The following management discussion and analysis ("MD&A") of the financial condition and results of operations of PreveCeutical Medical Inc. ("PreveCeutical" or the "Company") and its subsidiary, PreveCeutical (Australia) Pty Ltd. ("PreveCeutical (Australia))" constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 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 audited consolidated financial statements, including the notes thereto, of the Company for the years ended December 31, 2018, and 2017.

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 and PreveCeutical (Australia)'s, as applicable, future cash requirements, general business and economic conditions, the details of the Company's research programs, the proposed research and development services to be provided by UniQuest (as defined below), the anticipated business plans of the Company regarding the foregoing, the ability of the Company to bring its products to market, including a synthesized, Nature Identical™, version of CELLB9, the timing of future business activities and the prospects of their success for the Company, and the Company's ability and success in executing its proposed business plans, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Often, but not always, forward-looking information can be identified by words such as "will", "pro

FORWARD-LOOKING STATEMENTS (Continued)

forma", "plans", "aims", "expects", "may", "should", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "potential" or variations of such words including negative variations thereof, and by discussions of strategy or intentions Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the ability of the Company to obtain sufficient financing to fund its business activities and plans, the inability of the Company, UniQuest, Asterion (as defined below) or PreveCeutical (Australia) to, among other things, complete the Company's research programs as planned, the inability of the Company to generate revenue through its products, including through the sale of the Licensed Sleep-Aid Products (as defined herein), the inability of the Company or PreveCeutical (Australia) to obtain any required governmental, regulatory or stock exchange approvals (including Canadian Securities Exchange (the "CSE") approval), permits, consents or authorizations required to carry out any planned future activities, commercialise any therapeutics from the Company's research programs, pursue business partnerships or complete its research programs as planned, risks related to joint venture operations and risks related to the integration of acquisitions, as well as those factors discussed under the heading "Risks and Uncertainties". Other factors such as general economic, market or business conditions or changes in laws, regulations and policies affecting t`he biotechnology, medicinal cannabis or pharmaceutical industry, may also adversely affect the future results or performance of the Company.

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

DATE

This MD&A reflects information available as at April 17, 2019.

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.

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

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., the Company was trading under the symbol CAA.

CORPORATE STRUCTURE (Continued)

Security Listings (Continued)

Following the transaction, the Company resumed trading on the CSE on July 12, 2017, under the symbol PREV.

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

Share Structure

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

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

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

DESCRIPTION OF BUSINESS

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

During the year ended December 31, 2018, PreveCeutical had one product for sale, the CELLB9® Immune System Booster. The CellB9 inventory on hand was impaired due to the expiration of the product. PreveCeutical has temporarily discontinued its sale of CELLB9 due to supply issues and its intention to create a synthesized, Nature Identical™, version of the CELLB9 product as part of its stabilization of Blue Scorpion Venom (the "BSV") research program, which is discussed further below.

During the year ended December 31, 2018, the Company recorded an impairment on inventory of $53,043 (2017 - $nil) as the products have expired. CellB9 will temporarily not be available for sale. Until the Company brings other products to market, it will have no product for sale and no revenue from the one product, CellB9, it had for sale. The Company will therefor not be incurring costs in relation to sales and marketing of this product. The Company is working with its reseach team and its Chief Scientific Officer on commercialization and brining to market products that are currently being researched. The Company is also actively looking at other products that it can bring to market.

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

DESCRIPTION OF BUSINESS (Continued)

worldwide license to use, manufacture, distribute and sell three natural health products, "Blissful Sleep" (NPN 80065538), "Blissful Sleep Ex" (NPN 80070168), and "Skullcap Serenity" (NPN 80067446) (collectively, the "Licensed Sleep-Aid Products").

The Licensing Agreement gives the Company a right to use Asterion's intellectual property to make or have made, use, distribute, sell, offer to sell and promote the Licensed 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 cannabinoid ("CBD") Program for the soluble gel ("Sol-gel") delivery of CBDs (the "CBD Program").

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

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

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

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

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 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 Inc. 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 stabilisation of BSV program 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

RESEARCH AND DEVELOPMENT (Continued)

Stabilisation of Blue Scorpion Venom (Continued)

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.

Phase two, which involves synthesizing peptide candidates for screening, has now been completed. 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 was to identify promising design features of the peptides, such as their preferred 3-dimensional pose and critical amino acids that inform peptide library synthesis. Following a detailed evaluation, a library comprising 13 distinct peptides were identified from *in silico* investigations as showing promising structural traits and affinity for our intended target. Each of these 13 peptides were synthesised and purified, and have transitioned to the third and final phase of the program.

This program is now in its final phase, in which each peptide is scheduled to undergo preliminary screening to identify their potential to inhibit the production/activity of an important biomarker of brain cancer. A select panel of highly potent peptides from this library are then expected to be carried forward to full evaluation where their ability to halt the proliferation and invasion of brain cancer in a cell-based model of the disease will be evaluated.

Sol-gels for Nasal Delivery of Cannabinoids

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

The 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 dated September 19, 2017 (the "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 has been completed, with 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 complete, and fractionated extraction conditions yielding

RESEARCH AND DEVELOPMENT (Continued)

Sol-gels for Nasal Delivery of Cannabinoids (Continued)

the highest concentration of cannabinoids from plant material for all five cannabis strains has also been completed.

Trialling of devices with differing nozzle designs using an in-house developed inhalation model is complete, with an optimal spray profile for nose-to-brain delivery achieved with a custom device, when administered in a human adult nasal cast. With chemical fingerprints of extracts complete and a Sol-gel custom spray device in-hand, work has now transitioned to the formulation of cannabis extract-infused Sol-gels. The final phase is expected to include the evaluation of the delivery of CBD's from lead Sol-gel formulations in explanted human nasal mucosal tissue, alongside acute toxicity evaluation.

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.

The major equipment required for the D&O Program has been purchased, installed and commissioned by 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, had 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.

The D&O Program is presently screening a selection of carriers from each subset of the *circa.* 200 carrier system library to elucidate structure-activity relationship profiles, with the aim of further refining this library to those that possess key attributes of effective and potent gene silencing. Once the SAR data is in-hand, we intend to focus our efforts on elaborating the synthesis and screening of only those BGCR systems which show good gene protection and silencing ability.

Proposing a 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 the 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). This is expected to be adopted in due course for lead BGCR constructs, as BGCR constructs are identified from gene/protein silencing studies.

Screening of a panel of first-generation siRNA sequences against PTP-1B in mouse-derived cells has commenced, with promising levels of silencing recorded for the novel sequences (*circa.* 80%). The QIMR-B team has successfully developed and optimized a series of in-house cell models of diabetes and

RESEARCH AND DEVELOPMENT (Continued)

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

obesity in which the novel siRNAs are being screened. This screening has validated novel siRNAs for robustness and reproducibility against PreveCeutical's first generation carrier systems, with this now also extending to novel siRNA sequences that are undergoing iterative design refinements at Murdoch

University (Perth), which is also expected to be followed by a cell-based screening of gene silencing potency at QIMR-B (Brisbane). Such screening is anticipated to continually refine and optimize the composition of the Smart-siRNA library.

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 has produced a table of novel nucleic acid compositions consisting of no less than 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 is underway 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. High throughput screening of the 50-peptide library across the main opioid receptor sub-types is now complete, with a handful of peptides identified as showing exceptional selectivity for the target receptor sub-type of interest, with encouraging potency also recorded. These lead candidates are being further scrutinized *in silico* to facilitate their refined design and the aim of further enhancing potency and biostability.

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 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.

Disulfide Linker Technology in Engineering Analgesic Peptides (Continued)

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

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, 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 on January 23, 2018.
- Establishing the Company's subsidiary, PreveCeutical (Australia) in Australia on March 12, 2018.
- 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, which 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").
- 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.
- Planning the manufacturing and production of the Licenced Products under the Licensing Agreement with Asterion.
- Entering into the D&JVA with Asterion.
- 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 year ended December 31, 2018, 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 cost of operations and meeting of commitments are currently being financed by funding from equity and debt. To ensure that the Company has funding to continue its operation, management has taken a number of steps that are outlined under the Liquidity and Capital Resources section.

At December 31, 2018, the Company had a cash balance of $64,329, and working capital of $194.510 compared to a cash balance of $104,478 and working capital of $1,066,337 at December 31, 2017. For

OVERALL PERFORMANCE (Continued)

the year ended December 31, 2018, the Company's funding included equity funding with the closing of the June 2018 Private Placement. The short term and long term convertible debts are with related parties of the Company.

Selected Financial Information

As at December 31	2018	2017	2016
Cash (indebtedness)	$64,329	$104,478	$(47,036)
Total assets	$1,902,076	$2,599,660	$207,183
Non-current liabilities	$3,043,888	$2,639,509	$-
Total liabilities	$4,187,247	$2,944,000	$503,244
Working capital (deficiency)	$194,510	$1,066,337	$(298,731)
Deficit	$21,632,660	$10,482,108	$3,250,223
Shareholders' deficiency	$2,285,171	$344,340	$296,061

Selected Operating Information

For the year ended December 31	2018	2017	2016
Revenues	$15,452	$22,234	$31,054
Net loss and comprehensive loss	$11,884,156	$7,231,885	$3,127,217
Net loss per share	$0.037	$0.032	$0.016

FINANCIAL RESULTS OF OPERATION

During the year ended December 31, 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.

The Company's deficit at December 31, 2018, of $21,632,660, includes the costs of the reverse takeover and listing costs of $2,585,202 incurred in the year ended December 31, 2017, and loss on modification of convertible debt in the amount of $1,404,677 recorded during the year ended December 31, 2018. An amount of $4,094 tax receivable was received during the year ended December 31, 2018. This has been recorded under other expenses.

The Company had a net loss and comprehensive loss of $11,884,156 for the year ended December 31, 2018, compared to $7,231,885 for the year ended December 31, 2017. Revenue for the year ended December 31, 2018, was $15,452 compared to $22,234 for the year ended December 31, 2017.

Operating expenses including cost of sales were $6,942,627 for the year ended December 31, 2018, compared to $4,515,571 for the year ended December 31, 2017.

Other expenses, other losses, impairment on inventory, income tax recovery, and foreign exchange gain on translating foreign operations for the year ended December 31, 2018, was $4,997,3031 compared to $2,738,548 for the year ended December 31, 2017.

FINANCIAL RESULTS OF OPERATION (Continued)

Other expenses for the year ended December 31, 2018, included accretion expense of $339,837, financing cost of $209,237, foreign exchange loss of $41,622, inventory impairment of $53,043 and impairment of marketing and promotion prepaids in the amount of $2,775,000. The other losses are in relation to the write-off of consulting fees (the "Consulting Fees") paid to 12 consultants (each, a "Consultant") pursuant to 12 separate consulting agreements (the "Consulting Agreements") which the Company entered into during 2018. The Consulting Agreements contemplated that the Consultants would provide various consulting services to the Company. The Consulting Agreements form part of the subject matter of (i) an investigation by the British Columbia Securities Commission (the "BCSC Matter") to which the Company, the Consultants and numerous other persons/entities are respondents (collectively, the "Respondents") and (ii) a civil claim filed by the Company in the Supreme Court of British Columbia on December 17, 2018, against 14 of the non-reporting issuer Respondents (the "2018 Civil Claim"). Management of the Company does not believe that value-for-money was provided by the Consultants for the services under the Consulting Agreements and does not anticipate that the Consulting Agreements will be fulfilled. Accordingly, the total amount of the Consulting Fees were impaired as other losses. This was offset by a reduction in other expenses in the amount of $4,094.

For the year ended December 31, 2017, other expenses included accretion costs of $156,434, financing cost of $98,907 and the reverse takeover and listing costs of $2,585,202. This was offset by a foreign exchange gain of $4,997.

The Company recorded a foreign exchange translation gain in the amount of $3,052 and a loss for the modification of the convertible debts in the amount of $1,582,658. This loss related to the reduction in conversion price for the convertible debts from $0.10 per share to $0.06 per share, a reduction of $0.04 per share.

For the year ended December 31, 2018, revenue was $15,452 from online sales of, CELLB9, with a gross profit of $10,729. For the year ended December 31, 2017, the revenue from online sales was $22,234 with a gross profit of $14,299.

Financing costs for the year ended December 31, 2018, was $209,237 which was $110,330 higher than for the year ended December 31, 2017 ($98,907). The Company's finance cost and accretion expenses were higher for the year ended December 31, 2018, compared to the year ended December 31, 2017, as the Company borrowed additional funds to finance its R&D programs and for its operations. The financing costs include accrued interest for the convertible loans in the amount of $209,237 for the year ended December 31, 2018 ($95,932 for the year ended December 31, 2017).

The convertible debts bear a simple interest rate of 5%. At December 31, 2018, the balance for the short-term convertible debt was $607,978 ($12,196 at December 31, 2017), including the accrued interest which was not paid during the period. The increase of $595,782 was for securing a short term loan from the Lenders. The long-term convertible debt balance, including accrued interest, at December 31, 2018 was $3,043,888, an increase of $404,379 from December 31, 2017 ($2,639,509 at December 31, 2017). The increase was due to additional funding from the Lenders required for the operations of the Company and accrual of interest not paid out. This was offset by $300,000 of the debt being converted to common shares during the year ended December 31, 2018. 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 year ended December 31, 2018, amounted to $6,937,904 which was $2,430,268 higher than the year ended December 31, 2017 ($4,507,636). This increase is related to the following:

FINANCIAL RESULTS OF OPERATION (Continued)

- The R&D costs of $2,364,465 for the year ended December 31, 2018, was $1,846,853 higher than for the year ended December 31, 2017 ($517,612). These costs are for the four R&D projects previously mentioned, amortization of the 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 year ended December 31, 2017, were much less than in 2018.
- Share-based compensation for the year ended December 31, 2018, was $1,105,178 compared to $1,234,103 for the year ended December 31, 2017, a decrease of $128,925. This expense was for stock options and performance warrants that were vested during the year ended December 31, 2018.
- Business development and investor relations expenses for the year ended December 31, 2018, was $279,316 higher than the previous year ($908,055 for the year ended December 31, 2018, compared to $628,739 for the year ended December 31, 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.
- Salary, wages and consulting fees were $24,992 higher during the year ended December 31, 2018, compared to the year ended December 31, 2017 ($790,916 for the year ended December 31, 2018 compared to $765,924 for the year ended December 31, 2017). The increase was related to hiring consultants for publicity to garner interest in the Company. This was offset by decrease in salaries during the year ended December 31, 2018.
- Professional fees for the year ended December 31, 2018, was $664,559 compared to $384,913 for the year ended December 31, 2017. The increases of $279,646 were mostly due to an increase in 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.
- Marketing and promotion expenses for the year ended December 31, 2018, was $383,719 compared to $154,508 for the year ended December 31, 2017. The increase of $229,211 was in relation to building the Company's brand awareness.
- Travel, meals and vehicle expenses for the year ended December 31, 2018, was $368,540 compared to $455,552 for the year ended December 31, 2017, a decrease of $87,012.
- Rent expenses for the year ended December 31, 2018, was $172,763 compared to $124,104 for the year ended December 31, 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 year ended December 31, 2018, was $36,289 compared to $19,305 for the year ended December 31, 2017. This related to the amortization of furniture, equipment and leasehold equipment acquired in connection with the Company's move to its current offices in April 2017. Amortization for the year ended December 31, 2017 was lower by $16,984 as most of the assets were purchased during the year 2017.
- The balance of the expenses for the year ended December 31, 2018, was $143,420 compared to $222,876 for the year ended December 31, 2017, a decrease of $79,456. The higher costs in the year ended December 31, 2017, was the result of outsourcing (now managed in-house) of inventory management ($50,258) and participating in more conferences and events in the year ended December 31, 2017, ($38,531). Other costs for the year ended December 31, 2018, included insurance ($36,979 for the year ended December 31, 2018, compared to $16,385 for the year ended December 31, 2017) and transfer agent and filing fees of $57,265 for the year

FINANCIAL RESULTS OF OPERATION (Continued)

ended December 31, 2018, compared to $51,250 for the year ended December 31, 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 December 31, 2018.

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	$809	$1,017	$11,231	$2,395	$4,038	$10,394	$7,802	$-
Loss and comprehensive for the period	$5,732,671	$2,574,065	$2,160,170	$1,417,250	$2,694,048	$1,089,511	$3,080,114	$368,134
Basic and diluted loss per share	$0.015	$0.007	$0.009	$0.006	$0.055	$0.018	$0.126	$0.009
Cash/(bank indebtedness)	$64,329	$855,497	$2,859,606	$204,038	$104,478	$489,384	$2,285,821	$150,870
Working capital/(deficiency)	$194,510	$2,873,475	$4,857,332	$262,418	$1,066,337	$981,179	$2,226,638	($521,235)
Total assets	$1,902,077	$4,569,178	$7,531,015	$2,428,429	$2,599,660	$2,059,055	$3,381,506	$410,277
Total liabilities	$4,187,247	$3,603,699	$4,239,019	$3,841,755	$2,944,000	$2,585,671	$2,734,871	$918,261
Deficit	$21,632,660	$16,648,069	$14,035,792	$11,899,358	$10,482,108	$7,787,293	$6,698,549	$3,618,435
Shareholders' equity (deficiency)	$(2,285,171)	$965,479	3,391,996	($1,413,326)	($344,340)	($526,616)	$646,635	($507,984)

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.

Q4 2018 had a higher loss than other quarters due to the impairment of prepaid agreements ($2,775,000) and loss on modification of convertible debt ($1,582,658).

The comprehensive loss of $5,732,671 in Q4 2018 is 2,985,582 higher than Q4 2017 ($2,694,048). The increase in Q4 2018 was mostly related to the impairment of the prepaid agreements and loss on modification of convertible debt offset by the greater value of stock-based compensation made in Q4 2017 ($1,234,103) compared to Q4 2018 ($696,517).

The higher comprehensive loss in Q3 2018 compared to the comprehensive loss in Q3 2017 was mostly due to higher R&D expenditures costs and higher business development, investor relations, marketing and promotions costs in Q3 2018 compared to Q3 2017.

The higher comprehensive loss of $3,080,114 in Q2 2017 included listing costs $2,385,752 in relation to the reverse take over.

Q1 2017 comprehensive loss was lower than other quarters as the Company had not started its R&D programs, fewer staff and consultant were employed at that time, and there was no share based compensation in that quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's revenue was from the sale of 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.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

As at December 31, 2018, the Company had a working capital of $194,510 and cash of $64,329. As at December 31, 2017, there was a working capital of $1,066,337 and a cash balance of $104,478.

As at December 31, 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
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	**$ 546,640**	**$ 15,820**	**$ 562,460**

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

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

1. Securing investment in the Company by way of private placements.

2. With the June 2018 Private Placement, the Company issued 130,799,750 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 June 29, 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 (Chief Executive Officer 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). As at December 31, 2018, the Company has drawn $1,719,248 under the agreement, which bears simple interest at 5% per annum. The Lenders have signed a waiver by which there will be no demand on the funds until 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 December 31, 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 months

LIQUIDITY AND CAPITAL RESOURCES (Continued)

after the issuance of the units, subject to acceleration. Funds borrowed under this agreement bear simple interest at 5% per annum and are convertible at a price of $0.10 per unit (amended to $0.06 per unit on April 20, 2018). As at December 31, 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 (the "March 2018 Credit Facility"). Under the terms of the March 2018 Credit Facility, the amount of any outstanding principal and accrued interest thereon under the credit facility is convertible into common shares of the Company at the option of Ms. Van Deventer at $0.10 per share (amended to $0.06 per unit on April 20, 2018). The Company has drawn the $265,000 under March 2018 Credit Facility.

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

RELATED PARTY TRANSACTIONS

4. Management

During the year ended December 31, 2018, compensation to management and directors included:

- Consulting fees in the amount of $100,000 paid to Dr. Harendra Parekh, PreveCeutical's Chief Research Officer.
- Consulting fees in the amount of $103,437 paid to Dr. Makarand Jawadekar, PreveCeutical's President, Chief Science Officer and Director.
- Consulting fees in the amount of $127,260 paid to Dr. Maher Khaled, PreveCeutical (Australia)'s former Chief Executive Officer.
- Salary and benefits paid to Shabira Rajan, PreveCeutical's Chief Financial Officer and Controller in the amount of $152,627.
- Salary and benefits paid to Stephen Van Deventer, PreveCeutical's Chairman and Chief Executive Officer in the amount of $172,935.
- Payment to Kimberly Van Deventer, PreveCeutical's former President and director salary in the amount of $43,220 and consulting fees in the amount of $80,667 through CGP (as defined below).

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

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

A 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.

RELATED PARTY TRANSACTIONS (Continued)

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

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 year ended December 31, 2018, was $1,503. For the year ended December 31, 2017, $2,975 interest was accrued and the balance of loan including accrued interest at that date was $76,202.

Royalties payable to CGP in the amount of $361 was accrued for the year ended December 31, 2018.

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 year ending December 31, 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 loan (Credit Facility Agreements)

Credit facility agreements were entered into with the Lenders for funding of the Company's working capital shortfall. The initial agreement was entered into on December 9, 2016, and amended on March 31, 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 year ended December 31, 2018, accrued interest under this facility, at a 5% simple interest rate per annum, amounted to $91,738 ($79,949 for the year ended December 31, 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 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, 2018, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $45,025 ($15,283 for the year ended December 31, 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 research, development and operational costs. For the year ended December 31, 2018, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $23,288.

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 year ended December 31, 2018, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $27,975.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements are disclosed in Note 4 of the Company's annual consolidated financial statements for the year ended December 31, 2018.

IFRS 9 *Financial Instruments*

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date. The Company's receivables are materially recoverable input tax credits receivable from the government of Canada and Australia.

IFRS 15 *Revenue from Contracts with Customers*

On January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have an impact on the Company's consolidated financial statements.

Standards issued or amended but not yet effective

IFRS 16 *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 *Leases*, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on the consolidated financial statements to consider office space leases.

CHANGES IN ACCOUNTING POLICIES (Continued)

Standards issued or amended but not yet effective (Continued)

IFRIC 23 *Uncertainty Over Income Tax Treatments*

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

Please refer to Note 3 of the December 31, 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

As at December 31, 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 6,301,600 broker common share purchase warrants outstanding; and
(iv) the Company had 38,069,744 stock options and supplier agreement optionsoutstanding.

As at April 17, 2019:

(i) the Company had 396,448,905 common shares issued and outstanding;
(ii) the Company had 176,305,750 common share purchase warrants outstanding;
(iii) the Company had 6,685,600 broker common share purchase warrants outstanding; and
(iv) the Company had 31,167,855 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 December 31, 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.

FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

As at December 31, 2018, the Company had working capital of $194,510 compared to the working capital at December 31, 2017, of $1,066,337. This included cash of $64,329 ($104,478 at December 31, 2017)

available to meet short-term business requirements and current liabilities of $1,143,359 ($304,491 at December 31, 2017).

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.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2018:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	535,381	$	-	$	535,381
Convertible debt – short-term		607,978		-		607,978
Convertible debt – long-term		-		3,043,888		3,043,888
	$	1,143,359	$	3,043,888	$	4,187,247

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		12,196		-		12,196
Government remittances payable		17,608		-		17,608
Convertible debt – long-term		-		3,185,442		3,185,442
	$	307,520	$	3,185,442	$	3,490,433

Credit Risk

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

Fair Values

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

RISKS AND UNCERTAINTIES

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

- The industry is capital intensive and subject to fluctuations in market sentiment, foreign exchange and interest rates.
- The only sources of future funds for further product development and marketing which are presently available are funding from equity capital and debt. Management has been successful

- in accessing the equity markets during the year, but there is no assurance that such sources will be available on acceptable terms in the future.
- 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 the Licensed Sleep-Aid Products, to third parties. Such third-parties in turn source raw materials in order to produce the Company's products. The availability of raw materials, as well as variations in the price of raw materials may, therefore, increase the Company's operating costs. The subsequent effect on the Company's operating profit margins depends on, among other things, the Company's ability to increase the prices of its finished products in the context of a competitive market. Fluctuations in raw material prices may therefore increase or decrease the Company's

RISKS AND UNCERTAINTIES (Continued)

operating profit margins. Price increases may also result in downward pressure on sales volume. Furthermore, the Company's third-party manufacturer(s) will be competing with other producers and manufacturers to secure raw materials, and such producers or manufacturers may, because of a variety of factors, including but not limited to their relationships with suppliers, size, and competitive position within the industry, be able to secure raw materials before the Company's manufacturer(s) could secure such material, or may push the prices of raw materials higher because of such producers' or other manufacturers' demand for raw materials that the Company also requires. Potential delays in the Company's or any of its third-party manufacturers' ability to

secure raw materials could undermine the Company's commitments to produce and deliver its products to distributors, which could undermine market share, revenue, and subsequently, profitability.

- In both domestic and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, advertising, importation, exportation, licensing, sale and storage of the Company's products are affected by extensive laws, governmental regulations, administrative determinations, 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 (either existing or in development) could lead to the imposition of significant penalties or claims and could negatively impact the Company's business. The adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of the Company's products, resulting in significant loss of sales revenues.

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

- The markets for nutrient and health-related products are characterized by evolving regulatory and industry standards, changes in consumer tastes, needs, habits, and frequent new product introductions and enhancements within the industry. The introduction of products embodying new technologies or substances and the emergence of new industry standards and service offerings could render the Company's existing products and products currently under development obsolete or undermine the 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

RISKS AND UNCERTAINTIES (Continued)

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.

- The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's shares, and could use significant resources. Even if the Company is involved in litigation and wins, litigation may redirect significant Company resources. Litigation may also create a negative perception of the Company's brand. As set out above, the British Columbia Securities Commission is conducting an investigation in relation to the BCSC Matter and the Company has filed the 2018 Civil Claim in the Supreme Court of British Columbia. The timeline and potential outcome of each of the BCSC Matter and the 2018 Civil Claim remain uncertain and could potentially negatively impact the business of the Company.

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

SUBSEQUENT EVENTS

On February 11, 2019, the Company issued 6,100,000 units in the Company's capital at a price of $0.05 per unit through a non-brokered private placement offering for gross proceeds of $305,000. Each unit was comprised of one common share in the capital of the Company and one common share purchase warrant, each warrant entitling the holder to purchase one additional common share in the capital of the Company at a price of $0.08 per share for a period of two years from the issuance date, subject to acceleration. In connection with the private placement, the Company paid aggregate finder's fees consisting of $15,200 in cash, 160,000 shares and 384,000 non-transferrable finder's warrants.

On February 11, 2018, in connection with the abovementioned private placement offering, the Company (i) paid an aggregate cash finder's fee of $15,200 and (ii) issued to certain finders 160,000 common shares in the capital of the Company to certain finders and 384,000 finder's warrants, each finder's warrant being exercisable for one common share of the company at a price of $0.08 per share for a period of two years from the issuance date, subject to acceleration.

On February 13, 2019, Mr. Stephen Van Deventer resigned as the Company's President and Dr. Makarand Jawadekar was appointed as the Company's President. Dr. Jawadekar will also continue as the Chief Science Officer and as a director of the Company. Mr. Stephen Van Deventer will continue to serve as Chairman and CEO of the Company.

SUBSEQUENT EVENTS (Continued)

On March 28, 2019, the Company and Kimberley Van Deventer entered into an amendment agreement, whereby the maturity date of the March 2018 Credit Facility was extend by one (1) year, from March 29, 2019 to March 29, 2020.

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 April 17, 2019.