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 three and nine months ended September 30, 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented, are not necessarily indicative of the results that may be expected for any future period.

This MD&A should be read in conjunction with the condensed consolidated interim financial statements, including the notes thereto, of the Company for the three and nine months ended September 30, 2018 and 2017 and the audited consolidated financial statements for the year ended December 31, 2017.

The accompanying condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017.

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

Results are reported in Canadian dollars unless otherwise noted.

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and U.S. securities laws. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding the Company's 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

FORWARD-LOOKING STATEMENTS (Continued)

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, UniQuest or Asterion (as defined below) 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 (the "CSE") approval), permits, consents or authorizations required, risks related to joint venture operations, and risks related to the integration of acquisitions, as well as those factors discussed under the heading "Risks and Uncertainties". Other factors such as general economic, market or business conditions or changes in laws, regulations and policies affecting the biotechnology, medicinal cananbis 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 November 26, 2018.

CORPORATE STRUCTURE

Name, Address and Incorporation

PreveCeutical Medical Inc., formerly Carrara Exploration Corp., 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 CSE. Prior to the reverse takeover transaction with 1050962 B.C. Ltd., formerly PreveCeutical Medical Inc. (hereinafter referred to as "0962"), the Company was trading under the symbol CAA. Following the transaction, the Company resumed trading on the CSE on July 12, 2017, under the symbol PREV.

CORPORATE STRUCTURE (Continued)

Security Listings (Continued)

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

Share Structure

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

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

All of the Company's common shares and other securities and exercise prices included in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018, and this MD&A are reported on a post-Stock Split basis.

Corporate Relationships

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

DESCRIPTION OF BUSINESS

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

PreveCeutical 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 across as many as 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.

The Company is in the planning stages for the development, marketing and production of three natural sleep aid products which have been approved by Health Canada. The Company signed a licensing agreement (the "Licensing Agreement") for these products on August 14, 2018, with Asterion Cannabis Inc. ("Asterion"). Under the Licensing Agreement, Asterion has granted the Company a non-exclusive worldwide license to use, manufacture, distribute and sell three natural health products, "Blissful Sleep" (NPN 80065538), "Blissful Sleep Ex" (NPN 80070168), and "Skullcap Serenity" (NPN 80067446) (collectively, the "Licensed Sleep-Aid Products").

DESCRIPTION OF BUSINESS (Continued)

The Licensing Agreement gives the Company a right to use Asterion's intellectual property to make or have made, use, distribute, sell, offer to sell and promote the Licensed Products for an initial term of five years, renewable for five consecutive one-year terms. PreveCeutical will pay to Asterion a royalty equal to 20% of the gross sales from the Licensed Products sold by PreveCeutical.

Medicinal Cannabis Division

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

On September 26, 2018, the Company entered into a development and joint venture agreement (the "D&JVA") with Asterion to form a joint venture (the "Joint Venture") whereby PreveCeutical will assist Asterion in the development of a range of medicinal cannabis-based products through various research and development ("R&D") programs. Per the D&JVA, (i) Asterion will be responsible for all costs related to the R&D programs adopted by the Joint Venture; (ii) the intellectual property ("IP") and products developed by the Joint Venture during the term of the D&JVA will be owned 80% by Asterion and 20% by PreveCeutical; and (iii) PreveCeutical will receive 20% of the net revenues generated from the IP and sale of products developed by the Joint Venture under the D&JVA.

Agreements with Asterion are considered to be a related party transaction as the Company's current and former directors and executive officers are directors and executive officers of the Asterion.

RESEARCH AND DEVELOPMENT

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

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

Following are the Company's projects currently underway in Australia:

Stabilisation of Blue Scorpion Venom

The Company's research program, stabilization of Blue Scorpion Venom (the "BSV"), aims to develop therapeutics derived from the BSV, which is the active ingredient 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 develop 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-phase program, which is the identification and separation of proteins from venom sources (i.e. CELLB9) for sequencing using 1D & 2D Gel Electrophoresis, has been completed.

RESEARCH AND DEVELOPMENT (Continued)

Stabilisation of Blue Scorpion Venom (Continued)

Phase two, which involves synthesizing peptide candidates for screening, has now commenced. This involved using computational modelling to design and dock approximately 70 novel peptide constructs with our intended disease target in brain cancer. The overarching aim of phase two is to identify promising design features of the peptides, such as their preferred 3-dimensional pose and critical amino acids that inform peptide library synthesis.

Sol-gels for Nasal Delivery of Cannabinoids

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

The cannabis-derived materials and ingredient information for testing are being supplied by Aurora Cannabis Inc., a licensed producer of medical cannabis under Health Canada's Access to Cannabis for Medical Purposes Regulations, in accordance with an R&D Supply Agreement.

The 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.

Approval to acquire and use cannabis as part of this research was received from the Government of the state of Queensland, Australia on November 1, 2017. The first shipment of dried cannabis plant material was received by UQ in late March 2018, with a further shipment received by UQ in May 2018. The fractioned extraction of bulk imported cannabis material is progressing well, with a preliminary analysis revealing the presence of cannabinoid -based compounds, which has been correlated with high-performance liquid chromatography ("HPLC") and paired with proprietary cannabis potency analysis software. Chemical fingerprinting via HPLC of plant-derived cannabinoids from the imported cannabis material, using eight commercially available cannabinoid standards is underway, and fractionated extraction conditions yielding the highest concentration of cannabinoids from plant material for three out of five cannabis strains has now been completed. Trials of the sol-gel applicator device are also progressing, with an array of devices with different nozzle designs having been received and screened with the Sol-gel base to identify the applicator with the optimal spray profile.

Smart siRNA for the Treatment of Diabetes and Obesity

Under this R&D program the development of Smart-siRNAs for the treatment of diabetes and obesity is being researched (the "D&O Program"). The program encompasses three distinct phases spanning over three years.

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

RESEARCH AND DEVELOPMENT (Continued)

Smart siRNA for the Treatment of Diabetes and Obesity (Continued)

The major equipment required for the D&O Program has been purchased, installed and commissioned by the UQ and hiring of personnel is complete. The partners in the D&O Program, the Queensland Institute of Medical Research-Berghofer ("QIMR-B") and Murdoch University, have their scientific personnel trained and bought up to speed on this project and have commenced work on the project. UQ commenced work on its component of the D&O Program on July 2, 2018 with efforts focussing on the library design of bio-responsive gene carrier-and-release ("BGCR") systems, where almost 200 carrier system constructs have now been rationally designed, taking into account a range of head group chemistries and charge as well as a panel of ligands that promote self-assembly and targeting.

Proposing synthesis of 200 BGCR constructs requires significant quantities of the "bioresponsive linker", and so an entirely new chemical synthesis protocol was designed to address the expected bottleneck in supply of the "bioresponsive linker", which has now been adopted in-house with great promise. In parallel, a cell-based assay to evaluate the potential for toxicity was conducted, and safety of our BGCR systems has also now been established at the Pharmacy Australia Centre of Excellence (PACE). Screening of lead BGCR systems is expected to commence once gene silencing study data is in hand. The QIMR-B team has successfully developed and optimized a series of in-house cell models of diabetes and obesity, and has validated them for robustness and reproducibility against PreveCeutical's first generation carrier systems and commercially available transfection agents.

The Murdoch University team has diligently scoured all patent and journal article-related literature to identify known sequences of the D&O Program's target gene of interest. The Murdoch University team then plans to build a substantial library of over 150 gene sequences against human PTP1B that contrast from those that are already reported and protected by intellectual property rights. With this fundamental review of all gene sequences in the literature completed, work has begun on re-designing these constructs to be applicable to PTP1B gene silencing in rodents (as opposed to humans), as all cell-based studies in the current Phase (1-2) are planned in mouse-derived cells, with the final preclinical phases (3-4) planned in healthy and diseased (diabetic/obese) mice.

Disulfide Linker Technology in Engineering Analgesic Peptides

This R&D program, which commenced on July 2, 2018, is being conducted to extend the application of the disulfide linker technology in engineering pain relieving peptides for moderate to severe pain and inflammatory conditions (the "Linker Program"). The Linker Program involves peptide library synthesis, pharmacological evaluation, alongside pharmacokinetic assessment and efficacy determinations in appropriate animal models of pain and inflammation. The Linker Program is being conducted 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.

A comprehensive review of the literature was undertaken to catalogue known peptide sequences reported in the literature that is relevant to our target, from which a large library design of approximately 100 peptides was formulated, encompassing a range of natural and non-natural amino acids and design features. These constructs were then individually screened in silico for docking and binding affinity to the opioid receptor sub-types of interest, and only those with selective binding and high receptor sub-type affinity (approximately 50 peptides) will be carried forward for further evaluation and potential synthesis. In parallel a revised 'bioresponsive linker' synthesis protocol was developed to address expected bottlenecks in the supply when constructing peptide libraries going forward. The establishment of a cell-based assay to evaluate lead peptides in modulating a biomarker of pain has been established, and efforts are now underway to streamline this assay to a 'high throughput' model, that is capable of robustly screening

RESEARCH AND DEVELOPMENT (Continued)

Disulfide Linker Technology in Engineering Analgesic Peptides Obesity (Continued)

libraries of peptides candidates simultaneously across receptor sub-types. It is anticipated that doing so would enable faster turnaround to the peptides subsequent re-design and synthesis, as dictated by cell assay results. Ethics approvals detailing the complete study plan for screening of lead peptide candidates in animals (rat models of pain/inflammation) were drafted, reviewed in-house and final submissions made to UQ's animal ethics committee.

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 three and nine months ended September 30, 2018, the Company continued to work on business development and financing including:

- Entering into a research and option agreement with UniQuest for the research program regarding Disulfide linker technology in engineering analgesic peptides derived from endogenous pharmacology.
- Completing the Stock Split of the Company's issued and outstanding common shares on the basis of five new common shares for each one existing common share. This took effect on May 24, 2018.
- Successfully closing a $0.05 non-brokered private placement for gross proceeds of $6,539,988 on June 29, 2018 (the "June 2018 Private Placement").
- Establishing the Company's subsidiary, PreveCeutical (Australia) in Australia.
- Engaging consulting companies to assist with its marketing and investor relations efforts.
- Launching the Company's medicinal cannabis division.
- Signing a license agreement for rights to three Health Canada approved products with Asterion Cannabis Inc.
- Engaging consulting companies to assist with its marketing.
- Launching the Company's medicinal cannabis division.
- Negotiating and executing of the Licensing Agreement with Asterion.
- Planning the manufacturing and production of the Licenced Products under the Licensing Agreement with Asterion.
- Entering into the D&JVA with Asterion.
- Negotiating a letter of intent with Penta 5 USA, LLC and Penta 5 Packaging Inc.
- Communicating with investors to raise equity funding for the Company.

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

For the three and nine months ended September 30, 2018, the Company continued to focus on business development and its research programs. These programs continue to be funded by equity and debt.

OVERALL PERFORMANCE (Continued)

As the Company's revenue income is minimal at this time, the cost of operations and meeting of commitments are currently being financed by funding from equity and debt. To ensure that the Company has funding to continue its operation, Management has taken a number of steps that are outlined under the Liquidity and Capital Resources section.

On July 5, 2018, the Company entered into a consulting agreement with Link Media LLC, for communications and market awareness services. The total contract amount is $229,198 in cash (USD 175,000) based on an exchange rate of 1.3097.

On July 12, 2018, the Company entered into an agreement with Monster Media, LLC, for investor relations and marketing services. The agreement has an initial three-month term with a one-time fee of $73,675 (USD $56,000), which includes marketing fees of $65,781 (USD 50,000) US and hosting fees of $7,894 (USD 6,000) for a term of three months.

At September 30, 2018, the Company had a cash balance of $855,497, and working capital of $2,873,475 compared to a cash balance of $104,478 and working capital of $1,066,337 at December 31, 2017. The positive working capital was a result of the Company closing a $0.05 non-brokered private placement for gross process of $6,539,988 on June 29, 2018 (the "June 2018 Private Placement"), prepayments for consulting fees, debt financing, the current portion of prepayments for the R&D programs, and the current portion of the amount for the options granted for the R&D supply agreement. The balance of the prepayment for the R&D programs and the R&D supply agreement has been recorded as a non-current asset as a portion of the deliverables will be after twelve months. The debt is convertible debt that is financed by a related party of the Company.

Selected Financial Information

As at	September 30, 2018	September 30, 2017	December 31, 2017
Cash	$855,497	$489,384	$104,478
Total assets	$4,569,178	$2,059,055	$2,599,660
Non-current liabilities	$2,639,847	$2,356,345	$2,639,509
Total liabilities	$3,603,699	$2,585,671	$2,944,000
Working capital	$2,873,475	$981,179	$1,066,337
Deficit	$16,648,069	$7,787,293	$10,482,108
Shareholders' equity (deficiency)	$965,479	$(526,616)	($344,340)

Selected Operating Information

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues	$1,017	$13,046	$14,644	$34,394
Net loss and comprehensive loss	$2,574,065	$1,089,511	$6,119,621	$4,537,070
Net loss per share	$0.007	$0.004	$0.021	$0.016

FINANCIAL RESULTS OF OPERATION

During the three and nine months ended September 30, 2018, the Company continued its focus on developing its product line and identifying, reviewing and commissioning additional products for manufacturing, marketing and R&D and on securing additional funding for its operations. The Company successfully closed the June 2018 Private Placement on June 29, 2018, giving the Company added liquidity and enabling the Company to reduce its debt.

The Company's deficit at September 30, 2018, of $16,648,069, includes the costs of the reverse takeover and listing costs of $2,585,202 incurred in the year ended December 31, 2017. An amount of $4,094 tax receivable was received during the nine months ended September 30, 2018. This has been recorded under other expenses.

The Company had a net loss and comprehensive loss of $2,574,065 and $6,119,621 for the three and nine months ended September 30, 2018, compared to $1,089,511 and $4,537,070 for the three and nine months ended September 30, 2017. Revenue for the three and nine months ended September 30, 2018 was $1,017 and $14,644 compared to $13,046 and $34,394 in the same periods in the previous year. Operating expenses including cost of sales were $2,497,271 and $5,905,329 for the three and nine months ended September 30, 2018, compared to $1,138,091 and $2,188,387 in the same periods in 2017.

Other expenses, income tax, and foreign exchange gain on translating foreign operations for the three and nine months ended September 30, 2018, were $77,811 and $228,936 compared to reduction in expenses of $35,534 for the three months ended September 30, 2017 and cost of $2,383,077 for the nine months ended September 30, 2017.

Other expenses for the three and nine months ended September 30, 2018, included accretion expense of $64,695 and $167,512 for the convertible debts, financing cost of $42,724 and $140,432, foreign exchange gain of $401 and loss of $605, offset by a reduction of other expenses in the amount of $4,094.

For the three months ended September 30, 2017 there was a reduction in expenses of $35,534 due to the adjustment to listing cost of $63,587 and foreign exchange gain of $3,767. This was offset by financing cost of $31,820. For the nine months ended September 30, 2017, other costs were relatively higher at $2,383,077 as it included the reverse takeover and listing costs of $2,322,165. Financing cost for the nine months ended September 30, 2017 was $64,202 offset by a foreign exchange gain of $3,290.

For the three month's ended September 30, 2018 the Company recorded income tax expense in the amount of $15,514 which was and adjustement due to repayment of convertible debt. The income tax recovery for the nine months ended September 30, 2018 was $29,179.

The Company recorded a foreign exchange translation gain in the amount of $40,627 and $46,340 in the three and nine months ended September 30, 2018. The net loss and comprehensive loss taking into account the translation gain for its foreign subsidiary was $2,574,065 and $6,119,621 for the three and nine months ended September 30, 2018. The net loss and comprehensive loss for the three and nine months ended September 30, 2017, of $1,089,511 and $4,537,070 was the same as the net loss as there were no comprehensive income or expenses recorded.

The Company continues to sell its product, CELLB9, online. For the three and nine months ended September 30, 2018, revenue was $1,017 and $14,644 from online sales with a gross profit of $396 and $11,161. For the three and nine months ended September 30, 2017, the revenue from online sales was $13,046 and $34,394 with a gross profit of $7,300 and $10,969.

FINANCIAL RESULTS OF OPERATION (Continued)

Financing costs for the three and nine months ended September 30, 2018, were $42,724 and $140,432 which were $10,904 and $76,230 higher than for the same periods in 2017 ($31,820 and $64,202). The Company's finance cost and accretion expenses were higher in the three and nine months ended September 30, 2018, compared to the same periods in 2017 as the Company borrowed additional funds to finance its R&D programs and operations. The financing costs include accrued interest for the callable and convertible loans in the amount of $51,775 and $97,708 for the three and nine months ended September 30, 2018 ($24,863 and $32,383 for the three and nine months ended September 30, 2017).

The convertible debts bear a simple interest rate of 5%. At September 30, 2018, the balance for the short-term convertible debt was $798,536 ($15,050 at September 30, 2017), including the accrued interest which was not paid during the period. The long-term convertible debt balance, including accrued interest, at September 30, 2018 was $2,799,665, an increase of $288,254 from September 30, 2017 ($2,511,411 at September 30, 2017). This debt is classified as long-term debt as the lenders have signed a waiver by which there will be no demand on the funds until January 31, 2020.

Expenses for the three and nine months ended September 30, 2018, amounted to $2,496,650 and $5,901,846 which were $1,364,305 and $3,376,884 higher than the three and nine months ended September 30, 2017 ($1,132,345 and $2,164,962). This increase is related to:

- The R&D costs for the three and nine months ended September 30, 2018, were $805,342 and $1,974,352, which was $604,928 and $1,777,472 higher than for the three and nine months ended September 30, 2017 ($200,414 and $196,880). These costs are for the R&D projects, amortization of an R&D Supply Agreement and fees paid for R&D related consulting. As the Company began its R&D programs in the third quarter of 2017 the R&D expenses in the three and nine months ended September 30, 2017, were much less than in 2018.

- Business development and investor relations expenses for the three and nine months ended September 30, 2018, were $319,981 and $553,989 higher than the previous year ($633,454 and $1,157,543 for the three and nine months ended September 30, 2018, compared to $313,473 and $603,554 for the same periods in 2017). The increase is due to investor relation services required for accessing additional equity for the Company and developing the business to bring additional products to market.

- Marketing and promotion expenses for the three and nine months ended September 30, 2018, were $543,135 and $756,902 compared to $65,530 and $111,864 for the three and nine months ended September 30, 2017. The increase of $477,605 and $645,038 was in relation to building brand awareness for the Company in preparation for the products that are being planned for marketing and the continued marketing efforts to build PreveCeutical's brand and to market its product, CELLB9.

- Salary, wages and consulting fees were $51,711 lower and $171,849 higher during the three and nine months ended September 30, 2018, compared to the same periods in 2017 ($170,524 and $665,645 for the three and nine months ended September 30, 2018 compared to $222,235 and $493,796 for the three and nine months ended September 30, 2017). The decrease during the three months ended September 30, 2018 related to the decrease in salaries and the increase in the nine months ended September 30, 2018 related to hiring consultants for publicity to garner interest in the Company.

- Share-based compensation for the three and nine months ended September 30, 2018, was $3,828 and $408,661. This expense was for stock options issued to consultants and employees during these periods. No options or warrants issued to employees and consultants were recorded in the same periods in 2017.

FINANCIAL RESULTS OF OPERATION (Continued)

- Professional fees for the three and nine months ended September 30, 2018, were $130,430 and $359,915 compared to $54,307 and $184,965 for the three and nine months ended September 30, 2017. The increases of $76,123 and $174,950 were mostly due to legal costs in relation to preparing and review of the various contracts the Company has entered into and for preparation of documents in relation to a TSX Venture Exchange listing application, which, at this time, the Company does not intend to complete.

- Travel, meals and vehicle expenses for the three and nine months ended September 30, 2018, were $104,425 and $296,427, compared to $153,996 and $329,651 for the three and nine months ended September 30, 2017, a decrease of $49,571 and $33,224 for the three and nine months ended September 30, 2018.

- Rent expenses for the three and nine months ended September 30, 2018, were $46,526 and $138,252 compared to $44,862 and $76,417 for the three and nine months ended September 30, 2017. The increase is in relation to the lease of office space in April 2017, with rental payments starting in June 2017. A smaller office space was rented prior to April 2017.

- Amortization expense for the three and nine months ended September 30, 2017, was $7,640 and $23,735. This related to the amortization of furniture, equipment and leasehold equipment acquired in connection with the Company's move to its current offices. No amortization expense was recorded for the three and nine months ended September 30, 2017.

- The balance of the expenses for the three and nine months ended September 30, 2018, were $51,346 and $120,414 compared to $77,528 and $167,835 for the three and nine months ended September 30, 2017. The higher costs in the three and nine months ended September 30, 2017, was the result of outsourcing (now managed in-house) of inventory management ($10,902 and $32,552) and participating in more conferences and events in the three and nine months ended September 30, 2017, ($997 and $47,206). Other costs for the three and nine months ended September 30, 2018, included insurance ($21,837 and $36,981 for the three and nine months ended September 30, 2018 compared to $6,777 and $12,743 for the same periods in 2017) and transfer agent and filing fees of $15,291 and $48,039 for the three and nine months ended September 30, 2018 compared to $42,889 and $43,189 for the three and nine months ended September 30, 2017. These costs are in relation to the Company's status as a reporting issuer.

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 September 30, 2018.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenue	$1,017	$11,231	$2,395	$4,038	$10,394	$7,802	$-	$8,422
Loss and comprehensive for the period	$2,574,065	$2,160,170	$1,417,250	$2,694,048	$1,089,511	$3,080,114	$368,134	$2,018,899
Basic and diluted loss per share	$0.007	$0.009	$0.006	$0.055	$0.018	$0.126	$0.009	$0.053
Cash/(bank indebtedness)	$855,497	$2,859,606	$204,038	$104,478	$489,384	$2,285,821	$150,870	($47,036)
Working capital/(deficiency)	$2,873,475	$4,857,332	$262,418	$1,066,337	$981,179	$2,226,638	($521,235)	($298,731)
Total assets	$4,569,178	$7,531,015	$2,428,429	$2,599,660	$2,059,055	$3,381,506	$410,277	$207,183
Total liabilities	$3,603,699	$4,239,019	$3,841,755	$2,944,000	$2,585,671	$2,734,871	$918,261	$503,244
Deficit	$16,648,069	$14,035,792	$11,899,358	$10,482,108	$7,787,293	$6,698,549	$3,618,435	$3,250,223
Shareholders' equity (deficiency)	$965,479	3,391,996	($1,413,326)	($344,340)	($526,616)	$646,635	($507,984)	($296,061)

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

SUMMARY OF QUARTERLY RESULTS (Continue)

The loss in Q2 2018, Q1 2018, Q4 2017 and Q4 2016 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 R&D programs, it continues to depend on equity and debt for funding.

The Company's plans to develop, brand, manufacture, market and sell the Licensed Sleep-Aid Products. Revenue streams are expected to increase when these products are brought to market, bringing additional liquidity to the Company.

As at September 30, 2018, the Company had a working capital of $2,873,475 and cash of $855,497. As at December 31, 2017, there was a working capital of $1,066,337 and a cash balance of $104,478. The increase in cash is from funds from the issue of capital through the June 2018 Private Placement and debt funding.

As at September 30, 2018, 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	$ 40,566	$ 1,130	$ 41,696
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	**$ 587,206**	**$ 16,950**	**$ 604,156**

The Company anticipates that it will continue to incur more costs, including R&D 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.
2. On July 12, 2017, the Company issued 21,000,000 common share purchase warrants entitling the holder to purchase one common share of the Company at a price of $0.10 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.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

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 (Chief Executive Officer, President 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, the amount of outstanding principal and accrued interest thereon under the credit facility is convertible, after October 28, 2017, into common shares in the capital of the Company at the price of $0.10 per share (amended to $0.06 per share on April 20, 2018). The Company has drawn $1.7 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, 2020.

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 September 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 $0.20 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 $0.10 per unit (amended to $0.06 per unit on April 20, 2018). As at September 30, 2018, 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, 2020.

5. On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of a convertible promissory note bearing interest at 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 Lender at $0.10 per share (amended to $0.06 per unit on April 20, 2018). The Company has drawn the full amount of $500,000 under this agreement.

6. On March 28, 2018, the Company entered into a credit facility agreement with its former President, 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 President at $0.10 per share (amended to $0.06 per unit on April 20, 2018). The Company has drawn the $265,000 under this agreement.

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

RELATED PARTY TRANSACTIONS

1. Management

During the three and nine months ended September 30, 2018, compensation to management and directors included:

- Consulting fees in the amount of $30,000 and $90,000 paid to Dr. Harendra Parekh, PreveCeutical's Chief Research Officer.
- Consulting fees in the amount of $19,445 and $83,393 paid to Dr. Makarand Jawadekar, PreveCeutical's Chief Scientific Officer and Director.
- Consulting fees in the amount of $56,793 and $117,260 paid to Dr. Maher Khaled, PreveCeutical (Australia)'s Chief Executive Officer.

RELATED PARTY TRANSACTIONS (Continued)

1. Management (Continue)

- Salary paid to Shabira Rajan, PreveCeutical's Chief Financial Officer and Controller in the amount of $39,000 and 117,000.
- Salary paid to Stephen Van Deventer, PreveCeutical's Chairman and Chief Executive Officer in the amount of $45,000 and $135,000 for services provided.
- Payment to Kimberly Van Deventer, PreveCeutical's former President and director salary in the amount of $40,889 for the nine months ended September 30, 2018 and consulting fees in the amount of $30,000 and $56,667 through CGP (as defined below) for services provided for the three and nine months ended September 30, 2018.

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

CGP is a corporation owned by the Chief Executive Officer 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 Company's business.

On June 28, 2018, the Company repaid the callable debt and outstanding interest payable. The amount repaid was $77,705, which consisted of $70,000 principal and $7,705 in accrued interest. Interest accrued for the three and nine months ended September 30, 2018, was $751 and $1,503 ($738 and $1,461 for the three and nine months ended September 30, 2017).

3. Short term loan

The Company's former President Ms. Kimberly Van Deventer advanced a temporary loan in the amount of $280,000 to the Company on June 11, 2018. For the three and nine months ending September 30, 2018, $460 interest (5% simple interest) was accrued.

The temporary loan's principal amount of $280,000 was repaid on July 12, 2018, and interest up to July 12, 2018, amounting to $1,227 was paid on August 7, 2018.

4. Convertible Debentures

Credit facility agreements were entered into with the Lenders for funding of the Company's working capital shortfall. The initial agreement was entered into on December 9, 2016, and amended on March 31, 2018, in the principal amount of $2 million (the "December 2016 Debt"). Pursuant to an assignment and assumption agreements entered into between the Lenders, the Company and two arms-length third parties, $300,000 ($280,752 principal and $19,248 interest) of the December 2016 Debt was converted, on June 5, 2018, to common shares of the Company at a price of $0.06 per share.

For the three and nine months ended September 30, 2018, accrued interest under this facility, at a 5% simple interest rate per annum, amounted to $21,667 and $70,255 ($25,202 and $54,744 for the three and nine months ended September 30, 2017). The amount drawn on the credit facility at September 30, 2018, including interest, was $1,830,957 ($2,054,744 at September 30, 2017). 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, 2020.

RELATED PARTY TRANSACTIONS (Continued)

4. Convertible Debentures (Continued)

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 and nine months ended September 30, 2018, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $11,349 and $33,676 ($5,678 and $6,667 for the three and nine months ended September 30, 2017). The amount drawn on the credit facility at September 30, 2018, including interest, was $949,459 ($457,167 at September 30, 2017). 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, 2020.

The Company entered into an agreement with the Lenders in the amount of $500,000 on January 26, 2018, to cover additional operational costs. For the three and nine months ended September 30, 2018, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $6,301 and $16,986. The amount drawn on the credit facility at September 30, 2018, including interest, was $516,986.

The Company entered into a credit facility agreement with the former President of the Company, Ms. Kimberly Van Deventer in the amount of $700,000 on March 28, 2018, to cover additional operational costs. For the three and nine months ended September 30, 2018, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $2,946 and $16,550. During the three months ended September 30, 2018 Company repaid $325,000 of the principal. The amount drawn on the credit facility at September 30, 2018, including interest, was $281,550.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is made with reference to the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018.

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017. The Company has not yet evaluated the exact impact of the new standards effective on or after January 1, 2019 but does not believe they will have a material effect on the consolidated financial statements.

Please refer to Note 3 of the September 30, 2018, financial statements on www.sedar.com for a comprehensive list of the accounting policies not yet adopted during the current year.

OUTSTANDING SHARE DATA

On May 9, 2018, the Company issued 772,875 common shares in connection with a convertible note entered into by the Company and a shareholder of the Company, and 145,350 common shares in consideration for consulting services.

On June 1, 2018, the Company issued 5,000,000 stock options to consultants of the Company and an exercise price of $0.08 per share for a period of twenty-four (24) months, all of which stock options were vested as of the grant date.

On June 6, 2018, the Company issued 5,000,000 common shares in connection with a convertible note entered into by the Company.

On June 29, 2018, the Company closed the June 2018 Private Placement that was announced on April 9, 2018. A total of 128,999,750 units (the "Units") were issued at a price of $0.05 per Unit for gross proceeds of $6,449,988. Additional 1,800,000 Units were issued as consideration for service and 4,718,400 Units were issued as finders' fees in connection with the June 2018 Private Placement. Each Unit consisted of one common share of the Company and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to purchase one common share of the Company at an exercise price of $0.10 per share for a period of two years, expiring on June 29, 2020. The Warrants are subject to an acceleration provision whereby the Company may accelerate the expiry date of the Warrants if the closing price of the Company's common shares on the CSE is at least $0.20 for a minimum of ten

consecutive trading days. The Company issued 3,183,200 Warrants as finders' fees in connection with the June 2018 Private Placement for which the Company recorded an estimated issuance cost of $140,061 based on Black-Scholes option pricing model with an expected life of 2.0 years, volatility of 118.38%, risk-free rate of 1.90%, and a dividend yield of 0%. These warrants were vested when granted.

On July 9 ,2018, the Company issued 2,300,000 common shares at a price of $0.10 per share in connection with the exercise of an equal number of common share purchase warrants that were issued by the Company in the June 2018 Private Placement.

On July 12 ,2018, the Company issued 650,000 common shares at a price of $0.10 per share in connection with the exercise of an equal number of common share purchase warrants that were issued by the Company in the June 2018 Private Placement.

5,000,000 stock options issued by the Company to various consultants at an exercise price of $0.08 were cancelled on August 10, 2018 pursuant to the termination of a consulting agreement Stadnyk & Partners.

No options were exercised during the three months ended September 30, 2018.

As at September 30, 2018:

(i) the Company had 390,188,905 common shares issued and outstanding;
(ii) the Company had 170,205,750 share purchase warrants outstanding;
(iii) the Company had 283,615 broker warrant options outstanding;
(iv) the Company had 6,301,600 broker warrants outstanding; and
(v) the Company had 32,167,855 stock options and supplier agreement options outstanding.

No options were exercised during the three and nine months ended September 30, 2018.

OUTSTANDING SHARE DATA (Continued)

For the period October 1, 2018, to November 26, 2018:

- The Company issued 4,000,000 stock options to Invictus (as defined below) with an exercise price of $0.135 per share, of which 3,600,000 were subsequently cancelled.
- The Company issued 2,000,000 stock options with an exercise price, of $0.125 per share to a director and officer of PreveCeutical (Australia).

As at November 26, 2018:

(i) the Company had 390,188,905 common shares issued and outstanding;
(ii) the Company had 170,205,750 common share purchase warrants outstanding;
(iii) the Company had 283,615 broker warrant options outstanding;
(vi) the Company had 6,301,600 broker warrants outstanding; and
(vii) the Company had 34,567,855 stock options and supplier agreement options outstanding.

FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides descriptions and measurement of the significant risks as at September 30, 2018:

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 September 30, 2018, the Company had working capital of $2,873,475 compared to the working capital at December 31, 2017, of $1,066,337. This included cash of $855,497 ($104,478 at December 31, 2017) available to meet short-term business requirements and current liabilities of $963,852 ($304,491 at December 31, 2017). 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.

FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at September 30, 2018:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	247,084	$	-	$	247,084
Convertible debt – short-term		798,536		-		798,536
Convertible debt – long-term		-		2,799,665		2,799,665
	$	1,045,620	$	2,799,665	$	3,845,285

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		-		2,995,732		2,995,732
	$	307,520	$	2,995,732	$	3,303,252

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.

RISKS AND UNCERTAINTIES (Continued)

- Any future equity financings for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders. The Company cannot predict the size of future sales and issuances of equity securities, convertible securities to equity securities or the effect, if any, that future sales and issuances of equity securities or convertible securities will have on the market price of the Company's common shares. Sales or issuances of a substantial number of equity securities or convertible securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Issuer's common shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in their earnings per common share, and further suffer such dilution upon the conversion of convertible securities into equity.
- The 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.
- The Company holds certain licensing rights to existing patents including the Mikaelian Polarization technology (as it pertains to polarized scorpion venom solution) and the Licensed Sleep-Aid Products and the method for making and administering the same, but cannot guarantee continued access to the patent rights, as the Company does not hold the rights. Failure to obtain continued access to the rights could limit the Company's ability to produce its products, which could have a material adverse effect on the Company's business.
- The Company will continue to outsource the manufacture of its products, including CELLB9 and the Licensed Sleep-Aid Products, to third parties. Such third-parties in turn source raw materials, including scorpion venom, in order to produce the Company's products. The availability of raw materials, as well as variations in the price of raw materials may, therefore, increase the Company's operating costs. The subsequent effect on the Company's operating profit margins depends on, among other things, the Company's ability to increase the prices of its finished products in the context of a competitive market. Fluctuations in raw material prices may therefore increase or decrease the Company's operating profit margins. Price increases may also result in downward pressure on sales volume. Furthermore, the Company's third-party manufacturer(s) will be competing with other producers and manufacturers to secure raw materials, and such producers or manufacturers may, because of a variety of factors, including but not limited to their relationships with suppliers, size, and competitive position within the industry, be able to secure raw materials before the Company's manufacturer(s) could secure such material, or may push the prices of raw materials higher because of such producers' or other manufacturers' demand for raw materials that the Company also requires. Potential delays in the Company's or any of its third-party manufacturers' ability to secure raw materials could undermine the Company's commitments to produce and deliver its products to distributors, which could undermine market share, revenue, and subsequently, profitability.

RISKS AND UNCERTAINTIES (Continued)

- In both domestic and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, advertising, importation, exportation, licensing, sale and storage of the Company's products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and other similar constraints. Such laws, regulations and other constraints may exist at the federal, provincial/state or local levels in Canada, Australia, the United States and at all levels of government in foreign jurisdictions. There can be no assurance that the Company or any of its distributors are in compliance with all of these regulations. The failure of the Company or its distributors to comply with these regulations or new regulations could disrupt the sales of the
- Company's products, or lead to the imposition of significant penalties or claims and could negatively impact the Company's business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of the Company's products, resulting in significant loss of sales revenues.
- The Company has no significant history of earnings and, due to the nature of the Company's business, there can be no assurance that the Company will be profitable. The continued operation of the Company and the ability of the Company to execute its current and future business plans will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the securities purchased would be diminished. While the Company may generate additional working capital through further equity offerings, there is no assurance that any such funds will be available on terms acceptable to the Company, or at all. If available, future equity financing may result in substantial dilution to current shareholders. At present, it is impossible to determine what amounts of additional funds, if any, may be required.
- The markets for nutrient and health related products are characterized by evolving regulatory and industry standards, changes in consumer tastes, needs, habits, and frequent new product introductions and enhancements within the industry. The introduction of products embodying new technologies or substances and the emergence of new industry standards and service offerings could render the Company’s existing products and products currently under development obsolete or undermine the Issuer's ability to successfully compete with such other products. The Company’s success will largely depend upon its ability to evolve its products and services to sufficiently keep pace with technological and regulatory developments (domestically and in foreign jurisdictions) and respond to the needs of its existing and prospective customers. Failure to anticipate or respond adequately to technological developments or future customer or regulatory requirements, or any significant delays in product development or introduction, could damage the Company’s competitive position in the market place and affect current and/or future commercialization plans. There can be no assurance that the Company will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis.
- The development of new products and strategies is a costly, complex and time-consuming process, and the investment in R&D, technology product development and marketing often involve a prolonged time until a return is achieved on such an investment. The Company has made, and will continue to make, significant investments in R&D, technology and related product opportunities. Investments in new products are inherently speculative and risky. While the Company will continue to dedicate a significant amount of resources to its development efforts in order to maintain a competitive position in the market, significant revenue from such investments may not be achieved for a prolonged period of time, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as lucrative as the margins the Company has anticipated.

RISKS AND UNCERTAINTIES (Continued)

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

Material Agreements

On October 1, 2018, the Company entered into an agreement with World Wide Holdings LLC, DBA Invictus Resources ("Invictus") for the provision of investor relations services for a term of one month whereby, the Company issued 4 million stock options to Invictus, 10% of which vested on October 31, 2018. Effective October 31, 2018, the Company decided not to renew the agreement with Invictus Agreement for any additional one-month terms, and 3,600,000 unvested stock options issued to Invictus in were cancelled.

On October 2, 2018, the Company signed a letter of intent for a strategic acquisition of Penta 5 Packaging Inc., Penta., Penta 5 USA, LLC and their subsidiaries. The parties are continuing to conduct their due diligence and a definitive agreement is expected to be entered into upon the completion of satisfactory due diligence.

On November 9, 2018, the Company signed a letter of intent with Crushedit LLC for the supply by the Company of a minimum of 2,500 kilograms of cannabidiol isolate to Crushedit LLC over a period of 12 months.

Related Party Transactions

On October 22, 2018, an advance of $200,000 was made on the credit facility agreement dated March 28, 2018, with Ms. Kimberly Van Deventer.

Changes in Corporate Structure

Maher Khaled, Chief Executive Officer and Director of the Company's subsidiary, PreveCeutical (Australia) Pty Ltd. resigned from all his positions on October 20, 2018.

On October 20, 2018, Paget Hargreaves was appointed a Director and Secretary of the Company's subsidiary, PreveCeutical (Australia) Pty Ltd.

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 November 26, 2018.