

PREVECEUTICAL MEDICAL INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2017

The following management discussion and analysis (“MD&A”) of the financial condition and results of operations of PreveCeutical Medical Inc. (“PREV” or the “Company”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the six months ended June 30, 2017. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations as of August 29, 2017. 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.

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 PREV’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.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding the Company’s future cash requirements; general business and economic conditions; the proposed use of the proceeds of the private placements completed by the Company; the proposed research and development services to be provided by UniQuest (as defined below), the details of the Company’s research programs, the anticipated business plans of the Company regarding the foregoing, the timing of future 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 “pro forma”, “plans”, “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 or UniQuest to, among other things, complete the Company’s research programs as planned, the inability of the Company to obtain any required governmental or regulatory approvals (including Canadian Securities Exchange approval), permits, consents or authorizations required 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 the biotechnology or pharmaceutical industry, may also adversely affect the future results or performance of the Company.

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The Company cautions investors that the forward-looking statements should not be read as guarantees of future performance or results, and no assurance can be given that the expectations will be realized. 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 or placing an undue reliance on to forward-looking statements.

DATE

This MD&A reflects information available as at August 29, 2017.

MATERIAL CHANGE TO CORPORATE STRUCTURE

Effective June 30, 2017, the Company completed the acquisition of 1050962 B.C. Ltd., formerly PreveCeutical Medical Inc. (hereinafter referred to as "0962") (the "Transaction"). Pursuant to the terms of the Transaction, 0962 became a wholly-owned subsidiary of the Company by way of a "three-cornered amalgamation" with 1110607 B.C. Ltd., a wholly-owned subsidiary of the Company. Prior to the Transaction, the Company completed a three (3) to one (1) consolidation of its issued and outstanding shares and changed its name to "PreveCeutical Medical Inc.".

Following the Transaction, all of the issued and outstanding shares of 0962 were cancelled and the Company issued an equal number of shares to the former shareholders of 0962, resulting in a reverse take-over of the Company by 0962. The previous shareholders of 0962 hold 83% (on a non-diluted basis) of the issued and outstanding common shares in the capital of the Company.

The Company resumed trading on the Canadian Securities Exchange on July 14, 2017 under the new symbol "PREV" and under the new CUSIP 74141E104 and ISIN CA74141E1043.

DESCRIPTION OF BUSINESS

The Company's business model is to license, brand and market nutraceutical and wellness products, using nature and science to develop lasting contributions to health and well-being.

The Company is currently marketing and selling its initial product, CELLB9[®], which is an oral solution containing polarised and potentiated essential minerals extracted from a novel peptide, obtained from Blue Scorpion serum and is an immune-system booster. 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.

PREV continues to evaluate 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.

To advance its goal of developing an extensive patent portfolio, PREV has partnered with UniQuest Pty Limited ("UniQuest") (University of Queensland's main commercialization company), to work on research and development programs, which include:

1. Caribbean Blue Scorpion Venom Research Program: This project started on July 7, 2017 and the preliminary phase of the program (a 1D separation of peptides/protein) has begun.

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2. Cannabinoid Sol-gel Research Program: This project is focused on developing a cannabinoid based nose-to-brain delivery system that is intended to provide relief across a range of ailments including pain, inflammation, seizures and neurological disorders.
3. Smart –siRNA Research Program: This project is focused on the development of Smart-siRNAs for the treatment of diabetes and obesity.

Major equipment required for these projects has been purchased, installed and commissioned.

OVERALL PERFORMANCE

PREV is in the development stage. Its focus is on developing nutraceutical and wellness products that will generate future revenue. It has a number of projects that it is currently working on as outlined above.

The Company has met a number of milestones this quarter, including:

- Completion of the Transaction and listing of the Company's securities on the Canadian Securities Exchange (trading resumed July 14, 2017 under the symbol "PREV").
- Signing a five-year agreement with Golden Properties Ltd. to lease premises located at 2200 – 1177 West Hastings Street starting April 2017. The space has been renovated and was occupied on June 19, 2017.
- Identifying products and signing agreements for three projects with UniQuest.

SELECTED FINANCIAL INFORMATION

| | June 30, 2017 | December 31, 2016 |
|-------------------------------|----------------------|--------------------------|
| Revenues | \$17,680 | \$31,054 |
| Net (Loss) | (\$880,735) | (\$3,127,217) |
| Net (Loss) per Share | (\$0.036) | (\$0.071) |
| Cash/(Bank Indebtedness) | \$2,285,821 | (\$47,036) |
| Total Assets | \$3,381,505 | \$207,183 |
| Total Liabilities | \$2,734,870 | \$503,244 |
| Shareholders' equity(deficit) | (\$5,146,562) | (\$3,250,223) |

FINANCIAL RESULTS OF OPERATION

For the six months ending June 30, 2017, PREV focused on developing its product line and building resources. The Company has built a working relationship with UniQuest which has resulted in three research and development contracts signed this year. PREV continues to identify, review and commission additional products for research and development.

In the three months ending June 30, 2017, there was revenue of \$17,680 from online sales giving a gross profit of \$4,248. Expenses incurred in this quarter amounted to \$672,674, consisting of expenses incurred for business development and investor relations (\$235,052), salaries (\$141,181), travel and meals (\$105,175), professional fees (\$74,469), marketing, meetings and conventions (\$33,283), research and development (\$21,350) and other expenses (\$62,164).

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The company incurred other expenses in the amount of \$212,309 which consisted of interest expense of \$24,854, exchange loss of \$1,082 and reverse takeover costs of \$186,373 (legal, filing, auditor).

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.

On June 21, 2017 the Company consolidated all of its issued and outstanding common shares on the basis of one (1) post-consolidation security for every three (3) pre-consolidation securities. As a result of the consolidation, (i) the Company's issued and outstanding shares was reduced from 11,987,000 common shares to 3,995,667; and (ii) the Company's issued and outstanding options were reduced from 1,572,400 options to 524,134 options.

On June 29, 2017, the Company closed a non-brokered private placement of 4,271,200 units (each a "Unit") at the price of \$0.50 per Unit. Each Unit consisted of one (1) common share in the capital of the Company and one (1) common share purchase warrant. Of the 4,271,200 Units, 4,076,000 Units were issued to investors in the aggregate amount of \$2,038,000, and 195,200 Units were issued as finder's fees.

On June 30, 2017, the Company issued 40,729,408 common shares in the capital of the Company to the former 0962 shareholders in connection with the Transaction. As a result, the Company had 48,996,275 shares issued and outstanding.

As at June 30, 2017, the Company had working capital of \$2.2 million and cash of \$2.3 million.

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

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

1. With the completion of the Transaction, the Company will have broader access to equity financing. The Company currently has 4,271,200 common share warrants at an exercise price of \$1.00 per common share. However, the exercise of 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.
 2. To cover any shortfall for operational funding and working capital requirements, PREV entered into a convertible credit facility agreement with Kimberly Van Deventer (President and Director) and Stephen Van Deventer (CEO and Director) (the "Lenders") on December 9, 2016, as amended March 31, 2017 in the principal amount of \$2 million. Under the terms of the agreement and waiver in respect of same dated June 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 in the capital of the Company at the price of \$0.50 per share (being the share price offered in the Company's private placement, which placement closed on June 29, 2017). PREV has drawn the full \$2 million 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, 2018.
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3. On May 9, 2017, PREV entered into an additional convertible credit facility agreement with the Lenders in the principle amount of \$1 million to be used towards the operations of the Company. Under the terms of the agreement and waiver in respect of same dated June 30, 2017, 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 \$1.00 per share for a period of 24 months after the issuance of the units, subject to acceleration. Funds borrowed under this agreement bears simple interest at 5% per annum and are convertible at a price of \$0.50 per unit, wherein each unit is comprised of one common share of the Company and one transferrable common share purchase warrant in the capital of the Company. Each warrant entitles the holder to purchase (1) one common share at the exercise price of \$1.00 per share (being the share price offered in the Company's ongoing private placement). The credit facility 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, 2018.
4. PREV is continuing to look into other funding including grants for research and development.

RELATED PARTY TRANSACTIONS

1. Management

During the three months ending June 30, 2017, compensation to management and directors included:

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

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

CGP is a corporation that is owned by the CEO and Chair, Mr. Stephen Van Deventer and President and director, Mrs. Kimberly Van Deventer.

During the three months ending March 31, 2017, PREV paid office rent of \$4,000 to CGP.

Short term loan of \$105,000 was made to PREV by CGP in January 2016 which was payable for the exclusive right and license to use CGP's property including, but not limited to trademarks, intellectual property, URL's and the use of the property on packing, promotional and advertising material associated with the business. For the three months' ending June 30, 2017 interest in the amount of \$730 was payable on the loan. The balance of the loan including interest at June 30, 2017 was \$74,679.

3. Credit Facility Agreements with Stephen Van Deventer and Kimberley Van Deventer

The Lenders are key executives and directors of PREV. The credit facility agreements were entered

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into to compensate for any funding shortfall in the Company's ability to cover operating costs. The initial agreement was entered into on December 9, 2016 as amended March 31, 2017 in the principal amount of \$2 million. For the three months ending June 30, 2017, accrued interest under this facility amounted to \$29,539. The amount drawn on the credit facility at June 30, 2017 including interest before IAS 32 adjustment for financial instruments was \$2,029,538. With the adjustments, the amount drawn on the credit facility was \$1,873,972.

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 ending June 30, 2017, accrued interest under this credit facility amounted to \$989. The amount drawn on the credit facility at June 30, 2017, including interest and before IAS 32 adjustment for financial instruments was \$541,489.

OUTSTANDING SHARE DATA

As of June 30, 2017:

- (i) the Company had 48,996,275 common shares issued and outstanding.
- (ii) the Company had 4,574,134 stock options outstanding; and
- (iii) the Company had 4,271,200 outstanding share purchase warrants.

No share options or warrants were converted into common shares during the period.

CHANGES IN ACCOUNTING POLICIES

Please refer to note 4 of the June 30, 2017 interim financial statements on www.sedar.com for a comprehensive list of the accounting policies not yet adopted during the current period.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Details of Financial Instruments and Risk Management are disclosed in the notes to the June 30, 2017 interim financial statements.

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.
- The only sources of future funds for further product development and marketing which are 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.
- PREV's intention is 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

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future contracts, permits or other agreement, changes in laws or taxation policies, currency exchange restrictions and changing political conditions.

- PREV's continued operations require licenses from various parties and governmental authorities. There is no assurance that PREV 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 the Company's bank accounts and assets is adequate, there is an internal control weaknesses in respect of a lack of segregation of duties, and therefore 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 Company.

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.

STOCK OPTIONS

The Company's stock option plan was implemented on August 11, 2016. On March 27, 2017, the Board of Directors (as it was then) amended the plan to extend the term in which the options granted thereunder may be exercised from 24 months to 48 months after the date the options were granted. In addition to options granted under the Company's stock option plan, there are also options granted to agents which are issued and outstanding.

As at June 30, 2017, the Company has 4,574,134 stock options issued and outstanding as follows:

| Participant | Number of Stock Options | Grant Date | Expiry of Option | Exercise price per Common Share |
|--|--------------------------------|-------------------|-------------------------|--|
| Stephen Van Deventer, Director & CEO | 250,000 | 11-Aug-16 | 10-Aug-20 | \$0.25 |
| Kimberly Van Deventer, Director & President | 250,000 | 11-Aug-16 | 10-Aug-20 | \$0.25 |
| Brian Harris, Director, VP Corporate Development | 1,000,000 | 11-Aug-16 | 10-Aug-20 | \$0.25 |
| Greg Reid | 300,000 | 11-Aug-17 | 10-Aug-17 | \$0.25 |
| Makarand Jawadekar, CSO | 500,000 | 11-Aug-16 | 10-Aug-20 | \$0.25 |
| Alicia Rebman, VP of Marketing | 750,000 | 11-Aug-16 | 10-Aug-20 | \$0.25 |
| Sydney Cole, Executive Assistant | 300,000 | 11-Aug-16 | 10-Aug-20 | \$0.25 |
| Shabira Rajan, CFO & Controller | 250,000 | 01-Sep-16 | 30-Aug-20 | \$0.25 |
| Shabira Rajan, CFO & Controller | 250,000 | 29-Jun-17 | 28-Jun-21 | \$0.50 |
| Ryan Van Deventer, Employee | 100,000 | 29-Jun-17 | 28-Jun-21 | \$0.50 |
| Deanne Kress, Employee | 100,000 | 29-Jun-17 | 28-Jun-21 | \$0.50 |
| Matthew Coltura, Director | 16,667 | 18-May-17 | 18-May-19 | \$0.66 |
| Matthew Coltura, Director | 66,667 | 07-Sep-16 | 07-Sep-21 | \$0.30 |
| Stephen B. Butrenchuk, Consultant | 25,233 | 18-May-17 | 18-May-19 | \$0.66 |

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|-----------------------------------|------------------|-----------|-----------|--------|
| Robert Coltura, Consultant | 45,500 | 18-May-17 | 18-May-19 | \$0.66 |
| A. Salman Jamal, Consultant | 45,500 | 18-May-17 | 18-May-19 | \$0.66 |
| Stephen B. Butrenchuk, Consultant | 66,667 | 07-Sep-16 | 07-Sep-21 | \$0.30 |
| Robert Coltura, Consultant | 66,667 | 07-Sep-16 | 07-Sep-21 | \$0.30 |
| A. Salman Jamal, Consultant | 66,667 | 07-Sep-16 | 07-Sep-21 | \$0.30 |
| Agent warrants | 124,566 | 21-Dec-16 | 21-Dec-18 | \$0.30 |
| TOTAL | 4,574,134 | | | |

SUBSEQUENT EVENTS

Change to Corporate Structure

The Company and its subsidiary, PreveCeutical Medical Holdings Inc. amalgamated on July 31, 2017.

Change in Share Capital

- On August 8, 2017, 10,000 warrants were exercised at a price of \$0.30 per share.
- On August 16, 2017, 7,813 warrants were exercised at a price of \$0.30 per share.
- On July 12, 2017, 4,200,000 performance warrants were issued at an exercise price of \$0.50 with the expiry date of July 12, 2022 to certain consultants, officer and other persons. The performance warrants will vest as follows:
 - (i) One third on the issue date;
 - (ii) 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
 - (iii) 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.

Material Agreements

On July 14, 2017, the Company entered into a research and option agreement with Uniquist, the University of Queensland's main commercialization company, to conduct a research program focused on the development of Smart-siRNAs for the treatment of diabetes and obesity.

On August 7, 2017, the Company signed a non-binding letter of intent with UniQuest for a proposed research collaboration between the Company and the University of Queensland related to a research and development ("R&D") program involving peptide library synthesis, pharmacological evaluation, alongside pharmacokinetic assessment and efficacy determinations in appropriate animal models of pain and inflammation, which may encompass either party's intellectual property and product line and other pharmaceutical offerings that may fall within the peptide R&D program.

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Listings on Stock Markets

Effective July 14, 2017, The Company resumed trading on the Canadian Securities Exchange under the symbol "PREV".

Effective July 31, 2017, the Company's shares began trading on the Frankfurt Stock Exchange under the symbol "18H".

The Company is listed in the OTC market under the symbol "PRVCF" and is in the process of completing its filings for the quotation of its shares on the OTCQB market. The Company has also made an application for its common shares to be DTC eligible.

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 August 29, 2017.