, internal control weaknesses exist in respect of a lack of segregation of duties, and a risk of management override of controls and procedures. It is management's opinion that these weaknesses in internal controls over financial reporting are inherently related to the small size of the issuer.

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

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**STOCK OPTIONS**

At the August 8, 2016 Annual General Meeting, the shareholders approved implementation of a 10% rolling Stock Option Plan for PMI. This plan was implemented on August 11, 2016. On March 27, 2017, PMI's Board extended the term by 24 months for a total term for the Options to be exercised 48 months after the date of their grant to each participant. As at March 31, 2017, 3,950,000 incentive stock options to purchase Class A common share of PMI at an exercise price of \$0.25 per share under this plan were issued as follows:

<b>Participant</b>	<b>Number of Stock Options</b>	<b>Grant Date</b>	<b>Expiry of Option</b>	<b>Vesting Terms</b>
Stephen Van Deventer, Director & CEO	250,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Kimberly Van Deventer, Director & President	250,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Jeremy Wright, Director	150,000	11-Aug-2016	20-May-2017	All Options vest immediately
Brian Harris, Director, VP Corporate Development	1,000,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Greg Reid, Director	300,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Alex Bayer, Director	200,000	11-Aug-2016	11-May-2017	All Options vest immediately
Makarand Jawadekar, CSO	500,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Alicia Rebman, VP of Marketing	750,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Sydney Cole, Executive Assistant	300,000	11-Aug-2016	10-Aug-2020	All Options vest immediately
Shabira Rajan, CFO & Controller	250,000	1-Sep-2016	30-Aug-2020	All Options vest immediately
<b>TOTAL</b>	<b>3,950,000</b>			

**AMALGAMATION WITH CARRARA EXPLORATION CORP.**

On March 21, 2017, PMI entered into the Amalgamation Agreement with Carrara and a newly incorporated subsidiary of Carrara (the "Subco") whereby PMI will become a wholly owned subsidiary of Carrara by way of a three-cornered amalgamation (the "Amalgamation"). Pursuant to the terms of the Amalgamation Agreement, PMI and Subco will amalgamate and continue as a B.C. corporation which will be a wholly owned subsidiary of Carrara. Upon completion of the Amalgamation, all of the issued and outstanding common shares in the capital of PMI held by the holders of the PMI shares will be cancelled, and Carrara will issue an equal number of common shares without par value in capital of Carrara to the PMI shareholders who will then control a majority of the issued and outstanding voting securities of Carrara. The Amalgamation and the issuance of the Carrara shares to the PMI shareholders will constitute a reverse takeover of Carrara by PMI.

The required documents including notice of meeting and Information Circular were distributed to PMI shareholders on May 3, 2017. The Amalgamation was approved at PMI's Shareholders' meeting held on May 12, 2017.

## **SUBSEQUENT EVENTS**

### **SHARE ISSUE**

No shares were issued by PMI during the period April 1, 2017 to May 24, 2017.

### **MATERIAL AGREEMENTS**

#### **UniQuest Pty Ltd. (“UniQuest”)**

To advance its goal of developing an extensive patent portfolio, on April 7, 2017, PMI has engaged UniQuest to provide research and development services. PMI has signed its first research and option agreement with UniQuest whereby UniQuest will be researching the development of scorpion venom derived natural and synthetic peptides which incorporate disulfide bond containing amino acid compounds.

PMI is signed a Letter of Intent (“LOI”) on April 7, 2017 covering two research programs aligning with PMI’s interest in preventive health care. These programs will focus on development and evaluation of translatable formulations for delivery of CBDs and delivery of nutraceutical or pharmaceutical products to diabetes patients based on PMI’s intellectual property and product line. The Company and UniQuest are currently negotiating the entry into a definitive agreement regarding the services to be provided by UniQuest. This agreement will supersede the LOI once it is executed.

PMI signed the definitive agreement for conducting a research program for the extraction, formulation and ex vivo evaluation of CBDs for local/direct nose-to-brain delivery via Sol-Gels was signed on April 22, 2017. The duration of this program will be approximately thirty months.

PMI entered into another contract with UniQuest on April 20, 2017 to develop stabilized natural and synthetic peptides from scorpion venom for immune-boosting applications. The agreement provides the Company with an option to negotiate for a license to use UniQuest’s intellectual property for the commercialisation of blue scorpion venom-derived products. The duration of this program will be approximately twenty-four months.

#### **Golden Properties Ltd.**

On April 11, 2017, the Company signed a five year agreement with Golden Properties Ltd. to lease premises located at suite 2200, 1177 West Georgia Street, Vancouver, British Columbia. The space will be renovated and made ready for use as the Company’s offices by end of May 2017. The annual lease cost for the first two years will be \$162,282 and for the following three years it will be \$164,169.

#### **Callable debt agreement**

##### **Convertible credit facility agreement with Stephen Van Deventer and Kimberley Van Deventer**

In addition to the existing \$2,000,000 LOC with Stephen Van Deventer and Kimberley Van Deventer, on May 9, 2017, Stephen Van Deventer and Kimberley Van Deventer (the “creditors”) entered into a supplemental, revolving, credit facility agreement with PMI with a maximum amount of \$1,000,000 at a simple interest rate of 5% per annum. Proceeds borrowed under this agreement will be used for product and market development and general corporate purposes. At the discretion of the Creditors, any and all outstanding principal balance and interest owed by PMI to the Creditors is convertible to units in the authorized capital of the PMI at a deemed and conversion price of \$0.50 CAD per Unit (each Unit comprised of one (1) Class A common share of the Borrower and one (1) transferrable common share purchase warrant in the Capital of the PMI).

**SUBSEQUENT EVENTS** *(continued)*

**Convertible debt with Sydney Cole**

The term of the convertible debt agreement with Sydney Cole was extended by a year to March 27, 2018.

**Amalgamation with Carrara Exploration Corp.**

The shareholders of PMI approved the Amalgamation Resolution at its shareholders' meeting held on May 12, 2017.

Shareholders of Carrara Exploration Corp. ("Carrara") approved the Amalgamation Resolution at its shareholders' meeting held on May 12, 2017.

Carrara is in the process of proceeding with the next steps which includes consolidation of Carrara shares and is submitting the required documentation to the Canadian Securities Exchange.