The following management's 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 three months ended March 31, 2019. 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 months ended March 31, 2019 and 2018 and the audited consolidated financial statements for the year ended December 31, 2018.

The accompanying condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

These 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 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

FORWARD-LOOKING STATEMENTS (Continued)

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 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 herein) 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 the 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 May 29, 2019.

CORPORATE STRUCTURE

Name, Address and Incorporation

PreveCeutical Medical Inc., 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), incorporated in Queensland, Australia, on March 12, 2018.

CORPORATE STRUCTURE (Continued)

Security Listings

PreveCeutical's securities are listed on the CSE 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".

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 three months ended March 31, 2019, PreveCeutical had one product for sale, the CELLB9® Immune System Booster. As the CellB9 inventory on hand was written off due to the expiration of the product, and the Company 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. As a result, the Company did not incur costs in relation to marketing of CELLB9 during the three months ended March 31, 2019 and the Company does not expect to incur any such costs until the Nature Identical™ version of the CELLB9 product is brought to market.

The Company expects to have revenue when it brings additional products to market. The Company is working with its reseach team and its Chief Scientific Officer on the development and commercialization of certain products that are currently being researched by the Company. 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 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 Sleep Aid Products for an initial term of five years, renewable for five consecutive one-year terms. Pursuant to the Licensing Agreement, PreveCeutical will pay to Asterion a royalty equal to 20% of the gross sales from the Licensed Sleep Aid Products sold by PreveCeutical.

Medicinal Cannabis Division

The Company launched its medicinal 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").

DESCRIPTION OF BUSINESS (Continued)

Medicinal Cannabis Division (Continued)

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 transactions as a director and executive officer of the Company is a control person of Asterion. There were no transactions in relation to the D&JVA during the three months ended March 31, 2019.

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 develop synthetic, Nature Identical™, 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 seventy (70) novel peptide constructs with our intended disease target in brain cancer. The overarching aim of phase two was to

RESEARCH AND DEVELOPMENT (Continued)

Stabilisation of Blue Scorpion Venom (Continued)

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 thirteen (13) distinct peptides was identified from in silico investigations as showing promising structural traits and affinity for our intended target. Each of these thirteen (13) peptides was synthesised and purified, transitioning to the third and final phase of the program.

Each peptide underwent preliminary screening to identify their potential to inhibit the production/activity of an important biomarker of brain cancer. Importantly, of the panel of constructs screened, four peptides were found to be quantitatively as active as Chlorotoxin in inhibiting the activity of the target protein implicated in brain cancer. Next, these four peptides are planned to be evaluated in a two-compartment cell-based invasion model, to assess their potential to affect the invasion of brain cancer cells, that is, whether they slow cancer cell migration from one compartment to another. Based on these results the most promising candidates will progress to evaluation in neural oncosphere cell lines that genotypically and transcriptionally resemble original patient tumours. Alongside, the abovementioned evaluation, the representative lead peptides are being prepared for assessment for their ability to bind brain cancer cells. This assessment is being attempted using highly sophisticated (confocal) microscopy.

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

RESEARCH AND DEVELOPMENT (Continued)

Sol-gels for Nasal Delivery of Cannabinoids (Continued)

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. This

second 'formulation' phase has presented significant technical challenges, given the complex chemistry that a cannabis extract brings, be it from the 'native' or 'decarboxylated' plant material. Aside from the identified cannabinoid content, whole plant extract also contains, amonth other things, an extensive library of terpenes, alcohols, acids, and phytosterols, each of which impacts key formulation Sol-gel characteristics including gelation temperature and rheomechanical properties. Despite this, the extract has been successfully formulated into a powdered nanoparticle composition, which upon reconstitution with water retains its solubility by generating a single-phase solution. The next challenge being addressed in this phase is to incorporate this intermediate 'cannabis extract pre-formulation' into an appropriate composition of excipients to generate Sol-gels, and this is currently a work in-progress.

The final phase is expected to include the evaluation of the delivery of CBDs from lead Sol-gel formulations in explanted human nasal mucosal tissue, alongside acute toxicity evaluation, and an ethics application to access human mucosal tissue is being finalised for submission to a local (Queensland, Australia) hospital's Ethics Committee.

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. With SAR data now emerging, we intend to focus our efforts on elaborating the synthesis and screening of only those BGCR systems, with appropriate architectures, which show good gene complexation, protection and silencing ability.

RESEARCH AND DEVELOPMENT (Continued)

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

Proposing a synthesis of chemically diverse 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, 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 been completed in a cell line of interest, 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 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 has extended into cell-based screening of gene silencing potency at QIMR-B (Brisbane). Such screening is continually being refined and optimized to inform the composition of the focussed Smart-siRNA library.

The Murdoch University team has diligently scoured all available 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 has progressed towards 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 were further scrutinized in silico to facilitate their refined design and the aim of further enhancing potency and biostability, through synthesis of a panel of modified peptide constructs.

RESEARCH AND DEVELOPMENT (Continued)

Disulfide Linker Technology in Engineering Analgesic Peptides (Continued)

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 this has been streamlined to a 'medium throughput' model, that is capable of robustly screening libraries of peptide candidates simultaneously across opioid receptor sub-types. The Company's research team has recognized the importance of understanding and modulating the biostability of the designed and synthesized constructs. This has led to the establishment of an in-house highly sensitive liquid chromatography-mass spectroscopy (LC-MS) assay to enable the screening of emerging peptide

constructs in plasma and trypsin, that latter of which is one of the harshest enzymes in the gut responsible for digesting peptides. It is anticipated that these assays collectively, will enable robust evaluation of the peptides leading to subsequent re-design and synthesis, as dictated by cell and biostability assay results.

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 three months ended March 31, 2019, the Company continued to work on research and development, business development and financing including:

- Considering new partnerships with respect to its Sol-gel drug delivery system.
- Successfully closing a $0.05 non-brokered private placement of units (each a "Unit") for gross proceeds of $305,000 on February 11, 2019 (the "February 2019 Private Placement"). Each Unit was comprised of one common share in the capital of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share in the capital of the Company at a price of $0.08 per share for a period of 24 months from the closing of the February 2019 Private Placement.
- Planning the manufacturing and production of the Licenced Sleep Aid Products under the Licensing Agreement with Asterion.
- Collaborating with UQ and UniQuest in the filing with the Australian Patent Office of two new patent applications for cyclic peptide and their use in pain management.
- 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 months ended March 31, 2019, 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 does not have a revenue income stream 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 March 31, 2019, the Company had a cash balance of $64,893, and working capital deficiency of $207,445 compared to a cash balance of $64,329 and working capital of $194,510 at December 31, 2018. For the three months ended March 31, 2019, the Company's funding included equity funding with the closing of the February 2019 Private Placement. The short term and long term convertible debts are with related parties of the Company.

Selected Financial Information

	As at March 31, 2019	As at December 31, 2018
Cash	$64,893	$64,329
Total assets	$2,230,577	$1,902,076
Non-current liabilities	$3,681,530	$3,043,888
Total liabilities	$5,285,990	$4,187,247
Working capital (deficiency)	$(207,445)	$194,510
Deficit	$22,664,080	$21,632,660
Shareholders' deficiency	$3,055,413	$2,285,171

Selected Operating Information

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Revenues	$3,031	$2,395
Net loss	$1,177,893	$1,417,250
Net loss and comprehensive loss	$1,178,576	$1,417,250
Net loss per share	$0.003	$0.006

FINANCIAL RESULTS OF OPERATION

During the three months ended March 31, 2019, 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 February 2019 Private Placement on February 11, 2019, giving the Company added liquidity.

The Company's deficit at March 31, 2019, of $22,664,080, 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.

The Company had a net loss and comprehensive loss of $1,178,576 for the three months ended March 31, 2019, compared to $1,417,250 for the three months ended March 31, 2018. Revenue for the year three months ended March 31, 2019 and March 31, 2018 were nominal ($3,031 and $2,395 respectively).

FINANCIAL RESULTS OF OPERATION (Continued)

Operating expenses including cost of sales were $1,059,719 for the three months ended March 31, 2019, compared to $1,342,328 for the three months ended March 31, 2018.

Other expenses, other losses, income tax recovery, and foreign exchange gain on translating foreign operations for the three months ended March 31, 2019, was $121,888 compared to $77,317 for the three months ended March 31, 2018.

Other expenses for the three months ended March 31, 2019, included accretion expense of $68,374 ($72,934 for the three months ended March 31, 2018), financing cost of $51,943 ($45,935 for the three months ended March 31, 2018), and foreign exchange loss of $11,421 ($871 for the three months ended March 31, 2018). The higher exchange loss for the three months ended March 31, 2019 relates to the exchange loss on the amount receivable from Asterion (Australia) due to the weakening of the Australian dollar compared to the Canadian dollar.

For the three months ended March 31, 2019, the Company received revenue of $3,031 from online sales of, CELLB9, with a gross profit of $2,268. CELLB9 inventory was impaired in the December 31, 2018 financial statements. For the three months ended March 31, 2018, the revenue from online sales was $2,395 with a gross profit of $1,140. The cost of goods of $763 included sales discount ($232), merchant services fees ($126), shipping ($266) and royalties ($139).

Financing costs in the amount of $51,943 for the three months ended March 31, 2010 was $6,008 higher than the financing cost of $45,935 for the three months ended March 31, 2018. This financing cost relates to accrued interest on the outstanding convertible debt ($47,706) and interest recorded for the lease liability ($4,237). Accretion cost for the three months ended March 31, 2019 was $68,374, which was $4,560 lower than the financing cost of $72,934 for the three months ended March 31, 2018.

The convertible debts bear a simple interest rate of 5%. As at March 31, 2019, the balance for the short-term convertible debt was $731,293 ($607,978 at December 31,2018), including the accrued interest which was not paid during the period. The increase of $123,315 was for securing a short-term loan from the Lenders (as defined below). The long-term convertible debt balance, including accrued interest, at March 31, 2019 was $3,664,419, an increase of $620,531 from December 31, 2018 ($3,043,888 at December 31, 2018). 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 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 July 31, 2020.

Expenses for the three months ended March 31, 2019, amounted to $1,058,956 which was $282,117 lower than the three months ended March 31, 2018 ($1,341,073). This decrease is related to the following:

- Salary, wages and consulting fees were $165,791 lower during the three months ended March 31, 2019, compared to the three months ended March 31, 2018 ($112,429 for the three months ended March 31, 2019 compared to $278,220 for the three months ended March 31, 2018). The decrease related to reducing the services of consultants including services for marketing and publicity, and reduction in salaries during the three months ended March 31, 2019.

- Travel, meals and vehicle expenses for the three months ended March 31, 2019, was $5,329 compared to $154,087 for the three months ended March 31, 2018, a decrease of $148,758. The travel costs for the period ended March 31, 2018 were higher as the Company was working on establishing its subsidiary in Australia.

FINANCIAL RESULTS OF OPERATION (Continued)

- The share-based compensation for the three months ended March 31, 2019 was $734 compared to $143,941 for the three months ended March 31, 2018, lower by $143,207. Fewer options vested in the three months ended March 31, 2019 compared to the options vested in the three months ended March 31, 2018.

- Rent expenses for the three months ended March 31, 2019, was ($15,588) compared to $46,266 for the three months year ended March 31, 2018, a decrease of $61,854. The decrease relates to the rent reimbursement the Company receives from Asterion with whom the Company has been sharing the office space since November 2018 and with the adoption of IFRS 16 *Leases*, and change in accounting policy, the lease payments are not recorded as rental expense. Please refer to the "Changes in Accounting Policy" section below.

- Marketing and promotion expenses for the three months ended March 31, 2019, was $2,868 compared to $58,979 for the three months ended March 31, 2018. The decrease of $56,111 relates to reduction in marketing initiatives as the Company is currently not selling its product, CELLB9.

- Business development and investor relations expenses for the three months ended March 31, 2019, was $35,779 lower than the same period in 2018 ($118,363 for the three months ended March 31, 2019, compared to $154,142 for the three months ended March 31, 2018). Investor relation services in the three months ended March 31, 2018 was higher than in the three months ended March 31, 2019 as additional costs were incurred for accessing additional equity for the Company.

- Professional fees for the three months ended March 31, 2019, was $81,048 compared to $85,163 for the three months ended March 31, 2018, a decrease of $4,115.

- Amortization expense for the three months ended March 31, 2019, was $43,297 compared to $8,097 for three months ended March 31, 2018, an increase of $35,200. This increase relates to the change in accounting principals with the adoption of IFRS 16, *Leases,* whereby the lease is capitalized as righ-of-use asset and amortized over the lease period. Amortization of $36,330 was recorded for the three months ended March 31, 2019.

- For the three months ended March 31, 2019, there was an increase of $315,150 in R&D costs ($696,358 for the three months ended March 31, 2019 compared to $381,208 for the three months ended March 31, 2018). 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.

- The the remaining expenses for the three months ended March 31, 2019, were $14,118 compared to $30,970 for the three months ended March 31, 2019, a decrease of $16,852. The decrease is mostly due to reduction in insurance and general expenses.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information prepared in accordance with IFRS for each of the last eight quarters ended March 31, 2019.

SUMMARY OF QUARTERLY RESULTS (Continued)

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Revenue	$3,031	$809	$1,017	$11,231	$2,395	$4,038	$10,394	$7,802
Net loss	$1,177,893	$5,686,304	$2,614,692	$2,165,884	$1,417,250	$2,694,048	$1,089,511	$3,080,114
Net loss and comprehensive loss for the period	$1,178,576	$5,732,671	$2,574,065	$2,160,170	$1,417,250	$2,694,048	$1,089,511	$3,080,114
Basic and diluted loss per share	$0.003	$0.015	$0.007	$0.009	$0.006	$0.055	$0.018	$0.126
Cash/(bank indebtedness)	$64,893	$64,329	$855,497	$2,859,606	$204,038	$104,478	$489,384	$2,285,821
Working capital/(deficiency)	($207,445)	$194,510	$2,873,475	$4,857,332	$262,418	$1,066,337	$981,179	$2,226,638
Total assets	$2,230,577	$1,902,077	$4,569,178	$7,531,015	$2,428,429	$2,599,660	$2,059,055	$3,381,506
Total liabilities	$5,285,990	$4,187,247	$3,603,699	$4,239,019	$3,841,755	$2,944,000	$2,585,671	$2,734,871
Deficit	$22,664,080	$21,632,660	$16,648,069	$14,035,792	$11,899,358	$10,482,108	$7,787,293	$6,698,549
Shareholders' equity (deficiency)	($3,055,413)	$(2,285,171)	$965,479	3,391,996	($1,413,326)	($344,340)	($526,616)	$646,635

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.

Q1 2019 is comparable to the other quarters except for quarters discussed below. Q1 2019 net loss and comprehensive net loss of $1,178,57, was $238,674 less than the net and comprehensive loss of $1,417,250 in Q1 2018

The net loss of $5,732,671 in Q4 2018 was higher than net losses in other quarters due to the impairment of prepaid agreements ($2,775,000) and loss on modification of convertible debt ($1,582,658).

The higher net loss in Q3 2018 of $2,574,065 compared to other quarters was mostly due to higher R&D expenditures costs and higher business development, investor relations, marketing and promotions costs.

The net loss of in Q2 2017 of $3,080,114 was high as it included listing costs $2,385,752 in relation to the reverse take over.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to depend on equity and debt for funding until it starts bringing products from its R&D programs.

As at March 31, 2019, the Company had a working capital deficiency of $207,445 and a cash of $64,893. As at December 31, 2018, there was a working capital of $194,510 and a cash balance of $64,329.

As at March 31, 2019, 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.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

The annual commitment is as follows:

	Rent	Equipment	Total
2019	122,978	3,390	126,368
2020	164,184	4,520	168,704
2021	164,184	4,520	168,704
2022	54,728	2,260	56,988
TOTAL	**$ 506,074**	**$ 14,690**	**$ 520,764**

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 operations. These include:

1. Securing investment in the Company by way of private placements including February 2019 Private Placement described under Overall Performance above.
2. Issuing warrants as part of the Company's non brokered private placements. Exercise of any such warrants will provide more funding for the Company. 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. Entering into convertible credit facility agreements with the founders of the Company, Kimberly Van Deventer (former President and Director of the Company) and Stephen Van Deventer (Chief Executive Officer and Director of the Company) (the "Lenders") as follows:

   December 9, 2016

   This agreement was originally for principal amount of up to one million dollars. This agreement was amended on March 31, 2017 increasing the principal amount to two million dollars. 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 March 31, 2019, the Company has drawn $1,894,248 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 July 31, 2020.

   May 9, 2017

   On May 9, 2017, the Company entered into an additional convertible credit facility agreement with the Lenders in the principal amount of one million dollars to be used towards the operations of the Company. Under the terms of the agreement and waiver in respect of same, 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 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 March 31, 2019, the Company has drawn $975,000 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 July 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

January 26, 2018

On January 26, 2018, the Company entered into an agreement with the Lenders for $500,000 in the form of an unsecured convertible promissory note bearing simple interest at 5% per annum. This promissory note was added to the May 9, 2017 facility above. Thereby, the terms of the facility entered into on May 9, 2017 apply to the January 26, 2018 agreement. 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). As at March 31, 2019, the Company has drawn the full amount of $500,000 under this agreement.

March 28, 2018

On March 28, 2018, the Company entered into a credit facility agreement (as amended) with its former President, Ms. Kimberly Van Deventer for $700,000. Under the terms of this 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 term of this agreement was extended by a year from March 28, 2019 to March 28, 2020. As at March 31, 2019, the Company has drawn the $695,000 under this agreement.

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

RELATED PARTY TRANSACTIONS

1. Management

During the three months ended March 31, 2019, compensation to management and directors included:

- Consulting fees in the amount of $19,468 paid to Dr. Makarand Jawadekar, PreveCeutical's President, Chief Science Officer and Director.
- Salary and benefits paid to Stephen Van Deventer, PreveCeutical's Chairman and Chief Executive Officer in the amount of $31,485.
- Salary and benefits paid to Shabira Rajan, PreveCeutical's Chief Financial Officer and Controller in the amount of $26,470.

2. 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.

Royalties payable to CGP in the amount of $139 was accrued for the three months ended March 31, 2019.

3. 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").

For the three months ended March 31, 2019, accrued interest under this facility, at a 5% simple interest rate per annum, amounted to $21,196 ($23,836 for the three months ended March 31, 2018). 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 July 31, 2020.

RELATED PARTY TRANSACTIONS (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 months ended March 31, 2019, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $12,027 ($11,102 for the three months ended March 31, 2018). 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 July 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 for the three months ended March 31, 2019, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $6,164 ($4,452 for the three months ended March 31, 2018).

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 months ended March 31, 2019, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $8,319 ($4,796 for the three months ended March 31, 2018).

4. Asterion (shared rent and general cost agreement)

On November 1, 2018, the Company entered into a shared rent and general cost agreement with Asterion whereby Asterion would reimburse costs related to sharing of the office space which is leased by the Company. Asterion is considered to be a related party as a director and executive officer of the Company is a control person of Asterion. For the three months ended March 31, 2019, Asterion reimbursed the Company $21,778 for rent and parking and $1,174 for administrative costs. There was no transactions with Asterion for the three months ended March 31, 2018.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are disclosed in Note 4 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019.

IFRS 16 *Leases*

The Company adopted IFRS 16 *Leases* ("IFRS 16") effective January 1, 2019. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16 *Leases* (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statement of comprehensive loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease liability” on the condensed consolidated interim balance sheet.

The Company currently has a lease agreement for the Company’s headquarter office space in Vancouver, British Columbia, Upon transition to IFRS 16, *Lease*, the Company recognized $502,177 for a ROU and $502,177 for lease liability. On a monthly basis, the Company will record lease payments and amortization. For the three months ended March 31, 2019, the Company recorded $36,330 for amortization of the ROU, $40,567 against the lease liability, and interest on lease expense of $4,237.

OUTSTANDING SHARE DATA

As at March 31, 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.

OUTSTANDING SHARE DATA (Continued)

As at May 29, 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 30,503,335 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 March 31, 2019:

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 March 31, 2019, the Company had working capital deficiency of $207,445 compared to the working capital at December 31, 2018, of $194,510. This included cash of $64,329 ($64,329 at December 31, 2018) available to meet short-term business requirements and current liabilities of $1,604,460 ($1,143,359 at December 31, 2018). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The short-term convertible debt is due on demand.

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at March 31, 2019:

		1 year		2 to 3 years		Total
Accounts payable and accrued liabilities	$	800,530	$	-	$	800,530
Lease liability		146,978		318,869		465,847
Convertible debt – short-term		656,952		-		656,952
Convertible debt – long-term		-		3,362,661		3,362,661
	$	1,604,460	$	3,681,530	$	5,285,990

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

FINANCIAL INSTRUMENTS (Continued)

Credit Risk

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

Fair Values

The 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 certain of its current and future 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

RISKS AND UNCERTAINTIES (Continued)

- 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 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.

RISKS AND UNCERTAINTIES (Continued)

- 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.
- 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 common 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 in the Company's MD&A for the period ended December 31, 2018, the Company is a respondent to a British Columbia Securities Commission (the "BCSC Matter") investigation and pending action and the Company has filed, among others, a notice of civil claim in the Supreme Court of British Columbia against certain of the non-issuer respondents to the BCSC Matter (the "2018 Civil Claim"). 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 April 16, 2019, the Company granted 500,000 stock options, under the Company's stock option plan, to purchase common shares without par value in the Company's capital at an exercise price of $0.07 per common share to a consultant for services to be received. These options will vest in four equal tranches of 125,000 options over a nine month period. Any options that are not exercised by April 15, 2020 will expire.

On May 1, 2019, 500,000 stock options issued to an employee under the Company's stock option plan on March 12, 2019, expired.

On May 18, 2019, 664,500 stock options issued to certain current and former directors and officers of the Company under the Company's stock option plan on May 18, 2017, expired.

On May 29, 2019, the Company entered into a loan agreement with the Company's Chief Executive Officer and Chairman, Mr. Stephen Van Deventer, whereby Mr. Van Deventer will loan the Company $300,000 at an interest rate of 5% per annum, compounded semi-annually and payable at maturity. Per this agreement, Mr. Van Deventer, at his option, has the right to convert all or portion of the outstanding principal amount to fully-paid, non-assessable common shares in the capital of the Company at a deemed conversion price of $0.06 per conversion share. In consideration for this loan, the Company will grant 5,000,000 transferable common share purchase warrants, at an exercise price of $0.06 per share for a period of one year from date of grant.

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 May 29, 2019.