

PREVECEUTICAL MEDICAL INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

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)") constitute management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2022. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results that may be expected for any future period.

This MD&A should be read in conjunction with the condensed consolidated interim financial statements, including the notes thereto, of the Company for the three and nine months ended September 30, 2022, and 2021, and the audited consolidated financial statements for the year ended December 31, 2021.

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, 2021.

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

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FORWARD-LOOKING STATEMENTS (Continued)

actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the ability of the Company to obtain sufficient financing to fund its business activities and plans, the inability of the Company, UniQuest, Asterion (as defined below) or PreveCeutical (Australia) to, among other things, complete the Company's research programs as planned, the inability of the Company to generate revenue through its products, including through the sale of the Licensed Sleep-Aid Products (as defined herein), the inability of the Company or PreveCeutical (Australia) to obtain any required governmental, regulatory or stock exchange approvals (including Canadian Securities Exchange (the "CSE") approval), permits, consents or authorizations required to carry out any planned future activities, commercialise any therapeutics from the Company's research programs, pursue business partnerships or complete its research programs as planned, risks related to joint venture operations and risks related to the integration of acquisitions, as well as those factors discussed under the heading "Risks and Uncertainties". Other factors such as general economic, market or business conditions or changes in laws, regulations and policies affecting 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 tCOVID-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.

This MD&A reflects information available as at November 24, 2022.

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

PreveCeutical 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.

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DESCRIPTION OF BUSINESS (Continued)

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 the derived from its research programs. 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 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,

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- (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 nine months ended September 30, 2022, and the three and nine months ended September 30, 2021.

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. The Company gave Asterion notice of payment of the scheduled outstanding amounts as per the Option Agreement. The Option Agreement was terminated on September 11, 2022 due to non-payment of the scheduled amounts.

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.

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COVID-19 IMPACT (Continued)

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 has completed research for four of its projects described below and has one ongoing research project. The Company is working on developing and commercializing an array of innovative therapies derived from the completed research and development ("R&D") projects. The Company retained its research partners, the University of Queensland ("UQ") and UniQuest Pty Limited ("UniQuest"), to conduct the five R&D projects.

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 and 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:

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. An international patent application was made on July 1, 2021 (application number PCT/AU2021/050707).

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. The Company is working on establishing partnerships to progress development of products under this project.

Sol-gels for Nasal Delivery of Cannabinoids

PreveCeutical 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.

The CBD Program, which commenced in the third quarter of 2017, was completed in June 2020, with the following highlights:

RESEARCH AND DEVELOPMENT (Continued)

Sol-gels for Nasal Delivery of Cannabinoids

- 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 an international patent application, PCT/IB2021/022211 on August 31, 2021, titled “Cannabinoid Formulations and Methods of Use, to seek the protection of its sol-gel formulations containing cannabinoids for nasal delivery.

The Company has been given an exclusive, non-transferable license by UniQuest for the use of their sol-gel technology for the delivery of naturally occurring cannabinoids from plants(including without limitation cannabis and hemp) and chemically synthesized versions thereof. The license agreement was executed on November 12, 2021.

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 was completed in January 2021.

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.

This program was undertaken following the completion of the first CBD sol-gel program with UQ. Under this Program, a 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.

An international patent application was filed on November 18, 2021, entitled “Sol-Gel Cannabinoid Formulation and Antiviral Use”, application number PCT/AU2021/051383, 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.

RESEARCH AND DEVELOPMENT (Continued)

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-siRNAs 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 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.

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With the Company’s focus on establishing partnerships to further development under its other programs, the Company has temporarily placed this program on hold.

As at September 30, 2022, the D&O Program was 57.63% complete.

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 nine months ended September 30, 2022, the Company continued to work on research and development, commercialization strategies, patents, business development and financing, including:

- Assigning the debt to a non-arm’s length assignee and converting debt to common shares of the Company and entering into a debt settlement agreement with two non-arm’s length creditors issuing the Company’s common shares to settle an aggregate debt of \$40,000.
 - Developing its intellectual property.
 - Developing strategies and partnerships for the development and commercialization of the Company’s IP.
 - Working with the lawyers and insurance providers in settling the Tietz class action lawsuit without admission of liability.
 - Working with the lawyers to respond to a Notice of Hearing from the Executive Director of the British Columbia Securities Commission to dispute allegations in the Notice of Hearing.
 - Entering into a credit facility agreement with the Company’s CEO and former President and Director.
 - Terminating three credit facilities entered and transferring the outstanding principal and accrued interest to the new credit facility.
 - Continuing with monitoring the impact of COVID-19 on operations and addressing the issues and risks.
 - Appointing directors with financial, scientific and commercialization backgrounds.
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OVERALL PERFORMANCE BC (Continued)

For the three and nine months ended September 30, 2022, the Company continued to focus on business development. These initiatives continue to be funded by equity and debt. The Company anticipates that the products and therapies 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 operations, management has taken a number of steps outlined under the Liquidity and Capital Resources section.

At September 30, 2022, the Company had a cash balance of \$2,443 and a working capital deficiency of \$4,531,882 compared to a cash balance of \$16,064 and a working capital deficiency of \$2,506,192 at December 31, 2021. For the three and nine months ended September 30, 2022, the Company's funding included short-term loans and convertible debt advances.

Selected Financial Information

As at	September 30, 2022	December 31, 2021
Cash	\$2,443	\$16,064
Total assets	\$153,106	\$161,201
Non-current liabilities	\$60,000	\$1,676,352
Total liabilities	\$4,671,647	\$4,265,216
Working capital deficiency	\$4,531,882	\$2,506,192
Deficit	\$26,695,673	\$28,526,488
Shareholders' deficiency	\$4,518,541	\$4,104,015

Selected Operating Information

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	\$ -	\$ -	\$ -	\$ -
Net gain(loss)	\$(797,573)	\$2,152	\$(1,815,255)	\$(1,257,391)
Net loss and comprehensive gain(loss)	\$(793,312)	\$(4,997)	\$(1,496,342)	\$(1,084,133)
Net loss per share	\$0.002	\$0.000	\$(0.003)	\$(0.002)

FINANCIAL RESULTS OF OPERATION

During the three and nine months ended September 30, 2022, the Company continued its focus on developing its product line and identifying and reviewing additional products for manufacturing, marketing and securing additional funding for its operations.

The Company's deficit at September 30, 2022, of \$26,695,673 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 and comprehensive loss of \$793,312 and \$1,496,342 for the three and nine months ended September 30, 2022, compared to a net and comprehensive loss of \$4,997 and \$1,084,133 for the three months and nine ended September 30, 2021. The Company did not record any revenue for the three and nine months ended September 30, 2022, and September 30, 2021.

Operating expenses were \$495,401 and \$830,252 for the three and nine months ended September 30, 2022, compared to a gain of \$87,204 and expense of \$608,483 for the three and nine months ended September 30, 2021.

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FINANCIAL RESULTS OF OPERATION (Continued)

Other income and expenses, including interest, accretion, foreign exchange gain/loss, gain/loss on asset disposal and loss on debt modification, were \$302,172 and \$985,003 for the three and nine months ended September 30, 2022, compared to \$85,051 and \$648,908 for the three and nine months ended September 30, 2021.

Foreign exchange gain on translating foreign operations was \$4,261 and \$318,913 for the three and nine months ended September 30, 2022, compared to a loss of \$7,149 and a gain of \$173,258 for the three and nine months ended September 30, 2021.

The increase in other expenses of \$217,121 and \$336,095 for the three and nine months months ended September 30, 2022 (\$302,172 and \$985,003) compared to the three and nine months ended September 30, 2021 (\$85,051 and \$648,908) was due to:

- Accretion expenses for the three and nine month ended September 30, 2022, were \$229,847 and \$323,743 compared to \$49,397 and \$198,562 for the three and nine months ended September 30, 2021, an increase of \$180,450 and \$192,095. The higher accretion relates to the conversion of the convertible debt and termination of convertible debts during the three and nine months ended September 30, 2022.
- Loss in foreign exchange of \$4,157 and \$319,067 for the three and nine months ended September 30, 2022 compared to a foreign exchange loss of \$660 and \$182,506 for the three and nine months ended September 30, 2021, an increase of loss of \$3,497 and \$136,561 for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021. This was due to the strengthening of the Australian dollar.
- Increase in the interest expense of \$33,919 and \$30,021 for the three and six months ended September 30, 2022 (\$68,168 and \$130,235) compared to the three and nine months ended September 30, 2021 (\$32,249 and \$100,214). The higher interest amount was due to the transfer of the three convertible debts to the July 18, 2022 Credit Facility, which is at a simple annual rate of 10% compared to the simple interest rate of 5% for the terminated credit facilities.
- Debt modification loss of \$145,833 for the nine months ended September 30, 2022, compared to a debt modification loss of \$166,881 for the nine months ended September 30, 2021, a decrease of \$21,048.
- Gain of \$789 for disposal of an asset during the nine months ended September 30, 2022.

Operating expenses for the three and nine months ended September 30, 2022, were \$495,401 and \$830,252 compared to a net gain of \$87,203 for the three months ended September 30, 2021 and operating expenses of \$608,483 for the nine months ended September 30, 2021. The increase of \$582,604 and \$221,769 related to:

- R&D expenses for the three and nine months ended September 30, 2022 were \$19,896 and \$58,135 compared to a credit of \$290,780 and an expense of \$22,268 for the three and nine months ended September 30, 2021, an increase of \$310,676 and \$35,867. This increase was mainly due to the R&D tax credit of \$303,181 (AUD315,338) received from the Government of Australia for the Australian R&D for the three and nine months ended September 30, 2021. As there were no R&D expenditures during the year ended December 31, 2021, the Company did not apply for the R&D tax credits for that year.
- The share-based compensation expense of \$308,234 and \$340,849 for the three and nine months ended September 30, 2022, was \$296,655 and \$278,757 higher than the share-based compensation expense of \$11,579 and \$62,092 for the three and nine months ended September 30, 2021. The increase relates to the vesting and granting of more stock options to employees, officers and directors during the three and nine months ended September 30, 2022.
- Salary, wages, and consulting fees of \$44,414 and \$143,010 for the three and nine months ended September 30, 2022, were \$4,050 higher and \$18,264 lower for the three months and nine months ended September 30, 2021 (\$40,364 and \$161,275 for the three and nine months ended September 30, 2021). The decrease for the nine months ended September 30, 2022 was due to reduced salaries and directors' remuneration.

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FINANCIAL RESULTS OF OPERATION (Continued)

- Business development and investor relations expenses for the three and nine months ended September 30, 2022, of \$19,665 and \$55,011 were \$163 higher and \$34,368 lower than for the three and nine months ended September 30, 2021 (\$19,502 and \$89,379). The increase in the three months ended September 30, 2022 related to more news releases than for the three months ended September 30, 2021. The decrease in business development and investor relations expenses in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 related to reduced consulting services.
- Professional fees for the three and nine months ended September 30, 2022, were \$86,939 and \$168,783 compared to \$114,837 and \$204,606 for the three and nine months ended September 30, 2021, a decrease of \$27,898 and \$35,823. The decrease related to the reduction of legal services during the three and nine months ended September 30, 2022.
- Amortization expenses for the three and nine months ended September 30, 2022, were \$1,086 and \$3,317 compared to \$1,360 and \$4,389 for the three and nine months ended September 30, 2019, a decrease of \$274 and \$1,072.
- The transfer agent and filing fees of \$9,751 and \$50,802 for the three and nine months ended September 30, 2022, were \$124 and \$1,990 lower than for the three and nine months ended September 30, 2021 (\$9,875 and \$52,792).
- Office and general expenses were \$4,342 and \$7,057 for the three and nine months ended September 30, 2022, compared to \$4,979 and \$7,835 for the three and nine months ended September 30, 2021, a decrease of \$637 and \$778.
- Rent, utilities, repair and maintenance expenses were \$1,074 and \$3,288 for the three and nine months ended September 30, 2022, compared to \$1,081 and \$3,847 for the three and nine months ended September 30, 2021, a decrease of \$7 and \$559.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information prepared in accordance with IFRS for each of the last eight quarters ended September 30, 2022.

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net gain (loss)	\$(797,573)	\$(416,618)	\$(601,064)	\$(469,180)	\$2,152	(\$763,647)	(\$495,896)	(\$1,642,896)
Comprehensive gain (loss)	\$(793,311)	(\$258,887)	(\$444,144)	(\$440,475)	(\$4,997)	(\$395,492)	(\$683,644)	(\$1,643,560)
Basic and diluted gain (loss) per share	(\$0.0015)	(\$0.0005)	(\$0.0009)	(\$0.0006)	(\$0.00001)	(\$0.0001)	(\$0.0014)	(\$0.003)
Cash/(bank indebtedness)	\$2,443	\$2,628	\$3,313	\$16,064	\$140,874	\$(100,574)	\$101,441	\$156,440
Working capital deficiency	\$4,531,882	\$2,631,601	\$2,455,099	\$2,506,192	\$2,216,233	\$2,275,642	\$1,946,638	\$1,766,997
Total assets	\$153,106	\$140,409	\$153,884	\$161,201	\$246,406	\$112,019	\$221,995	\$302,452
Total liabilities	\$4,671,647	\$4,477,417	\$4,258,021	\$4,265,216	\$3,940,061	\$3,812,256	\$3,547,437	\$3,906,406
Deficit	\$26,695,673	\$29,184,639	\$29,066,826	\$28,526,488	\$28,055,089	\$28,080,458	\$27,414,594	\$26,918,698
Shareholders' deficiency	\$4,518,541	\$4,337,368	\$4,104,137	\$4,104,015	\$3,693,655	\$3,700,237	\$3,325,442	\$3,603,954

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.

During the year ended December 31, 2021, the Company had drawn on a temporary credit facility provided by the ANZ Bank, Australia. This overdraft was repaid on August 25, 2021.

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

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SUMMARY OF QUARTERLY RESULTS (Continued)

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 higher net and comprehensive loss for Q3 2022 relates to the stock options issued (\$308,234) and higher accretion expenses due to the termination of three credit facilities.

LIQUIDITY AND CAPITAL RESOURCES

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

As at September 30, 2022, the Company had a working capital deficiency of \$4,531,882 and a cash balance of \$2,443. As at December 31, 2021, there was a working capital deficiency of \$2,506,192 and a cash balance of \$16,064.

As at September 30, 2022, the Company did not have any commitments.

The Company anticipates that it will continue to incur more costs, including licenses, 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. 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:

July 18, 2022

This agreement was entered into on July 18, 2022 for the principal amount to three million dollars with the Lenders ("July 18, 2022 Credit Facility"). The terms include simple interest at the rate of 10% per annum to be accrued monthly. The outstanding loan and interest are payable on demand by giving at least fifteen (15) business days written notice to the Company.

Previous advances and accrued interest as follows were consolidated and transferred to the July 18, 2022 Agreement:

- (a) Convertible debt facility entered on May 9, 2017 with the Lenders for a maximum principal sum of \$1,000,000, with a simple interest rate of 5% per annum. \$1,212,560 (\$975,500 principal and \$237,060 accrued interest) was transferred to the July 18, 2022 Agreement. This facility was terminated on July 18, 2022.
- (b) Convertible debt agreement entered on January 26, 2018, with the Lenders, for a maximum principal of \$500,000 with a simple interest of 5% per annum. \$614,041 (\$500,000 principal and \$114,041 accrued interest) was transferred to the July 18, 2022 Agreement. This facility was terminated on July 18, 2022.
- (c) Convertible debt agreement entered on May 28, 2018 with Ms. Kimberly Van Deventer, for a maximum principal sum of \$700,000 with a simple interest rate of 5% per annum. \$622,184 (\$517,505 principal and \$104,679 accrued interest) was transferred to the July 18, 2022 Agreement. This facility was terminated on July 18, 2022.

The following past advances were transferred to the July 18, 2022 Agreement:

- (a) Short-term loans in the total amount of \$105,307 advanced at various dates prior to July 18, 2022.
 - (b) Accounts payable to the Lenders at July 18, 2022 in the amount \$346,056.
3. 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 granted 5,000,000 transferable common share purchase warrants to Mr. Van Deventer, each warrant entitling Mr.
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PREVECEUTICAL MEDICAL INC.
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LIQUIDITY AND CAPITAL RESOURCES (Continued)

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 September 30, 2022, the Company has drawn the full amount of \$300,000 under this agreement.

4. Securing long-term loans under the Canada Emergency Business Account (CEBA) program.
5. 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 nine months ended September 30, 2022, compensation to management and directors included:

- Consulting fees in the amount of \$58,134 were invoiced by Dr. Makarand Jawadekar, PreveCeutical's President, Chief Science Officer and Director. As at September 30, 2022, \$214,295 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 \$93,500. The Company owes Mr. Van Deventer \$332,166 for salaries and benefits as at September 30, 2022.
- Consulting fees in the amount of \$81,000 were invoiced by Shabira Rajan, PreveCeutical's Chief Financial Officer. The Company owed Ms. Rajan \$193,380 for salaries, benefits and consulting fees as at September 30, 2022.

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 nine months ended September 30, 2022, the Company accrued \$53,550 for Ms. Kimberly Van Deventer's services. As at September 30, 2022, the Company owed CGP \$235,736 in relation to these services.

3. Short-term loans

The Company entered into a 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 nine months ended September 30, 2022, interest in the amount of \$12,880 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. As at September 30, 2022, there was \$300,000 principal and \$53,948 accrued interest outstanding on this loan.

CGP loaned the Company \$3,000 on July 5, 2019. No interest was payable on this loan. This amount was outstanding at September 30, 2022.

During the nine months ended September 30, 2022, Stephen Van Deventer, Chief Executive Officer of the Company loaned the Company an aggregate of \$53,057. As at December 31, 2021, Mr. Van Deventer had loaned the Company an aggregate of \$51,250. No interest was payable on this loan. The amount outstanding at July 18, 2022, of \$104,307 was transferred to the July 18, 2022 Credit Facility. There was no short term loan amount payable to Mr. Van Deventer at September 30, 2022.

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. The \$3,000 outstanding as at July 18, 2022 was transferred to the July 18, 2022 Credit Facility. There was no short-term loan amount payable to Ms. Van Deventer at September 30, 2022.

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RELATED PARTY TRANSACTIONS (Continued)

4. Convertible loan (Credit Facility Agreements)

Credit facility agreements were entered into with the Lenders to fund the Company's working capital shortfall.

The initial \$1 million agreement, entered into on December 9, 2016, was amended on March 31, 2017, to the principal amount of \$2 million at a conversion price of \$0.10 per common share of the Company. 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 rights, 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 reclassified 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 reclassified to share capital and an accretion of \$56,401 was recognized in profit or loss.

During the three and nine months ended September 30, 2022, the Company had no draws under this facility. As at September 30, 2022 and 2021, the Company has drawn \$Nil under the facility agreement and has accrued interest of \$Nil (December 31, 2021 - \$3,251).

The Company entered into a second credit facility agreement with the Lenders in the amount of \$1 million on May 9, 2017, to cover additional operational costs. For the three and nine months ended September 30, 2022, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to \$2,506 and \$26,593 (\$12,295 and \$36,483 for the three and six months ended September 30, 2021). The outstanding principal of \$975,500 and accrued interest of \$237,060, for a total amount of \$1,212,560, at July 18, 2022 was transferred to the July 18, 2022 Credit Facility and this agreement was terminated on July 18, 2022.

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 nine months ended September 30, 2022, accrued interest under this credit facility amounted to \$1,233 and \$13,630 (\$6,301 and \$18,698 for the three and nine months ended September 30, 2021). The outstanding principal of \$500,00 and accrued interest of \$114,041, for a total amount of \$614,041, at July 18, 2022 was transferred to the July 18, 2022 Credit Facility and this agreement was terminated on July 18, 2022.

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 nine months ended September 30, 2021, accrued interest under this credit facility, at a 5% simple interest rate per annum, amounted to \$1,276 and \$16,114 (\$8,758 and \$25,989 for the three and nine months ended September 30, 2020). The outstanding principal of \$517,505 and accrued interest of \$104,679, for a total amount of \$622,184, at July 18, 2022 was transferred to the July 18, 2022 Credit Facility and this agreement was terminated on July 18, 2022.

The Company entered into the July 18, 2022 Credit Facility with the Lenders in the amount of \$3 million on July 18, 2022. The terms include simple interest at the rate of 10% per annum to be accrued monthly. The outstanding loan and interest are payable on demand by giving at least fifteen (15) business days written notice to the

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RELATED PARTY TRANSACTIONS (Continued)

Company. As at September 30, 2022, there was principal of \$2,942,242 and accrued interest of \$60,003 outstanding on this facility.

On November 11, 2022, 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 \$240,000 and the accrued interest of \$60,000 (collectively the "Assigned Amount"), with a conversion price of \$0.025. On November 21, 2022, the Assignee elected to convert the Assigned Amount into an aggregate of 12,000,000 (12 million) Shares at a price of \$0.025 per Share.

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 sharing of the office space, which was leased by the Company.

For the three and nine months ended September 30, 2022, Asterion was invoiced \$4,078 and \$7,021 for office expenses. For the three and nine months ended September 30, 2021, Asterion was invoiced \$4,749 and \$7,959 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 nine months ended September 30, 2022, and September 30, 2021. This Option Agreement was terminated for non-payment on September 11, 2022.

OUTSTANDING SHARE DATA

On March 30, 2022, the Company issued 1,600,000 common shares at a price of \$0.025 per share to two arms-length creditors to settle an outstanding amount of \$40,000.

On March 30, 2022, the Company issued 10,000,000 common shares at a price of \$0.025 per share for the conversion of debt that was assigned to an assignee.

On June 1, 2022, 1,000,000 stock options were issued to a Director at an exercise price of \$0.025 per common share of the Company.

On June 29, 2022, 5,000,000 stock options that were issued to certain employees and directors at an exercise price of \$0.05 per common share of the Company expired.

On June 30, 2022, 1,250,000 stock options that were issued to certain officer at an exercise price of \$0.10 per common share of the Company expired.

On July 12, 2022, twenty-one million (21,000,000) performance warrants issued to certain officer and consultants at an exercise price of \$0.10 per common share of the Company, expired.

On July 18, 2022 twelve million (12,000,000) stock options were issued to certain officers, consultant and employee at an exercise price of \$0.025 per common share of the Company.

On August 10, 2022, 6,499,500 stock options issued to certain officers, employee and consultant, at an exercise price of \$0.05 per common share of the Company, expired.

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OUTSTANDING SHARE DATA (Continued)

On August 31, 2022, 1,250,000 stock options issued to a certain officer, at an exercise price of \$0.05 per common share of the Company, expired.

On September 22, 2022, 2,000,000 stock options issued to a certain officer, at an exercise price of \$0.04 per common share of the Company, expired.

As at September 30, 2022:

- (i) the Company had 523,303,359 common shares issued and outstanding;
- (ii) the Company had 16,500,000 stock options outstanding.

On October 19, 2022, 2,000,000 options were issued to a Director at an exercise price of \$0.025 per common share of the Company.

On November 21, 2022, the Company issued 12,000,000 common shares at a price of \$0.025 per share for the conversion of debt that was assigned to an assignee.

As at November 24, 2022:

- (i) the Company had 535,303,359 common shares issued and outstanding;
- (ii) the Company had 18,500,000 stock 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 September 30, 2022:

Interest Rate Risk

The Company is funded by equity and debt. As the current debt is with the Company's related parties and is at a fixed simple interest rate, there is no current impact on interest rate fluctuations, and the Company considers interest rate risk on outstanding loans not to be significant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at an excessive cost.

The Company manages its liquidity risk by maintaining adequate financing from related party facilities, forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

As at September 30, 2022, the Company had a working capital deficiency of \$4,531,882 compared to the working capital deficiency at December 31, 2021, of \$2,506,192. The current liabilities as at September 30, 2022 were \$4,611,647 (\$2,588,864 at December 31, 2021).

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 September 30, 2022:

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FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

	1 year	2 to 3 years	Total
Callable debt	\$ 356,948	\$ -	\$ 356,948
Convertible debt – short-term	3,002,245	-	3,002,245
Long-term debt	-	60,000	60,000
	\$ 3,359,193	\$ 60,000	\$ 3,419,193

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2021:

	1 year	2 to 3 years	Total
Callable debt	398,319	-	398,319
Convertible debt – short-term	827,070	-	827,070
Long Term debt	-	60,000	60,000
Convertible debt – long term	-	1,185,967	1,185,967
Convertible debt – long-term	-	600,411	600,411
	\$ 1,225,389	\$ 1,846,378	\$ 3,071,767

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, bank indebtedness, and accrued liabilities. 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

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RISKS AND UNCERTAINTIES (Continued)

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 agreements, 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 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 to produce the Company's products. The availability of raw materials, and 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

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RISKS AND UNCERTAINTIES (Continued)

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.
- 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 involves 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.
- 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. In January 2022, the Company agreed to settle the claims made against it in the Action, without any admission of liability, to avoid further expense, inconvenience, and burden of this litigation, and any other present or future litigation arising out of the facts that gave rise to this litigation (the "Settlement Agreement"). The Settlement Agreement was approved by the court on April 4, 2022, with the effective date of Settlement being after the expiration of the 30-day appeal period. The timeline and potential outcome of each of the BCSC Matter, the 2018 Civil Claim and the Class Action Claim remain uncertain and could potentially negatively impact the business of the Company.

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RISKS AND UNCERTAINTIES (Continued)

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

SUBSEQUENT EVENTS

On October 19, 2022, 2,000,000 options were issued to a certain director of the Company, at an exercise price of \$0.025 per common share of the Company, with a term of three years.

On November 11, 2022, 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 the July 18, 2022 Credit Facility for a principal amount of \$240,000 and the accrued interest of \$60,000 (collectively the "Assigned Amount"), with a conversion price of \$0.025

On November 21, 2022, the Assignee elected to convert the Assigned Amount into an aggregate of 12,000,000 (12 million) Shares and the Company issued 12,000,000 common shares at a price of \$0.025 per share for the conversion of the debt.

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 the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com.

The effective date of this report is November 24, 2022.