The following management discussion and analysis ("MD&A") of the financial condition and results of operations of PreveCeutical Medical Inc. ("PreveCeutical" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2017. 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 audited consolidated financial statements, including the notes thereto, of the Company for the years ended December 31, 2017, and 2016.

The accompanying audited consolidated financial statements and related notes are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated 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 consolidated 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 consolidated 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 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

FORWARD-LOOKING STATEMENTS (continued)

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.

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 April 23, 2018.

CORPORATE STRUCTURE

Name, Address and Incorporation

PreveCeutical Medical Inc., formerly Carrara Exploration Corp. ("Carrara"), 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.

Security Listings

PreveCeutical's securities are listed on the Canadian Stock Exchange (the "CSE"). Prior to the reverse takeover transaction (detailed below), with 1050962 B.C. Ltd., formerly PreveCeutical Medical Inc. (hereinafter referred to as "0962"), the Company was trading under the symbol CAA. The Company resumed trading on CSE on July 14, 2017, under the symbol PREV.

The Company listed its common shares for trading on the Frankfurt Stock Exchange ("FSE") under the symbol "18H" on August 1, 2017.

On August 16, 2017, the Company's shares were quoted for trading on the OTC Pink market under the symbol PRVCF and on September 15, 2017, the Company was approved to have its shares traded on the OTCQB venture marketplace in the United States of America.

CORPORATE STRUCTURE (continued)

PreveCeutical made an application to have its securities listed on the TSX Venture Exchange as a Tier 2 issuer on September 25, 2017, and was conditionally accepted on April 9, 2018.

Reverse Takeover Transaction

Carrara entered into a reverse takeover transaction (the "Transaction") with 0962, which was completed on June 30, 2017. In connection with the Transaction, Carrara changed its name to PreveCeutical Medical Inc. on June 21, 2017.

Effective June 30, 2017, the Company completed the acquisition "0962" resulting in the reverse takeover of the Company by 0962. 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 takeover of the Company by 0962 (the "Reverse Takeover"). As at June 30, 2017, the previous shareholders of 0962 held 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 CSE on July 14, 2017, under the new symbol "PREV".

On July 31, 2017, the Company amalgamated with its wholly-owned subsidiary, PreveCeutical Medical Holdings Inc. by way of vertical short form amalgamation (the "Amalgamation"). The amalgamated company retained the Company's name, PreveCeutical Medical Inc.

Corporate Relationships

On March 12, 2018, the Company incorporated a wholly-owned private Australian subsidiary, PreveCeutical (Australia) Pty Ltd., in Queensland, Australia.

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 license agreements with leaders in the pharmaceutical and cannabis industry.

PreveCeutical currently has one product for sale, the CELLB9® Immune System Booster. CELLB9® is an oral solution containing polarized and potentiated essential minerals extracted from a novel peptide found in Caribbean Blue Scorpion venom.

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 Food and Drug Administration approved facility in the United States of America.

DESCRIPTION OF BUSINESS (continued)

During the year ended December 31, 2017, PreveCeutical has entered into three Research and Option Agreements ("R&D Agreements") and one non-binding letter of intent with UniQuest PTY Limited ("UniQuest"), Australia's leading commercialisation entity, specialising in commercialising the intellectual property of the University of Queensland for various research and development ("R&D") programs. The Company continues to explore the potential and opportunity to enter into further Research and Option Agreements with UniQuest and currently has the following research programs underway:

Stabilization of blue scorpion venom
The Company's research program, stabilization of Blue Scorpion Venom ("BSV") is to develop products derived from the BSV, which is the base of the Company's initial product, CELLB9. This program aims to identify the active components (peptides) that are purported to provide immune boosting and tumour-selective painting properties, to access synthetic versions of identified peptides as an alternative to milking Caribbean Blue Scorpions, and ultimately to identify other potential therapeutic applications for the BSV and/or identified peptides.

Phase one of this three distinct phase program, which is the identification and separation of proteins from venom sources (i.e. CellB9) for sequencing using 1D & 2D Gel Electrophoresis, is currently underway.

On August 29, 2017, the Company entered in a joint venture agreement with Sports 1 Marketing ("S1M") (the "JV Agreement") to develop a therapy utilizing peptides identified under the BSV program geared towards athletes with concussion. The Company believes that there is therapeutic potential in the peptides identified in the BSV to treat concussions (mild traumatic brain injury). S1M, a sports and entertainment marketing agency, will assist PreveCeutical as a consultant in developing a sports drink which could potentially assist sports players in recovering from concussion.

Pursuant to the JV Agreement, S1M is compensated by being granted 220,000 transferable options under the Company's stock option plan, expiring on August 29, 2019, to purchase the Company's common shares at an exercise price of $0.81 per share of which 200,000 were granted to Sports 1 Marketing, and 20,000 were granted to Sports 1 Marketing's consultant.

Sol-gels for Nasal Delivery of Cannabinoids

With increasing evidence of the clinical benefits presented by cannabinoids ("CBD") and recent legalizing of medical marijuana across a number of jurisdictions, PreveCeutical has partnered with University of Queensland for the development and evaluation translatable formulations for systemic/central nervous system (CNS) delivery of CBD. This project is focused on developing a CBD based nose-to-brain delivery system that is intended to provide relief across a range of ailments including pain, inflammation, seizures and neurological disorders. Engineered soluble gels (sol-gels) present an ideal platform for achieving this aim as they are in-solution upon administration, and rapidly gelling upon 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.

Research and development of this project require a supply of cannabis-derived materials and ingredient information. Effective September 18, 2017, PreveCeutical entered into a strategic research and development supply agreement (the "Supply Agreement") with Aurora Cannabis, a licensed producer of medical cannabis under Health Canada's Access to Cannabis for Medical Purposes Regulations. Pursuant to the terms of the Supply Agreement and as consideration for the supply of certain cannabis materials to be used in the Company's research and development programs, the Company granted the supplier 2,564,103 non-transferable options (the "Supply Agreement Options") to acquire that number of common shares in the capital of the Company.

DESCRIPTION OF BUSINESS (continued)

The CBD sol-gel research and development program ("CBD Program") commenced in the third quarter of 2017 with the initial set up which included hiring researchers, procuring of equipment and other consumables and setting up the lab for the program started in the third quarter of 2017. The CBD Program team also worked on getting permits for importation of cannabis material from Canada to Australia.

Approval to acquire and use cannabis as part of this research was received from the state of Queensland, Australia Government on November 1, 2017, and the first shipment of dried cannabis flower was received in late March 2018. The bulk fractioned extraction and high-performance liquid chromatography (HPLC) fingerprinting of plant-derived CBDs from the imported cannabis material has now commenced.

Smart siRNA for the Treatment of Diabetes and Obesity

This program is focused on the development of Smart-siRNAs for the treatment of diabetes and obesity and encompasses three fragmented phases spanning over three years.

In this research 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 major equipment required for these projects has been purchased by the University of Queensland. The equipment has been installed and commissioned and hiring of personnel for is underway.

Disulfide Linker Technology in Engineering Analgesic Peptides

The Company signed a non-binding letter of intent with UniQuest on August 7, 2017, for a research and development program to extend the application of the disulfide linker technology in engineering pain relieving peptides for moderate to severe pain and inflammatory conditions. This program involves peptide library synthesis, pharmacological evaluation, alongside pharmacokinetic assessment and efficacy determinations in appropriate animal models of pain and inflammation. This program may encompass either party's intellectual property, product lines or other pharmaceutical offerings that may fall within the peptide research and development program. This program is intended to expand and expedite development of lead peptide candidates and facilitate the engagement of experienced collaborators to demonstrate proof-of-concept through pharmacological, pharmacokinetic and *in vivo* evaluation in models of pain and inflammation. The definitive agreement was signed on January 30, 2018.

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

OVERALL PERFORMANCE

During the year ended December 31, 2017, the Company's continued to work on business development.

This included executing:

(i) the research and option agreement with UniQuest for the research program regarding Smart siRNAs for the treatment of diabetes and obesity;
(ii) the Joint Venture Agreement;
(iii) the Supply Agreement; and
(iv) a letter of intent for the disulfide linker technology in engineering analgesic peptides.

As products and therapies develop 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 year ended December 31, 2017, 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's revenue income is minimal at this time, the 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 steps that are outlined under Liquidity and Capital Resources section.

At December 31, 2017, the Company had a cash balance of $104,478, and working capital of $1,066,337 compared to bank indebtedness of $47,036 and a negative working capital of $298,731 in the prior year. The positive balance was from the private placement prior to the Reverse Takeover and debt financing and includes current portion of prepayments for the R&D programs ($385,907) and the current portion of the amount for the options granted for the R&D supply agreement ($579,302). The balance of the prepayment for the R&D programs ($483,210) and the R&D supply agreement ($541,927) has been recorded as a non-current asset as a portion of the deliverables will be after twelve months. The debt is a convertible debt that is financed by the Company's related party.

SELECTED FINANCIAL INFORMATION

Year ended December 31,	**2017**	**2016**	**2015**
Revenues	$22,234	$31,054	-
Net loss	$7,231,885	$3,127,217	$123,006
Net loss per share	$0.16	$0.082	$0.008
Cash/(bank indebtedness)	$104,478	($47,036)	($16,208)
Total assets	$2,599,660	$207,183	$134,502
Non current liabilities	$2,639,509	-	-
Total liabilities	$2,944,000	$503,244	$97,208
Deficit	$10,482,108	$3,250,223	$123,006
Shareholders' deficiency	344,340	296,061	62,206

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

FINANCIAL RESULTS OF OPERATION

For the year ended December 31, 2017 the Company continued its focus on developing its product line and identifying, reviewing and commissioning additional products for research and development and on securing additional funding for its operations.

The Company's deficit at December 31, 2017 of $10,482,108 included the costs of the reverse takeover and listing costs of $2,585,202 as follows:

8,266,866 common shares deemed to be issued at $0.50	4,133,433
Stock options and agent's options deemed to be issued (Black-Scholes model)	181,733
Legal and transaction costs	105,390
Less: Net assets assumed	(1,835,354)
Total Reverse Takeover and Listing Costs	**2,585,202**

The 8,266,866 common shares transferred include the private placement shares that were issued by Carrara prior to the Transaction:

	Number of shares
Carrara shareholders' shares	3,995,666
Carrara private placement	4,271,200
Total shares deemed to be issued	**8,266,866**

The listing costs increased the net loss, share capital value, contributed surplus and the deficit. The deficit as at December 31, 2017, excluding the reverse takeover and listing costs was $7,896,906.

The Company had a net loss of $7,231,885 during the year, compared to $3,127,217 for the year ended December 31, 2016. Revenue for the year was $22,234 compared to $31,054 in the previous year, operating expenses including cost of sales were $4,515,571, compared to $2,735,743 in the previous year and other expenses of $2,738,548 compared to $422,528 in the previous year. The other expenses for the year ended December 31, 2017 included the listing cost of $2,585,202 (detailed above), accretion expense of $156,434 for the convertible debts and financing cost of $98,907 offset by exchange gain of $4,997 and income tax recovery relating to the equity portion of convertible debt in the amount of $96,998. Other expenses in 2016 included impairment of the intangible asset of $400,000.

The Company continues to sell its product, CELLB9, online. In the year ended December 31, 2017, there was revenue of $22,234 from online sales with a gross profit of $14,299, compared to $31,054 revenue and $2,068 gross loss in the year ended December 31, 2016. The gross loss in 2016 was due to increased promotional items and discounts given during the year.

Financing costs for the year ended December 31, 2017, was $78,565 higher than the previous year, $98,907 as compared to $20,342. This was due to financing required from the two convertible debts in 2017. The financing costs included accrued interest for the loan on license agreement of $2,975 ($3,227 in 2016) and on three convertible loans of $95,932 ($525 in 2016). All of the three convertible debts bear a simple interest rate of 5%. One of the convertible debt has a balance of $12,196 ($11,293 in 2016), including the accrued interest which was not paid during the year. The other two convertible debts have a combined balance, including accrued interest, of $2,639,509 and have been classified as long-term debts as the lenders have signed a waiver by which there will be no demand on the funds until January 31, 2019.

FINANCIAL RESULTS OF OPERATION (continued)

Expenses for this year ended December 31, 2017 amounted to $4,507,636 which was $1,805,015 higher than the previous year ($2,702,621). This increase related to:

- The research and development costs for the year was $517,612. These costs are for the two research and development projects with UniQuest and fees paid to the Chief Research Officer and the Chief Scientific Officer. The Company began its R&D programs in 2017 and as such did not have any R&D costs in the previous year.
- Business development and investor relations expenses for this year were $452,590 higher than the previous year ($628,739 this year compared to $176,149 in 2016). The increase is due to investor relation services required for stock listing in Germany and the United States, and increased global investor presentations.
- Travel, meals and vehicle expenses for this year was $455,552, compared to $230,062 last year, an increase of $225,490. This was due to increased travel for investor relations, research, and development activities.
- Professional fees this year were $384,913 compared to $216,341 in the previous year. The increase of $168,572 was mostly due to audit and legal costs in relation to preparation for listing the company on the stock exchange and increased legal fees in relation to contracts and other agreements.
- Salary, wages and consulting increased by $99,682 from the previous year ($765,924 compared to $666,242 in 2016). This increase relates to additional staff members being hired in 2017.
- Increase in rent expenses amounted to $83,645 ($124,104 this year compared to $40,459 same last year). Rent expense this year was for the lease of the office space which the Company leased in April 2017 and started the rental payments started in June 2017. Smaller office space was rented in the previous year.
- Marketing and promotion expenses increased by $70,117 from the prior year ($154,508 compared to $84,391). The Company increased its marketing efforts in 2017 to build its brand, which included building its website and publishing articles.
- Share based compensation for the year ended December 31, 2017, was $1,234,103 compared to $1,186,975 in the prior year. The increase of $47,128 was due to the increased number of options and warrants (4,200,000 warrants and 770,000 stock options) issued in 2017 compared to the prior year (3,950,000 options).
- The transfer agent and filing fees this year was $51,250 compared to $10,147 last year, an increase of $41,103. This includes fees paid for listing with the OTC Market in the United States and filing fees for listing with TSX Venture Exchange.
- There was an increase in amortization expenses of $18,824 from the previous year ($19,305 in 2017 compared to $481 in 2016). This related to the amortization of furniture, equipment and leasehold equipment acquired during the year with the move to the Company's new offices.
- The balance of the increase in expenses of $80,252 from the previous year ($171,626 in 2017 compared to $91,374 in 2016) comprised of increased costs inventory management, and insurance expenses and other office and general expenses.

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 December 31, 2017.

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	$4,038	$10,394	$7,802	$0	$8,422	$15,150	$7,482	$0
Loss for the period	$2,694,048	$1,089,511	$3,080,114	$368,212	$2,018,899	$512,839	$408,909	$186,570
Basic and diluted loss per share	$0.055	$0.018	$0.126	$0.009	$0.053	$0.013	$0.013	$0.006
Cash/(bank indebtedness)	$104,478	$489,384	$2,285,821	$150,870	($47,036)	$32,855	$20,543	$45,846
Working capital/(deficiency)	$1,066,337	$981,179	$2,226,638	($521,235)	($298,731)	$8,376	$143,645	$78,875
Total assets	$2,599,660	$2,059,055	$3,381,506	$410,277	$207,183	$664,917	$728,932	$639,546
Total liabilities	$2,944,000	$2,585,671	$2,734,871	$918,261	$503,244	$253,390	$183,604	$160,671
Deficit	$10,482,108	$7,787,293	$6,698,549	$3,618,435	$3,250,223	$1,302,137	$790,485	$309,624
Shareholders' equity (deficiency)	($344,340)	($526,616)	$646,635	($507,984)	($296,061)	$312,027	($790,485)	($379,376)

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

The loss in Q4 2016 and Q4 2017 includes the cost of the options granted to employees and consultants and the debt conversion costs related to the convertible debt financing. The loss in Q2 2017 includes the listing transaction cost.

LIQUIDITY AND CAPITAL RESOURCES

The Company's current revenue stream is from the sale of its product, CELLB9. The net income from revenue at this time is minimal. Until the Company starts to market additional products from its research and development programs, it continues to depend on equity and debt for funding.

As at December 31, 2017, the Company had working capital of $1,066,337 and cash of $104,478. As at December 31, 2016, there was a working capital deficiency of $298,731 and bank indebtedness of $47,036. The increase in cash and working capital is from equity funds from the private placement in June 2017 and funds from the convertible loan.

As at December 31, 2017, 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
2018	162,264	4,520	166,784
2019	163,544	4,520	168,064
2020	164,184	4,520	168,704
2021	164,184	4,520	168,704
2022	54,728	2,260	56,988
TOTAL	**708,904**	**20,340**	**729,244**

LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company anticipates that it will continue to incur more costs, including research and development 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 operation. These include:

1. Securing investment in the Company by way of private placements. With the completion of the Transaction, the Company has broader access to equity financing. PreveCeutical is currently working on a private placement for up to 16,000,000 units described under subsequent events.

2. On July 12, 2017, the Company issued 4,200,000 common share purchase warrants entitling the holder to purchase one common share of the Company at a price of $0.50 per share on or before July 12, 2020. 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. To cover any shortfall for operational funding and working capital requirements, the Company entered into a convertible credit facility agreement with Kimberly Van Deventer (former President and Director of the Company) and Stephen Van Deventer (CEO and Director of the Company) (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 (amended to $0.30 per share on April 20, 2018). The Company 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 January 31, 2019.

4. On May 9, 2017, the Company entered into an additional convertible credit facility agreement with the Lenders in the principal 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 twenty four (24) 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 $0.50 per unit (amended to $0.30 per unit on April 20, 2018). As at December 31, 2017, the Company has drawn $900,500 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 January 31, 2019.

5. On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of convertible promissory note bearing a simple interest rate of 5% per annum. (more information under Subsequent Event).

6. On March 28, 2018, the Company entered into an agreement with Ms. Kimberly Van Deventer for $700,000 in the form of convertible promissory note bearing a simple interest rate of 5% per annum. (more information under Subsequent Event)

7. The Company is continuing to look into other funding including grants for research and development.

RELATED PARTY TRANSACTIONS

1. Management

   During the year ended December 31, 2017, compensation to management and directors included:

   - Consulting fees of $90,000 paid to Hill Road Capital, a corporation related to PreveCeutical's Director and VP Corporate Development, Brian Harris.
   - Consulting fees of $63,000 paid to SHROF Financial Management, a company owned by PreveCeutical's Chief Financial Officer and Controller, Shabira Rajan. Salary of $78,000 was also paid to Ms. Rajan during the year for services provided.
   - Salary paid to Stephen Van Deventer, PreveCeutical's Chairman and Chief Executive Officer ("CEO") in the amount of $180,000 for services provided.
   - Salary paid to Kimberly Van Deventer, PreveCeutical's past President and director in the amount of $144,000 for services provided.

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

   CGP is a corporation owned by the CEO and Chair, Mr. Stephen Van Deventer and Ms. Kimberly Van Deventer.

   The short-term loan of $105,000 was made to the Company 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 year ended December 31, 2017, interest in the amount of $2,975 was payable on the loan. The balance of the loan including interest at December 31, 2017 was $76,202.

3. Convertible Debenture – Credit Facility Agreements with Stephen Van Deventer and Kimberley Van Deventer

   The Lenders includes key executive and director of the Company. The credit facility agreements were entered 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, and amended on March 31, 2017 in the principal amount of $2 million. For the year ended December 31, 2017, accrued interest under this facility, at a 5% simple interest per annum, amounted to $79,949. The amount drawn on the credit facility at December 31, 2017, including interest and before IAS 32 adjustment for financial instruments was $2,079,949. With the IAS 32 adjustments of $221,538, the amount drawn on the credit facility was $1,858,412. 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 January 31, 2019.

   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 year ended December 31, 2017, accrued interest under this credit facility, at a 5% simple interest per annum, amounted to $15,283. The amount drawn on the credit facility at December 31, 2017, including interest and before IAS 32 adjustment for financial instruments was $915,283. With the IAS 32 adjustments of $134,685, the amount drawn on the credit facility was $781,097. 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 January 31, 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is made with reference to the audited consolidated financial statements for the year ended December 31, 2017.

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company has identified accounting policies and estimates outlined below as critical to understanding the Company's business operations and the results of its operations. Impact and associated risks related to these policies and estimates on the Company's business operations are discussed throughout this MD&A.

The Audit Committee of the Board of Directors reviews the Company's accounting policies and all annual and interim filings, and recommends adoption of our annual and interim financial statements to our Board of Directors.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to the Company's accounting policies from those disclosed in the Company's Consolidated Financial Statements for the years ended December 31, 2017 and 2016. The Company has not yet evaluated the exact impact of the new standards effective on or after January 1, 2018 but does not believe they will have a material effect on the consolidated financial statements.

Please refer to note 4 of the December 31, 2017, audited financial statements on www.sedar.com for a comprehensive list of the accounting policies not yet adopted during the current year.

OUTSTANDING SHARE DATA

As of December 31, 2017:

(i) the Company had 49,104,503 common shares issued and outstanding;

(ii) the Company had 7,390,294 stock options including broker options outstanding; and

(iii) the Company had 8,471,200 outstanding share purchase warrants.

During the year, 100 stock option and 67,843 broker agent's options were converted into common shares.

As at April 23, 2018:

(i) the Company had 49,160,506 common shares issued and outstanding;

(ii) the Company had 7,390,294 stock options including broker options outstanding; and

(iii) the Company had 8,471,200 outstanding share purchase warrants

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 December 31, 2017:

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 December 31, 2017, the Company had working capital of $1,066,337 compared to the working capital deficiency at December 31, 2016 of $298,731. This included cash of $104,478 (bank indebtedness of $47,036 in 2016) available to meet short-term business requirements and current liabilities of $304,491 ($503,244 in 2016). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The callable debt and convertible debt are due on demand.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2017:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	198,485	$	-	$	198,485
Callable debt		76,202		-		76,202
Convertible debt – short term		15,225		-		15,225
Government remittances payable		17,608		-		17,608
Convertible debt – long term		-		3,185,442		3,185,442
	$	307,520	$	3,185,442	$	3,492,962

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2016:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	189,565	$	-	$	189,565
Callable debt		73,227		-		73,227
Convertible debt – short term		14,525		-		14,525
Government remittances payable		182,123		-		182,123
	$	459,440	$	-	$	459,440

FINANCIAL INSTRUMENTS (continued)

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 fair value of the Company's financial assets and liabilities approximate its carrying value which is the amount recorded on the consolidated statement of financial position.

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, 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.
- Any future equity financings for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- The Company's intention is to make its 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.
- The Company's continued operations require licenses from various parties and governmental authorities. There is no assurance that the Company will be successful in obtaining or maintaining the necessary licenses and permits to continue with its 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 weakness 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 materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward-looking statements.

SUBSEQUENT EVENTS

Change in Share Capital

On April 9, 2018, the Company issued a non-brokered private placement of up to 16 million units (each, a "Unit") at the price of $0.25 per Unit for aggregate gross proceeds of up to CAD$4,000,000 (the "Financing"). Each Unit will consist of one common share of the Company (each, a "Share") and one warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of $0.50 per Share for a period of twenty-four (24) months from the closing of the Financing (the "Closing"). The Units will be subject to an acceleration provision whereby if the closing price of the Shares on the CSE is $1.00 for a minimum of ten consecutive trading days, the Warrants will expire at 4.00 p.m. (Vancouver time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the Warrants. The Closing is expected to occur on or about May 15, 2018.

On March 19, 2018, 56,003 shares were issued to Susan Blond Group for services rendered.

Material Events

On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of convertible promissory note bearing a simple interest rate of 5% per annum. The promissory note is due on demand. The principal amount and any accrued interest are convertible into common shares of the Company at the option of the Lenders at $0.50 per common share. On April 17, 2018, the conversion per share amount was revised from $0.50 to $0.30 on April 20, 2018.

On January 30, 2018, the Company entered into a research and option agreement with UniQuest to develop non-addictive analgesics for the treatment of pain, which may offer an alternative to addictive opioids. The research program will expand the use of the disulfide linker technology. The Company has undertaken this project in response to the opioid epidemic which has led to significant numbers of opioid-related addictions and deaths, taxing public health care systems and affecting social and economic welfare.

The Company incorporated a fully owned private Australian corporation, PreveCeutical (Australia) Pty Ltd., (the “Subsidiary”) on March 12, 2018, in Queensland, Australia. Having most of the research being done in Brisbane, the subsidiary in Australia will provide access to Australia’s strong foundation of academic and clinical research, providing access to expertise and partnerships for its drug development programs. Many specialized Australian hospitals have strong clinical trial capabilities as well as the diverse patient populations needed for the range of products PreveCeutical is currently developing. The subsidiary will potentially benefit from Australian government’s commitment to supporting innovation through a range of programs and incentives.

Stephen Van Deventer is the Subsidiary’s Chairman and director, Maher Khaled is the Chief Executive Officer, Secretary and Director, Kimberly Van Deventer is the Director, and Shabira Rajan is the Chief Financial Officer.

On March 12, 2018, the Company’s subsidiary, PreveCeutical (Australia) Pty Ltd. entered into a consulting services contract with Delakh Services Pty Ltd. for the role of Chief Executive Officer.

SUBSEQUENT EVENTS (continued)

Material Events (continued)

On March 28, 2018, the Company entered into a credit facility agreement with the Ms. Kimberly Van Deventer 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 option of the Ms. Van Deventer at $0.50 per common share. On April 13, 2018, $70,000 was drawn on the facility, bears 5% interest, and repayment is due on March 28, 2019. On April 17, 2018, the conversion per share amount was revised from $0.50 to $0.30 on April 20, 2018.

On April 20, 2018, the Company amended the following credit facilities to reduce the conversion price from $0.50 to $0.30:

1. Credit facility agreement dated December 19, 2016 in the aggregate amount of $2,000,000 entered into with the Lenders.
2. Credit facility agreement dated May 19, 2017, in the aggregate amount of $1,000,000 entered into with the Lenders.
3. Promissory note in the amount of $500,000 dated January 26, 2018 with the Lenders
4. Credit facility in the aggregate principal amount of $700,000 entered into with Ms. Kimberly Van Deventer on March 28, 2018.

Other

Kimberly Van Deventer resigned as the Company's President and director effective April 9, 2018.

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 April 23, 2017.