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 and six months ended June 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results that may be expected for any future period.

This MD&A should be read in conjunction with the condensed consolidated interim financial statements, including the notes thereto, of the Company for the three and six months ended June 30, 2021 and 2020, and the audited consolidated financial statements for the year ended December 31, 2020.

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, 2020.

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 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

FORWARD-LOOKING STATEMENTS (Continued)

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 the biotechnology, medicinal cannabis or pharmaceutical industry may also adversely affect the future results or performance of the Company.

The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the COVID-19 (or SARS-2 Coronavirus) at this time.

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 forward-looking statements.

DATE

This MD&A reflects information available as at August 27, 2021.

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 885 Cambie Street, Suite 2500, Vancouver, British Columbia, V6b 0R6, Canada and its registered and records office is located at 595 Howe Street, 10th Floor, Vancouver, British Columbia V6C 2T5, Canada.

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

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.

DESCRIPTION OF BUSINESS (Continued)

PreveCeutical has temporarily discontinued the sale of CELLB9 due to supply issues and intends 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.

The Company expects to have revenue when it brings additional products to the market. The Company is working with its research 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 signed a licensing agreement (the "Licensing Agreement") 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.

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.

There were no transactions in relation to the D&JVA during the three and six months ended June 30, 2021, and the three and six months ended June 30, 2020.

On July 8, 2019, the Company and Asterion entered into an option to purchase agreement (the "Option Agreement"), whereby the Company granted to Asterion the right and option (the "Option") to purchase up to 51% of the Company's right, title and interest in and to certain intellectual property rights relating to the Company's sol-gel nasal IP.

To exercise the Option, Asterion will be required to make a series of cash payments to the Company in the aggregate amount of $2,652,000 as follows:

Payment Date	Payment Amount (CAD)	Earned Interest (%)
Effective Date	$325,000 (paid)	6.25%
July 22, 2019(1)	$325,000 (paid)	12.50% *(additional 6.25%)*
August 22, 2019(1)	$325,000	18.75% *(additional 6.25%)*
September 22, 2019(1)	$390,000	26.25% *(additional 7.50%)*
October 22, 2019	$390,000	33.75% *(additional 7.50%)*
November 22, 2019	$390,000	41.25% *(additional 7.50%)*
December 22, 2019	$507,000	51.00% *(additional 9.75%)*
TOTAL:	**$2,652,000**	**51%**

Note:

(1) As at June 30, 2021, the Company has received $803,325 under the Option Agreement. No amount was received during the three months ended March 31, 2021. $59,880 was received during the three and six months ended June 30, 2020. The Company has waived its right to deliver a termination notice to Asterion in respect of the termination of the Option Agreement as a result of such late payments until December 31, 2020.

DESCRIPTION OF BUSINESS (Continued)

By making all of the above cash payments to the Company, Asterion will be deemed to have exercised the Option in full; provided that prior to the exercise of the Option in full, Asterion will be deemed for all purposes to have acquired the various interests in and to the Sol-Gel IP, upon making the corresponding payment amounts to the Company as set forth in the above table. Upon the earlier of ten days after the date of the exercise by Asterion of the Option in full and December 22, 2019, the Company and Asterion will be deemed to have entered into a joint venture for the continued development and commercialization of the Sol-Gel IP.

Prior to the earlier of ten days after the date of the exercise of the Option in full by Asterion and December 22, 2019, the Company has the right to buy-back all of the earned interest earned by Asterion to the date of the buy-back for an amount equal to 150% of the aggregate amount of all cash payments made by Asterion. The Company has to provide a written notice to Asterion of the buy-back intention.

Agreements with Asterion are considered to be related party transactions as a director and executive officer of the Company is a control person of Asterion.

COVID-19 IMPACT

On March 11, 2020, the World Health Organization ("WHO") declared COVID-19 viral disease a pandemic. As of May 2020, the virus has spread to 188 countries with travel bans and restrictions implemented in many countries combined with social distancing measures to slow COVID-19 spread and flatten the epidemiological curve.

This pandemic has disrupted the worldwide economy and the global financial markets, affecting several businesses, including in Canada. The uncertainty of its duration has significantly affected the ability to raise capital. As the Issuer is currently dependent on equity and debt financing, this uncertainty and financial market disruption may impact the Issuer's ability to raise funds.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease.

The Company is closely monitoring the impact on its operations and related emerging risks and is taking steps to address the impact and risks. This includes reducing its burn rate by staff layoff and deferring paying salaries to the remaining staff, and terminating the office lease. The Company is also looking at innovative therapies to address COVID-19, including possible viral prevention using CBD Sol-gel. It is looking into funding from various government agencies to fund this possible initiative.

The Company has received a loan from CIBC under the Canada Emergency Business Account (CEBA) program for its operations (described under Overall Performance).

Risks related to COVID-19 are more fully set out under "Risk and Uncertainties".

RESEARCH AND DEVELOPMENT

The Company currently has one ongoing research and development project through which it plans to bring an array of innovative therapies to market. The Company retained its research partners, the University of Queensland ("UQ") and UniQuest Pty Limited ("UniQuest"), to conduct five of its R&D projects. One project was completed in 2019, two were completed during the year ended December 31, 2020, one was completed in early 2021, and one is in progress. The progress of these R&D programs is outlined below.

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 research, development and commercialization projects:

RESEARCH AND DEVELOPMENT (Continued)

Stabilization of Blue Scorpion Venom

The Company undertook the research of the stabilization of the BSV program, which was conducted by its research partners at the University of Queensland ("UQ") and UniQuest Pty Limited ("UniQuest"). This Program was completed in October 2019.

The four lead peptides evaluated in a two-compartment cell-based invasion model exhibited a slowing of invasion in all cell lines tested. These also showed modest suppression of a cancer cell biomarker responsible for driving metastasis, as well as drug and immune system resistance in brain cancer. Two lead peptides had already internalized into the cell, demonstrating their rapid uptake, and so surface binding could not be captured.

A provisional application was filed at the Australian Patent Office on December 22, 2020, entitled "Cyclic Peptides and Uses Thereof", application number 2020904798, with the aim of seeking protection for certain cyclic peptides and their use in the prevention and treatment of brain cancer.

The next steps for the Company will be to go through subsequent stages of drug development/validation and (pre) clinical evaluation for the lead peptides identified.

Sol-gels for Nasal Delivery of Cannabinoids

PreveCeutical had partnered with UQ and UniQuest for the development and evaluation of translatable formulations for systemic/central nervous system ("CNS") delivery. This Program focused on the development of a cannabinoid-based nose-to-brain delivery system for 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.

Highlights of the CBD Program, which completed in June 2020, include:

- Completion of chemical fingerprinting via HPLC of plant-derived cannabinoids.
- Completion of the trial of devices with differing nozzle designs using an in-house developed inhalation model.
- An optimal spray profile for nose-to-brain delivery has been achieved.
- Acute nasal toxicity evaluation has been completed, with the cannabinoid-infused sol-gel displaying negligible toxicity when applied to human nasal mucosal tissue as confirmed by a clinical biomarker detection assay and complemented by histopathological evaluation of tissue.

The Company filed a provisional application at the Australian Patent Office on August 31, 2020, entitled "Cannabinoid Formulations and Methods of Use", application number 2020903102, to seek the protection of its sol-gel formulations containing cannabinoids for nasal delivery.

Smart siRNA for the Treatment of Diabetes and Obesity

The Company is working with UQ and UniQuest to research the develop Smart-siRNAs for the treatment of diabetes and obesity (the "D&O Program"). The D&O Program, which commenced in July 2019, is ongoing.

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 pre-clinical (mice) models of type 2 diabetes and obesity, paving the way for broader pre-clinical safety and efficacy evaluations.

The Program focuses on the library design of bio-responsive gene carrier-and-release ("BGCR") systems, with almost 200 carrier system constructs being rationally designed, taking into account a range of head group chemistries and charge and a panel of ligands that promote self-assembly and targeting. Screening of a panel of first-generation siRNA sequences against PTP-1B in mouse-derived cells had commenced, with promising levels of silencing recorded for the

RESEARCH AND DEVELOPMENT (Continued)

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

novel sequences. A series of in-house cell models of diabetes and obesity in which the novel siRNAs are being screened successfully developed and optimized.

A table of novel nucleic acid compositions consisting of more than 150 gene sequences against human PTP1B that contrast from those that are already reported and protected by intellectual property rights has been created.

The cell-based studies have progressed to re-designing the constructs to be applicable to PTP-1B gene silencing in mice.

As at June 30, 2021, the D&O Program was 57.1% complete.

Disulfide Linker Technology in Engineering Analgesic Peptides

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

Two Australian provisional applications entitled "A Cyclic Peptide", which were filed last year by The University of Queensland, Australia ("UQ"), were combined into a single Patent Cooperation Treaty ("PCT") application which was filed a year after the earlier priority date. This PCT application, jointly owned by UQ and PreveCeutical, was filed on January 24, 2020, with application number PCT/AU2020/050049, with the aim of seeking protection for certain cyclic peptides and their use in pain management.

A provisional application was filed at the Australian Patent Office on July 1, 2020, entitled "Peptides and Uses Thereof", application number 2020902233, with the aim of seeking protection for certain peptides analogues of dynorphin and their use in pain management.

The Company is working on forming partnerships to further the development and commercialization of products under this Program.

Cannabis Extract Infused Sol-gel Formulation for COVID-19

The Company entered into this R&D Program in July 2020 to address the current COVID-19 pandemic when it became aware, from an independent report in the public domain, that an extract from a particular cannabis line has a potential use against COVID-19.

Following on from the completed first CBD sol-gel program with UQ, PreveCeutical Under this Program, formulation of sol-gel containing a particular cannabinoid extract is being developed. The Company will be looking at the commercialization of this formulation as a nasally administered treatment and/or prophylactic for COVID- 19. The Program was completed in November 2020.

A provisional application was filed at the Australian Patent Office on November 20, 2020, entitled "Sol-Gel Cannabinoid Formulation and Antiviral Use", application number 20200904291, with the aim of seeking protection for certain cannabinoid formulations and their use in the prevention and treatment of COVID-19 caused by SARS-CoV-2 infection.

The Company has retained Veristat, a global clinical research organization, to assist with the clinical trial process.

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

OVERALL PERFORMANCE

During the three and six months ended June 30, 2021, the Company continued to work on research and development, business development and financing, including:

- Assigning and converting debt to common shares of the Company and settling two non-arm's length debts by issuing the Company's common shares.
- Appointing two advisors and consultants to provide guidance with the Company's development and commercialization.
- Review of the final report for the Analgesic Program.
- Continuing with monitoring of the impact of COVID-19 on operations and addressing the issues and risks.

For the three and six months ended March 31, 2021, the Company continued to focus on business development and its research programs. These programs continue to be funded by equity and debt. The Company anticipates that the products and therapies that are developed through its R&D programs will either enter into strategic partnerships to manufacture and market such products or, it will license the intellectual property to other companies.

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 June 30, 2021, the Company had a cash overdraft of $100,574 and a working capital deficiency of $2,275,506 compared to a cash balance of $156,440 and a working capital deficiency of $1,766,997 at December 31, 2020. For the three and six months ended June 30, 2021, the Company's funding included short-term debt and receipt of outstanding receivables.

Selected Financial Information

	As at June 30, 2021	December 31, 2020
Cash/(bank indebtedness)	$(100,574)	$155,440
Total assets	$112,019	$302,452
Non-current liabilities	$1,458,182	$1,876,402
Total liabilities	$3,812,256	$3,906,406
Working capital deficiency	$2,275,642	$1,766,997
Deficit	$28,080,458	$26,918,698
Shareholders' deficiency	$3,700,237	$3,603,954

Selected Operating Information

	For the Three Months Ended		For the Six Months Ended	
	2021	2020	2021	2020
Revenues	$ -	$ -	$ -	$ -
Net loss	$763,647	$2,088,079	$1,259,543	$2,608,901
Net loss and comprehensive loss	$395,492	$2,318,871	$1,079,136	$2,706,176
Net loss per share	$0.001	$0.005	$0.002	$0.006

FINANCIAL RESULTS OF OPERATION

During the three and six months ended June 30, 2021, the Company continued its focus on developing its product line and identifying and reviewing additional products for manufacturing, marketing and R&D and on securing additional funding for its operations.

FINANCIAL RESULTS OF OPERATION (Continued)

The Company's deficit at June 30, 2021, of $28,080,458, 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 $189,851 recorded during the three months ended March 31, 2021, $1,206,521 during the year ended December 31, 2020, and $1,404,677 recorded during the year ended December 31, 2018

The Company had a net loss and comprehensive loss of $395,492 and $1,079,136 for the three and six months ended June 30, 2021, compared to $2,318,871 and $2,706,176 for the three and six months ended June 30, 2020. The Company did not record revenue for the year three and six months ended June 30, 2021, and June 30, 2020.

Operating expenses were $318,311 and $695,686 for the three and six months ended June 30, 2021, compared to $740,183 and $1,019,937 for the three and six months ended June 30, 2020.

Other expenses, which included interest, accretion, loss on modification of convertible debt and foreign exchange gain/loss, offset by option payment were $445,336 and $563,857 for the three and six months ended June 30, 2021, compared to $1,347,896 and $1,588,964 for the three and six months ended June 30, 2020. For the three and six months ended June 30, 2020, there was a loss of $1,223,809 recorded for debt conversion debt and debt settlement.

Foreign exchange gain on translating foreign operations was $368,155 and $180,407 for the three and six months ended June 30, 2021. There was a foreign exchange loss of $230,792 and $97,275 for the three and six months ended June 30, 2020.

The decrease of $902,560 and $1,025,107 in other expenses for the three and six months ended June 30, 2021, compared to the three and six months ended June 30, 2020, was due to:

- Loss on debt conversion of $166,881 during the six months ended June 30, 2021 compared to loss of $1,223,809 for debt modification ($1,206,522 on conversion of debt and $17,287 on debt settlement) for the six months ended June 30, 2020, a decrease of $1,056,927.

- Accretion recorded of $46,795 and $149,165 for the three and six months ended June 30, 2021, was $212,342 and $194,670 lower than for the accretion of $259,137 and 343,835 recorded for the three and six months ended June 30, 2020. This was due to the reduction in convertible debt outstanding during the three and six months ended June 30, 2021.

- Loss of $59,627 was recorded for the disposal of assets offset by contract termination gain of $7,622 for the six months ended June 30, 2020 due to termination of the lease in May 2020. No assets were disposed during the three and six months ended June 30, 2021.

- Decrease in the interest expense of $16,415 and $42,105 for the three month and six months ended June 30, 2021 ($31,615 and $65,965) compared to the three and six months ended June 30, 2020 ($48,030 and $108,070). This was due to the reduction of the convertible debt. The convertible debts bear a simple interest rate of 5%. The loan from the CEO bears an interest rate of 5% compounded semi-annually. As at June 30, 2021, the long-term convertible debt principal balance was $1,475,500 compared to $1,695,938 as at June 30, 2020, a decrease of $220,438.

This was offset by:

- Other income of $17,030 and $59,880, relating to option payments received during the three months and six months ended June 30, 2020. There was no option payment received for the three and six months ended June 30, 2021.

- Foreign exchange loss was higher by $584,980 and $260,720 for the three and six months ended June 30, 2021 (loss of $366,926 and $181,846) compared to the three and six months ended June 30, 2020 (gain of $218,054 and $78,874).

The Company continued to work on efficiencies and cost reduction during the three and six months ended June 30, 2021. Expenses for the three and six months ended June 30, 2021, amounted to $318,311 and $695,686 which was $421,872 and $324,251 lower than for the three and six months ended June 30, 2020 ($740,183 and $1,019,937).

FINANCIAL RESULTS OF OPERATION (Continued)

Decrease related to the following:

- Decrease of $216,800 and $181,641 in R&D expenditures for the three and six months ended June 30, 2021 ($130,433 and 313,048) compared to the three and six months ended June 30, 2020 ($347,233 and $494,689). The decrease relates to the completion of the R&D projects in prior periods. The Company is focusing on developing products from the completed R&D projects.

- The share-based compensation of $20,697 and $50,513 for the three and six months ended June 30, 2021 was $168,897 and $139,487 lower than $189,594 and $190,000 for the three and six months ended June 30, 2020, stock options issued to certain directors, officers and employee during the three and six months ended June 30, 2020.

- Professional fees for the three and six months ended June 30, 2021, were $52,243 and $89,770 compared to $82,101 and $137,291 for the three and six months ended June 30, 2020, a decrease of $29,858 and $47,521. The decrease related to the reduction of legal services during the three and six months ended June 30, 2020. The reduction is mainly due to the reduced patent lawyer costs for the three and six months ended June 30, 2021.

- Amortization expense for the three and six months ended June 30, 2021, were $1,498 and $3,029 compared to $28,945 and $71,031 for three and six months ended June 30, 2019, a decrease of $27,447 and $68,002. The decrease is mostly related to the termination of the office lease which reduction in the amortization for the office lease, leasehold improvements to the terminated lease, and disposal of certain assets such as office furniture and décor.

- Office and general expenses were $1,246 and $2,604 for the three and six months ended June 30, 2021, compared to $3,187 and $9,064 for the three and six months ended June 30, 2020, a decrease of $1,941 and $6,460.

These decreases were offset by the following increases:

- Salary, wages and consulting fees of $49,132 and $120,911 for the three and six months ended June 30, 2021, were $5,979 lower for the three months ended June 30, 2021, and $51,410 higher for the six months ended June 30, 2021, compared to the three and six months ended June 30, 2020 ($55,111 and $69,501 for the three and six months ended June 30, 2020). The increase in the six months ended June 30, 2021, related to the accrual of salaries for the three months ended March 31, 2021. Accrual for the salaries not paid was not made for the three months ended March 31, 2020.

- Business development and investor relations expenses for the three and six months ended June 30, 2021, were $20,320 and $21,213 higher than for the three months ended June 30, 2020 ($48,397 and $69,875 for the three and six months ended June 30, 2021 compared to $28,077 and $48,662 for the three and six months ended June 30, 2020). The increase relates to consulting services for the identification of strategic partners.

- Transfer agent and filing fees of $13,292 and 42,918 for the three and six months ended June 30, 2021, were $1,310 lower than for the three months ended June 30, 2020 ($14,602) and $17,606 higher than for the six months ended June 30, 2020 ($25,312). Transfer agent fees were higher for the six months ended June 30, 2021, due to the costs related to the Company's annual general meeting for the year 2020, which was held in February 2021.

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 June 30, 2021.

SUMMARY OF QUARTERLY RESULTS (Continued)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	$0	$0	$0	$0	$0	$0	$0	$0
Net gain (loss)	($763,647)	($495,896)	($1,642,896)	$450,679	($2,088,079)	($520,822)	($76,408)	($610,772)
Comprehensive gain (loss) for the period	($395,492)	($683,644)	($1,643,560)	$428,096	($2,318,871)	($387,305)	($40,268)	($576,772)
Basic and diluted gain (loss) per share	($0.0001)	($0.0004)	($0.003)	$0.001	($0.005)	($0.001)	($0.000)	($0.001)
Cash/(bank indebtedness)	$(100,574)	$101,441	$156,440	$206,131	($423,204)	$30,451	$28,480	$6,602
Working capital deficiency	$2,275,642	$1,946,638	$1,766,997	$1,235,508	$1,923,241	$1,753,577	$1,546,563	$1,864,724
Total assets	$112,019	$221,995	$302,452	$540,895	$333,940	$663,037	$857,638	$1,364,533
Total liabilities	$3,812,256	$3,547,437	$3,906,406	$3,520,623	$3,848,653	$5,464,005	$5,344,418	$6,312,840
Deficit	$28,080,458	$27,414,594	$26,918,698	$25,210,399	$25,947,917	$24,166,271	$23,684,588	$23,499,746
Shareholders' deficiency	$3,700,237	$3,325,442	$3,603,954	$2,979,728	3,514,713	$4,800,968	$4,486,780	$4,948,307

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.

For the three and six months ended June 30, 2021, the Company had drawn on a temporary credit facility provided by the ANZ Bank, Australia.

During the quarter ended December 31, 2020, the net loss of $1,642,896 was $2,093,575 higher than during the quarter ended September 30, 2020 (gain of $450,679). $405,197 related to compensation expense for stock options date modification for certain employees and directors, $558,905 related to the vesting of performance warrants and the issue of stock options, $79,200 related to adjustment to the salary accrual, and $60,000 to the accrual of directors' remuneration for the year 2020.

The gain of $450,679 in Q3 2020 mostly relates to the R&D tax credits of $1.1 million relating to the fiscal year 2019 R&D costs received during that quarter. Loss on modification of convertible debt and debt settlement in the amount of $1,223,809 was recorded in Q2 2020, making the comprehensive loss higher.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to depend on equity and debt for funding until it brings its products to market.

As at June 30, 2021, the Company had a working capital deficiency of $2,275,642 and bank indebtedness of $100,574. As at December 31, 2020, there was a working capital deficiency of $1,766,997 and a cash balance of $156,440.

As at June 30, 2021, the Company did not have any commitments. During the year ended December 31, 2020, the Company had two lease commitments. A lease with Golden Properties Ltd. for the leasing of office space starting May 1, 2017, and a lease agreement with Xerox Canada Ltd. for the leasing of equipment for a period of five years entered on July 1, 2017. Both of these leases were terminated during the year ended December 31, 2020. The office space was terminated as there were some layoffs, and other staff are working remotely due to the COVID-19 pandemic.

The Company anticipates that it will continue to incur more costs, including R&D and patent filing costs, than revenue. The Company is in the development stage and is primarily focused on developing marketable products and forming relationships and partnerships for the commercialization of the 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.

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.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

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 (CEO and Director of the Company) (collectively, the "Lenders") as follows:

December 9, 2016

This agreement, originally for the principal amount of up to one million dollars, 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 (simple interest at 5% per annum) 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).

On May 20, 2020, the Company entered into two assignment and assumption agreements whereby certain arm's length assignees (the "Assignees") acquired all of Stephen Van Deventer and Kimberly Van Deventer's right, title, interests and obligations in and under a convertible credit facility agreement dated effective December 9, 2016, as amended, as to the aggregate principal amount of $1,728,811 and the accrued interest thereon in the aggregate amount of $271,189 (the "Assigned Amounts"). The Assignees elected to convert the Assigned Amounts into an aggregate of 86,956,522 Shares at a price of $0.023 per share.

On March 12, 2021, the Company entered into an assignment and assumption agreement whereby a certain arm's length assignee (the "Assignee") acquired all of Stephen Van Deventer and Kimberly Van Deventer's right, title, interests and obligations in and under a convertible credit facility agreement dated effective December 9, 2016, as amended, as to the aggregate principal amount of $475,638 and the accrued interest thereon in the aggregate amount of $45,097 (the "Assigned Amounts"). The Assignee elected to convert the Assigned Amounts into an aggregate of 16,272,951 Shares at a price of $0.032 per share. No amount was drawn on this agreement as at June 30, 2021.

May 9, 2017

On May 9, 2017, the Company entered into an additional convertible credit facility agreement with the Lenders i the principal amount of one million dollars to be used towards the operations of the Company. Under the terms f 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 June 30, 2021, the Company had drawn $975,500 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 April 1, 2024.

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 June 30, 2021, the Company had drawn the full amount of $500,000 under this agreement. The Lenders have signed a waiver by which there will be no demand on the funds until April 1, 2024.

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

LIQUIDITY AND CAPITAL RESOURCES (Continued)

at the option of Ms. Van Deventer at $0.10 per share (amended to $0.06 per unit on April 20, 2018). On March 28, 2020, the maturity date of this credit facility agreement was extended to the earlier of (i) March 29, 2021, and (ii) the date upon which a declaration is made pursuant to the terms of the agreement. The maturity date may be further extended by Ms. Van Deventer, providing written notice to the Company. On August 9, 2021, the maturity date was amended to due on demand. As at June 30, 2021, the Company had drawn $695,000 under this agreement.

4. Entering into a loan agreement with the Company's CEO and Chairman, Mr. Stephen Van Deventer, whereby Mr. Van Deventer loaned the Company a principal sum of $300,000. In consideration for this loan, the Company has granted 5,000,000 transferable common share purchase warrants to Mr. Van Deventer, each warrant entitling Mr. Van Deventer to purchase one common share in the capital of the Company at an exercise price equal to $0.06 per share for a period of one year from the date of grant. The 5,000,000 warrants granted were not exercised and expired on May 28, 2020. As at June 30, 2021, the Company has drawn the full amount of $300,000 under this agreement.

5. Receiving advances in the aggregate amount of $39,250 by way of callable debt from the Company's CEO, a related company and the past President.

6. Securing a temporary line of credit facility with the Australian bank.

7. Securing funds under the Canada Emergency Business Account (CEBA) program.

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

RELATED PARTY TRANSACTIONS

1. Management

During the three and six months ended June 30, 2021, compensation to management and directors included:

- Consulting fees in the amount of $37,532 invoiced by Dr. Makarand Jawadekar, PreveCeutical's President, Chief Science Officer and Director. As at June 30, 2021, $118,327 was owed to Dr. Jawadekar for these services.

- Salary and benefits accrued for Stephen Van Deventer, PreveCeutical's Chairman and Chief Executive Officer, in the amount of $63,166. The Company owed Mr. Van Deventer $179,210 for salaries and benefits as at June 30, 2021.

- Salary, benefits and consulting accrued for Shabira Rajan, PreveCeutical's Chief Financial Officer and Controller, in the amount of $28,098. The Company owed Ms. Rajan $71,779 for salaries, benefits and consulting fees as at June 30, 2021.

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.

For the three and six months ended June 30, 2021, the Company accrued $35,700 for Ms. Kimberly Van Deventer's services. As at June 30, 2021, the Company owed CGP $146,486 in relation to these services.

3. Short term loans

The Company entered into a six-month loan agreement in the amount of $300,000 with Mr. Stephen Van Deventer on May 29, 2019, with an interest of 5% per annum compounded semi-annually. For the six months ended June 30, 2021, interest in the amount of $8,049 was accrued for this loan. On February 21, 2020, the maturity date was amended from November 29, 2019, to May 29, 2020. On March 5, 2021, the term of the debt was amended to due on demand.

RELATED PARTY TRANSACTIONS (Continued)

CGP loaned the Company $3,000 on July 5, 2019. No interest was payable on this loan. This amount was outstanding at June 30, 2021.

Stephen Van Deventer, Chief Executive Officer of the Company loaned the Company $3,000 on November 27, 2019, $1,500 on March 27, 2020, $20,000 on February 18, 2021, $5,000 on March 26, 2021, 3,000 on April 12, 2021 and $750 on April 30, 2021. No interest was payable on this loan. The amount outstanding at June 30, 2021, was $33,250.

Ms. Kimberly Van Deventer, the Company's shareholder and former President, lent the Company $3,000 on November 27, 2019. No interest was payable on this loan, and this amount was outstanding as at June 30, 2021.

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, which was for $1 million, was entered into on December 9, 2016, was amended on March 31, 2017, to the principal amount of $2 million. On April 20, 2018, the conversion price was amended from $0.10 to $0.06 per share.

On May 20, 2020, the Company entered into two assignment and assumption agreements whereby a certain arm's length assignees (the "Assignees") acquired all of the right, title, interests and obligations in and under this convertible credit facility agreement for a principal amount of $1,728,811 and the accrued interest of $271,189. Included in the assignment and assumptions agreement, the conversion price was amended from $0.06 to $0.023 per share and $1,206,521 was recorded as a loss on the modification to profit or loss with a corresponding adjustment to shareholders' deficiency. During the year ended December 31, 2020, the assigned debt and accrued interest (aggregate balance of $2,000,000) was converted for a total of 86,956,522 share debt of $2,178,836 was reclassed to share capital and accretion of $214,240 was recognized in profit or loss.

On March 12, 2021, the Company entered into an assignment and assumption agreement whereby a certain arm's length assignee (the "Assignee") acquired all of the right, title, interests and obligations in and under this convertible credit facility agreement for a principal amount of $475,637 and the accrued interest of $45,097. Included in the assignment and assumptions agreement, the conversion price was amended from $0.06 to $0.032 per share and $189,851 was recorded as a loss on modification to profit or loss with a corresponding adjustment to shareholders' deficiency. During the three months ended March 31, 2021, the assigned debt and accrued interest (aggregate balance of $520,734) was converted for a total of 16,272,951 shares. As a result of the conversion, the equity portion of convertible debt of $520,435 was reclassed to share capital and accretion of $56,401 was recognized in profit or loss.

During the three and six months ended June 30, 2021, the Company drew a total of $90,000 under this facility. As at June 30, 2021, the Company has drawn $Nil (December 31, 2020 - $384,638) under the facility agreement and has accrued interest of $Nil (December 31, 2020 - $41,488).

The Company entered into a second credit facility agreement with the Lenders in the amount of $1 million on May 9, 2017, to cover additional operational costs. For the three and six months ended June 30, 2021, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $12,161 and $24,188 ($12,161 and $24,321 for the three and six months ended June 30, 2020). 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 April 1, 2024.

The Company entered into an agreement with the Lenders in the amount of $500,000 on January 26, 2018, in the form of an unsecured convertible promissory note bearing simple interest at 5% per annum. This promissory note was added to the second facility. Thereby, the terms of the facility entered into on May 9, 2017, apply to the January 26, 2018 agreement. This loan was to cover additional research, development and operational costs. For the three and six months ended June 30, 2021, accrued interest under this credit facility amounted to $6,233 and $12,397 ($6,233 and 12,466 for the three and six months ended June 30, 2020). 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 April 1, 2024.

RELATED PARTY TRANSACTIONS (Continued)

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 (as amended), to cover additional operational costs. For the three and six months ended June 30, 2021, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to $8,633 and $17,231 ($8,663 and 17,327 for the three months ended June 30, 2020).

5. Asterion

Asterion is considered to be a related party as a director and the executive officer of the Company is a control person of Asterion.

On November 1, 2018, the Company entered into a shared rent and general cost agreement with Asterion whereby Asterion would reimburse costs related to the sharing of the office space, which is leased by the Company.

For the three and six months ended June 30, 2021, Asterion was invoiced $1,486 and $3,210 for office expenses. Rent was not charged as the Company had terminated the lease in May 2020. For the three and six months ended June 30, 2020, Asterion was invoiced $14,671 and $35,629 for rent, $565 and $1,289 for equipment and $2,173 and $4,499 for office expenses.

On July 8, 2019, the Company and Asterion entered into an option to purchase agreement (the "Option Agreement"), whereby the Company granted to Asterion the right and option (the "Option") to purchase up to 51% of the Company's right, title and interest in and to certain intellectual property rights relating to the Company's sol-gel nasal IP. No payments were received by the Company under this Option Agreement for the three and six months ended June 30, 2021. The Company received $17,030 and $59,880 for the three and six months ended June 30, 2020, under the Option Agreement.

OUTSTANDING SHARE DATA

On February 11, 2021, 6,100,000 warrants and 384,000 broker warrants that were issued with the February 8, 2019, non-brokered private placement expired.

On February 15, 2021, 1,000,000 options were issued to a Consultant at an exercise price of $0.04 per common share of the Company.

On March 12, 2021, the Company issued 3,281,250 common shares at a price of $0.032 per share to two arms-length creditors settle an outstanding amount of $105,000.

On March 12, 2021, the Company issued 16,272,951 common shares at a price of $0.032 per share for the conversion of debt that was assigned to an assignee.

On March 15, 2021, 1,000,000 options were issued to a Consultant at an exercise price of $0.04 per common share of the Company.

On June 30, 2021, 1,250,000 stock options issued to an employee at an exercise price of $0.10 per common share of the Company expired.

As at June 30, 2021:

(i) the Company had 511,703,359 common shares issued and outstanding;
(ii) the Company had 21,000,000 common share purchase performance warrants outstanding;
(iii) the Company had 18,182,840 stock options and supplier agreement options outstanding.

As at August 27, 2021:

(i) the Company had 511,703,359 common shares issued and outstanding;
(ii) the Company had 21,000,000 common share purchase performance warrants outstanding;
(iii) the Company had 18,182,840 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 measurements of the significant risks as at June 30, 2021:

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 June 30, 2021, the Company had a working capital deficiency of $2,275,506 compared to the working capital deficiency at December 31, 2020, of $1,766,997. The current liabilities as at June 30, 2021 were $2,383,938 compared to $2,030,004 at December 31, 2020.

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 June 30, 2020:

		1 year		2 to 3 years		Total
Bank overdraft	$	100,574	$	-	$	100,574
Accounts payables and accrued liabilities		1,026,413		-		1,026,413
Short term debt		371,932		-		371,932
Convertible debt – short-term		809,552		-		809,552
Long-term loan		-		60,000		60,000
Convertible debt – long-term		-		1,743,432		1,743,432
	$	2,308,471	$	1,803,432	$	4,111,903

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2020:

		1 year		2 to 3 years		Total
Accounts payables and accrued liabilities	$	1,026,413	$	-	$	1,026,413
Short-term debt	$	335,134	$	-	$	335,134
Convertible debt – short-term		792,320		-		792,320
Long-term debt				60,000		60,000
Convertible debt – long-term				2,134,331		2,134,331
	$	2,153,867	$	2,194,331	$	4,348,198

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.

FINANCIAL INSTRUMENTS (Continued)

Fair Values

The Company's financial instruments classified as level 1 in the fair value hierarchy are cash, accounts receivable, accounts payable, bank indebtedness, 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. Capital market conditions and other factors beyond the Issuer's control, including the current COVID-19 pandemic, may also play important roles in the ability to raise capital.
- The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to the Company's management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that the Company feels the business requires, or unavailable on acceptable terms, the Company may be required to cease operating or to modify its business plans in a manner that undermines its ability to achieve its business objectives.
- 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 Company'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 potential future 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, permits and approvals from various parties and governmental authorities. There is no assurance that the Company will be successful in obtaining or maintaining the necessary licenses, permits and approvals 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 outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. Although, it is not possible to reliably estimate

RISKS AND UNCERTAINTIES (Continued)

the length and severity of these developments and their impact on the financial results and condition of the Issuer and its operating subsidiaries in future periods.

- The Company intends 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 future 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 a 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 Company's ability to compete with such other products successfully. 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 marketplace 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.

RISKS AND UNCERTAINTIES (Continued)

- 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 a 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. The Company filed, among others, the 2018 Civil Claim in the Supreme Court of British Columbia against certain of the non-issuer respondents to the BCSC Matter. On July 11, 2019, the Company was named as a defendant in a lawsuit commenced in the Supreme Court of British Columbia (Tietz and Loewen v. Bridgemark Financial Corp. et al.) (the "Class Action Claim"). The Class Action Claim was brought under the British Columbia Class Proceedings Act and alleged certain misrepresentations in connection with various private placements conducted by the defendants. The plaintiffs are seeking an unspecified amount of damages for claims arising from alleged misrepresentations regarding, in respect of the Company, the Company's disclosure of its June 2018 private placement. The Company intends to vigorously defend the Class Action Claim and has already taken legal action against certain of the other defendants named in the Class Action Claim. The timeline and potential outcome of each of the 2018 Civil Claim and the Class Action 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

The Company moved its offices to 885 Cambie Street, Suite 2500, Vancouver, British Columbia, V6B 0R6, Canada, on August 25, 2021.

Other

Additional information regarding the Company is available on the Company's website at www.preveceutical.com. Additional information relating to the Company, including other continuous disclosure documents required by the securities regulators, is filed on System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com.

The effective date of this report is August 27, 2021.