

SIRONA BIOCHEM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED OCTOBER 31, 2018

SIRONA BIOCHEM CORP.
(A Development Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED October 31, 2018

ITEM 1.1 INTRODUCTION

The following Management Discussion and Analysis ("MD&A") was prepared as of March 4, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended October 31, 2018 and 2017 which have been prepared in accordance with International Financial Reporting Standards.

The Company was incorporated on October 19, 2006 under the Business Corporations Act of British Columbia. The Company is a development stage public company listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol SBM. On May 1, 2009 the Company completed its qualifying transaction by entering into a Licensing Agreement with TFChem S.A.R.L. ("TFC"), a biopharmaceutical company based in Rouen, France, and changed its name from High Rider Capital Inc. to Sirona Biochem Corp. The principle activities of the Company are dedicated to the development of safer, more effective cosmetic and pharmaceutical active ingredients which are licensed to partners in exchange for upfront, milestone and royalty payments.

This Management's Discussion and Analysis contains forward-looking statements which may not be based on historical fact, including without limitation statements containing the words "believes," "may," "plan," "will," "estimate," "continue," "anticipates," "intends," "expects," and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the Company's stage of development, lack of product revenues, additional capital requirements, risks associated with the completion of clinical trials and obtaining regulatory approval to market the Company's products, the ability to protect its intellectual property and dependence upon collaborative partners. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements are made as of the date hereof, and the Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates and foreign exchange rates;
- the timing of the receipt of regulatory and governmental approvals for the Company's research and development projects;
- the availability of financing for the Company's research and development projects, or the availability of financing on reasonable terms;
- the Company's ability to attract and retain skilled staff;
- market competition;
- tax benefits and tax rates;
- the Company's ongoing relations with its employees and with its business partners.

Management cautions you that the foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. You should also carefully consider the matters discussed under “Risk Factors” in this MD&A. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.

Further information is available on the SEDAR website, www.sedar.com.

ITEM 1.2 DESCRIPTION OF BUSINESS

On March 31, 2011, the Company completed the acquisition all of the issued and outstanding shares of TFChem S.A.R.L. ("TFC"), a biopharmaceutical company based in Rouen, France for a total consideration of 13,000,000 common shares of the Company and €500,000 (CDN \$697,550) cash, for a total purchase price of \$2,087,208. The issuance of 13,000,000 common shares are escrowed and released over a period of six years with immediate release of 10% of the shares on the closing date and the remaining 90% released over six years in 7.5% increments every six months.

The acquisition of TFC effectively settled the previously entered Research and License Agreement between Sirona and TFC. The Company has determined that no gain or loss was recognized on the settlement of the pre-existing relationship.

The TFC Agreement was accounted for as a business combination under the acquisition method of accounting.

TFC is in the business of using fluorine atom properties to develop new glycomimetic compounds. TFC developed a proprietary carbohydrate chemistry platform utilized for developing and identifying lead compounds, and these technologies have been estimated to have a 20 years useful life based on the useful life of patents obtained by TFC.

ITEM 1.3 SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information for the Company for the last three completed financial years ended October 31. This information has been derived from the Company's audited consolidated financial statements for each of those years and should be read in conjunction with those financial statements and the notes thereto.

	2018	2017	2016
Total revenue	1,278,695	5,468	360,500
Loss:			
In total	1,273,246	4,460,394	2,974,767
On a per share basis *	0.01	0.03	0.02
Total assets	770,510	1,251,038	3,125,047
Total liabilities	3,031,476	3,291,620	1,561,873
Total shareholders' equity	2,260,966	2,040,582	1,563,174

** Basic and fully diluted*

ITEM 1.4 RESULTS OF ANNUAL OPERATIONS

Financial Analysis

Year 2018 compared to 2017

The loss in fiscal 2018 was \$1,273,246 compared to \$4,460,394 in fiscal 2017. The decrease in loss was driven primarily by revenue. Revenue increased by \$1,273,227 in fiscal 2018 to \$1,278,695 compared to \$5,468 in fiscal 2017 due to a milestone payment received with respect to the licensing agreement entered with Wanbang Biopharmaceuticals. Wages, salaries and benefits expenses decreased by \$124,314 in fiscal 2018 to \$189,014 compared to \$313,328 in fiscal 2017. Research expenses decreased by \$51,744 due to the decrease in general research costs in TFChem. Rental expenses decreased by \$52,024 in fiscal 2018 to \$11,729 compared to \$63,753 in fiscal 2017. Legal fees increased by \$16,942 due to more financing activities in relation to the business development. Finance expenses increased by \$81,208 due to the Company issued more convertible notes and borrowed more short-term loan, as result, more interest expenses incurred in fiscal 2018. There is no impairment loss incurred in year 2018 compared to 1,924,547 in fiscal year 2017, due to the recoverable value of long-term assets is less than the carrying value.

Year 2017 compared to 2016

The loss in fiscal 2017 was \$4,460,394 compared to \$2,974,767 in fiscal 2016. The increase in loss was driven primarily by impairment for long term assets. Impairment loss increased by 1,924,547 in fiscal year 2017 compared to \$nil in fiscal year 2016 due to the recoverable value of long term assets is less than the carrying value. Share-based payment expenses decreased by \$164,008 in fiscal 2017 to \$112,772 compared to \$276,780 in fiscal 2016. In fiscal 2017, 2,400,000 stock options were granted to directors, officers and consultants compared to 3,250,000 in fiscal 2016. Research expenses decreased by \$286,566 due to the decrease in general research costs including rental costs, maintenance and repairs in TFChem. Consulting fees decreased by \$240,676 due to less consulting activities in relation to the business development. Finance expenses increased by \$105,437 due to the Company issued more convertible notes more interest expenses incurred in fiscal 2017.

ITEM 1.5 SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

The following table shows selected financial information for the eight most recently completed quarters:

	Oct 31 2018 \$	July 31 2018 \$	April 30 2018 \$	Jan 31 2018 \$	Oct 31 2017 \$	July 31 2017 \$	April 30 2017 \$	Jan 31 2017 \$
Total Revenues	126,778	586,361	3,378	562,178	2,052	2274	499	643
Net Loss	(646,064)	105,292	(614,615)	(117,859)	2,569,486	624,584	701,317	565,007
Loss per Share	0.00	0.00	0.01	0.00	0.02	0.00	0.01	0.00
Cash	339,076	579,715	159,210	700,087	272,274	86,356	93,105	329,736
Total Assets	770,510	1,344,731	899,251	1,161,843	1,251,038	2,742,327	2,735,321	2,740,647
Long Term Debt	956,040	1,050,665	1,128,706	1,169,377	1,206,266	1,994,198	1,446,118	975,635

All the financial data in the above table was prepared under IFRS.

Discussion of Results for the Year Ended October 31, 2018

The following results of operations should be read in conjunction with the consolidated financial statements for the year ended October 31, 2018.

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended October 31, 2018 and 2017
(Expressed in Canadian dollars)

	Year Ended October 31, 2018	Year Ended October 31, 2017
Revenue	\$ 1,278,695	\$ 5,468
Expenses		
Research expenses	946,919	998,663
Consulting fees	251,703	211,067
Office and administration	167,029	222,592
Accounting and audit fees	261,980	273,510
Wages, salaries and benefits	189,014	313,328
Management fees	149,000	149,000
Travel and entertainment	20,308	24,897
Rental expenses	11,729	63,753
Investor relations	61,479	62,229
Legal fees	38,973	22,031
Filing fees and transfer agent fees	26,757	32,388
Management conferences and meetings	-	9,050
Exchange (gain)/loss	(9,576)	3,254
Share-based payments	98,310	112,772
	(934,930)	(2,493,066)

Revenue

The Company is in the development stage and has generated \$1,278,695 of revenues from its business in 2018 (2017: \$5,468) as a result of meeting two milestones set out in a customer agreement (2017: no milestones met). Additional time and financing will be required before the technology is developed to a marketable state.

Expenses and Net Loss

The Company reported an operating loss of \$934,930 during the year ended October 31, 2018 compared to \$2,493,066 during the same period last year. This \$1,558,136 decrease in operating loss was due primarily to higher revenue, offset by the lower wages, lower rental expense and lower research expenses in 2018.

ITEM 1.6 LIQUIDITY

During the year ended October 31, 2018, the Company incurred a net loss after taxes of \$1,273,246 (2017: \$4,460,394) and at October 31, 2018, had an accumulated deficit of \$26,810,130 (2017: \$25,536,884) and working capital deficit of \$1,085,7782 (2017: \$2,094).

Management believes that its existing cash resources, together with funds that will be obtained from future share issuances, are adequate for the total amount of planned research program. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations.

Operating Activities

Cash flow from operating activities was a use of funds of \$653,801 for the year ended October 31, 2018 compared to \$2,498,852 in the year ended October 31, 2017, mainly due to the two revenue milestone cash payments received during the year.

Financing Activities

Financing activities in the year ended October 31, 2018 was a source of funds of \$722,039 (2017: \$2,297,073), representing net payments to borrowings of \$10,093 (2017: net borrowing of \$1,696,027), cash proceeds from shares issuances of \$597,304 (2017: \$470,250), and cash proceeds from options and warrants exercise of \$5,000 (2017: \$120,000).

Investing Activities

During the year ended October 31, 2018 investing activities amounted to a use of funds of \$nil (2017: \$175,616).

ITEM 1.7 CAPITAL RESOURCES

Working Capital

	As At October 31, 2018	As At October 31, 2017
Current assets	\$ 770,510	\$ 1,251,038
Current liabilities	1,856,292	542,602
Working capital (deficiency)	\$ (1,085,782)	\$ (2,094)

During the year ended October 31, 2018, working capital decreased by \$1,083,688 mainly due to more liabilities will be due within the year, specifically the convertible debentures, the current portion of long-term debt, and the short-term loan.

Cash Flow

	Year Ended October 31, 2018	Year Ended October 31, 2017
Cash used in operating activities	(653,801)	(2,498,852)
Cash used in investing activities	-	(175,616)
Cash provided by financing activities	722,039	2,297,073
Decrease in cash and cash equivalents	68,238	(398,395)
Effect of exchange rate fluctuations	(1,436)	36,511
Cash and cash equivalents, beginning of year	272,274	613,158
Cash and cash equivalents, end of year	\$ 339,076	\$ 272,274

As at October 31, 2018, the Company's cash position was \$339,076 compared to \$272,274 at October 31, 2017 year end.

Share Capital

Authorized: Unlimited common shares without par value.

Issued: As of October 31, 2018, 179,325,982 (2017: 170,030,882) common shares were issued and outstanding.

	Issued Common Shares		Contributed surplus	Foreign translation reserve	Equity portion of convertible debenture	Accumulated Deficit	Total Equity (Deficiency)
	Number	Amount					
BALANCE, OCTOBER 31, 2016	165,097,548	\$ 18,998,847	\$ 3,627,302	\$ 13,515	\$ -	\$ (21,076,490)	\$ 1,563,174
Loss for the year	-	-	-	-	-	(4,460,394)	(4,460,394)
Private placement, net of share issuance cost (Note 19)	4,233,334	525,796	109,204	-	-	-	635,000
Convertible debentures, net of issuance costs (Note 13 and Note 1)	-	-	-	-	30,726	-	30,726
Issuance of stock options (Note 19)	-	-	112,771	-	-	-	112,771
Exercise of options (Note 19)	700,000	145,342	(25,342)	-	-	-	120,000
Issuance of common shares	-	-	-	-	-	-	-
Modification of warrants (Note 19)	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	(41,859)	-	-	(41,859)
BALANCE, OCTOBER 31, 2017	170,030,882	19,669,985	3,823,935	(28,344)	30,726	(25,536,884)	(2,040,582)
Loss for the year	-	-	-	-	-	(1,273,246)	(1,273,246)
Private placement, net of share issuance cost (Note 19)	7,095,100	510,515	189,463	-	-	-	699,978
Convertible debentures, net of issuance costs (Note 13 and Note 1)	-	-	14,075	-	(3,982)	-	10,093
Issuance of stock options (Note 19)	-	-	122,798	-	-	-	122,798
Exercise of options (Note 19)	50,000	14,599	(9,599)	-	-	-	5,000
Issuance of common shares	2,150,000	201,500	-	-	-	-	201,500
Modification of warrants (Note 19)	-	-	23,966	-	-	-	23,966
Foreign currency translation	-	-	-	(10,473)	-	-	(10,473)
BALANCE, OCTOBER 31, 2018	179,325,982	20,396,599	4,164,638	(38,817)	26,744	(26,810,130)	(2,260,966)

Private Placement

On October 15, 2018, the Company completed a private placement for total gross proceeds of \$709,510. The private placement consists of 7,095,100 units at \$0.10 per unit. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant is exercisable into an additional common share of the Company for a period of three years at a price of \$0.18 per warrant. The Company assigned a relative fair value of the warrants at \$174,406 and recorded the amount in Contributed surplus. The Company issued broker's warrants fair valued at \$3,085 in connection with the private placements.

On October 26, 2017, the Company completed a private placement for total gross proceeds of \$635,000. The private placement consists of 4,233,333 units at \$0.15 per unit. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant is exercisable into an additional common share of the Company for a period of two years at a price of \$0.25 per warrant. Amount of \$279,000 proceeds was received subsequent to the year end. The Company assigned a relative fair value of the warrants at \$109,206 and recorded the amount in Contributed surplus.

Short-term loan

During the year ended October 31, 2018, the Company entered into a loan agreement with a third party for a total amount of \$200,000. The loan and accrued interest will mature in 90 days from the date of issuance and 400,000 shares of the Company will be paid as interest. \$36,000 interest expenses have been accrued as at October 31, 2018. The principal and interest of the loan has been paid back subsequent to year end. The interest was paid back through the issuance of 400,000 shares.

Convertible Debentures

On August 31, 2018, the Company issued convertible notes ("Notes C") for total gross proceeds of

\$443,600. Each Note will be convertible at the option of the holder into one common share of the Company at a conversion price of \$0.14 per share during the 12-month term of the Notes C. The Notes C will mature in 12 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes C are converted or repaid. The Company will be entitled to repay the principal amount of the Notes C, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded \$421,094 related to the fair value of the debt component of the Notes C using a market interest rate for comparable companies of 16.3% for an equivalent, non-convertible, loan at the date of issue. The residual amount of \$10,093, net of tax, \$506 was assigned to the equity conversion component and included in the shareholders' equity. The Company amortizes the debt component of the Notes C using an effective interest rate of 17.48% over the term of the Notes C. For the year ended October 31, 2018, \$12,234 interest expense was recorded in the consolidated statement of loss and comprehensive loss.

During February 2017, the Company issued convertible notes ("Notes A") for total gross proceeds of \$665,360. Each Note will be convertible at the option of the holder into one common share of the Company at a conversion price of \$0.18 per share during the 18 months term of the Notes A. The Notes A will mature in 18 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes A are converted or repaid. The Company will be entitled to repay the principal amount of the Notes A, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded \$646,340 related to the fair value of the debt component of the Notes A using a market interest rate for comparable companies of 15.4% for an equivalent, non-convertible, loan at the date of issue. The residual amount of \$14,075, net of taxes (\$4,945) was assigned to the equity conversion component and included in the shareholders' equity. The Company amortizes the debt component of the Notes A using an effective interest rate of 14.18% over the term of the Notes A. For the year ended October 31, 2018, \$69,905 (2017-\$69,556) interest expense was recorded in the consolidated statement of loss and comprehensive loss. During the year 2018, the Notes A were repaid, converted into units consisting of one share and one warrant, or converted into Notes C convertible debt.

During May 2017, the Company issued convertible notes ("Note B") for a total gross proceed of \$587,000. Each Note will be convertible at the option of the holder into one common share of the Company at a conversion price of \$0.18 per share during the 18 month term of the Notes B. The Notes B will mature in 18 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes B are converted or repaid. The Company will be entitled to repay the principal amount of the Notes B, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded \$564,498 related to the fair value of the debt component of the Notes B using a market interest rate for comparable companies of 16.3% for an equivalent, non-convertible, loan at the date of issue. The residual amount of \$16,651, net of taxes (\$5,851) was assigned to the equity conversion component and included in the shareholders' equity. The Company amortizes the debt component of the Notes B using the effective interest rate of 14.86% over the term of the Notes B. For the year ended October 31, 2018, \$95,828 (2017-\$35,903) interest expense was recorded in the consolidated statement of loss and comprehensive loss. During the year 2018, \$100,000 of principle amount of Notes B was repaid.

Exercise of Options and Warrants

During the year ended October 31, 2018, 250,000 (2017: 700,000) shares were issued for the exercise of

options. The total cash proceeds of \$5,000 (2017: \$120,000) has been received.

Warrants

A summary of warrant activities for the year is as follows:

	Number of Warrants	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance at October 31, 2016	10,939,720	\$ 0.22	0.57
Warrants expired	(15,270)	0.20	-
Warrants granted exercisable on or before October 26, 2019	4,233,334	0.25	0.99
Balance at October 31, 2017	15,157,784	\$ 0.23	0.67
Warrants expired	(8,850,700)	0.20	-
Warrants granted exercisable on or before October 16, 2021	7,095,100	0.18	2.96
Broker warrants granted exercisable on or before October 16, 2021	95,320	0.18	2.96
Balance at October 31, 2018	13,497,504	\$ 0.23	1.97

At October 31, 2018, the warrants outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Warrants as at October 31, 2017
May 11, 2019	\$ 0.30	2,073,750 *
October 26, 2019	\$ 0.25	4,233,334
October 16, 2021	\$ 0.18	7,095,100
October 16, 2021	\$ 0.18	95,320
		13,497,504

* During the year, the expiry date is extended from May 11, 2018 to May 11, 2019.

Stock Options

At October 31, 2018, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2017	Granted During the Period	Exercised During the Period	Expired/ Cancelled During the Period	Number of Options as at October 31, 2018	Number of Options Exercisable as at October 31, 2018
November 25, 2017	\$0.19	900,000	-	-	(900,000)	-	-
December 17, 2017	\$0.10	50,000	-	(50,000)	-	-	-
January 31, 2018	\$0.19	300,000	-	-	(300,000)	-	-
April 11, 2018	\$0.195	50,000	-	-	(50,000)	-	-
June 25, 2018	\$0.15	700,000	-	-	(700,000)	-	-
August 9, 2018	\$0.11	-	-	-	-	-	-
August 25, 2018	\$0.16	100,000	-	-	(100,000)	-	-
September 21, 2018	\$0.20	500,000	-	-	(500,000)	-	-
November 22, 2018	\$0.15	1,100,000	-	-	-	1,100,000	1,100,000 *
April 2, 2019	\$0.10	800,000	-	-	-	800,000	800,000
April 25, 2019	\$0.11	750,000	-	-	-	750,000	750,000
May 31, 2019	\$0.15	-	200,000	-	-	200,000	-
August 31, 2019	\$0.15	400,000	-	-	-	400,000	400,000
February 25, 2020	\$0.15	400,000	-	-	(100,000)	300,000	300,000
June 21, 2021	\$0.20	300,000	-	-	-	300,000	300,000
November 3, 2021	\$0.15	400,000	-	-	-	400,000	400,000
January 10, 2022	\$0.18	100,000	-	-	-	100,000	100,000
September 26, 2022	\$0.15	1,300,000	-	-	-	1,300,000	1,300,000
June 26, 2025	\$0.16	3,300,000	-	-	-	3,300,000	3,300,000
September 21, 2026	\$0.20	900,000	-	-	-	900,000	900,000
November 20, 2022	\$0.15	-	500,000	-	-	500,000	500,000
January 10, 2023	\$0.18	-	100,000	-	-	100,000	100,000
November 20, 2027	\$0.15	-	1,450,000	-	-	1,450,000	1,450,000
		12,350,000	2,250,000	(50,000)	(2,650,000)	11,900,000	11,700,000

* Such stock options expired subsequent to year end.

The weighted average contractual life remaining of all stock options as at October 31, 2018 is 3.95 years (2017: 3.86 years). During the year ended October 31, 2018, 2,350,000 stock options were granted with a weighted average exercise price of \$0.15. The granted stock options have a weighted fair value of \$0.05 per share and, 2,350,000 options' exercise price is greater than the market price at the date of grant.

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

	2018	2017
Risk-free interest rate	1.46% to 1.88%	0.56% to 1.59%
Dividend yield	0%	0%
Volatility	67% to 68%	67% to 76%
Expected life	1.44 to 2.5 years	0.75 to 5 years
Share price	\$0.11 to \$0.13	\$0.14 to \$0.185

For the year ended October 31, 2018, share-based compensation in the amount of \$88,712 (2017 - \$112,772) was recognized in the Company's consolidated statements of loss and comprehensive loss.

The Company's stock option plan is administered by the board of directors in accordance with Exchange requirements summarized below.

- (i) maximum available for grant is up to 10% of the Company's issued shares outstanding at any one time;

- (ii) grant price and exercise price may not be less than the discounted market price of the shares at the time of grant, as permitted by Exchange policy;
- (iii) non-transferable, vesting schedule subject to Board discretion when granted and exercisable up to 10 years from grant date;
- (iv) eligibility includes employees, directors, officers and consultants of the Company subject to a 5% limitation on options granted annually to any one individual director or officer and 2% to any one consultant;
- (v) exercisable up to 90 days following cessation of the optionee's position with the Company. If the cessation of office, directorship or consulting arrangement was due to death, the option may be exercised within a maximum period of one year after death, subject to expiry date of such option.

Disclosure of Outstanding Share Capital

The following is a breakdown of the share capital of the Company, on an annual basis as well as at the date of this report:

	March 4, 2019	October 31, 2018	October 31, 2017
Common Shares	179,325,982	179,325,982	170,030,882
Stock Options	11,600,000	11,600,000	12,350,000
Warrants	13,497,504	13,497,504	15,157,854
Fully Diluted Shares	204,423,486	204,423,486	197,538,736

For additional details of outstanding share capital, refer to the audited consolidated financial statements for the year ended October 31, 2018.

ITEM 1.8 OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet agreements.

ITEM 1.9 RELATED PARTY TRANSACTIONS

Related party transactions impacting the consolidated financial statements primarily relate to transactions with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the years ended October 31, 2018 and 2017, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2018 \$	2017 \$
Management fees/bonus (a)	144,000	144,000
Director fees (b)	5,000	5,000
Advisory fees (c)	213,394	197,851
Accounting fees (d)	132,000	132,000
Salaries (e)	163,000	232,000
Share-based payments (f)	95,195	-
Total	752,589	710,851

- (a) For the year ended October 31, 2018, amount of \$144,000 (2017: \$144,000) management fee was paid/incurred to Howard Verrico, for acting as CEO, secretary and director.
- (b) For the year ended October 31, 2018, amount of \$5,000 (2017: \$5,000) director fee was paid/incurred to three directors for acting as directors.
- (c) For the year ended October 31, 2018, amount of \$213,394 (2017: \$197,851) advisory fee was paid/incurred to Geraldine Deliencourt-Godefroy, for services provided.
- (d) For the year ended October 31, 2018, amount of \$132,000 (2017: \$132,000) accounting fee was paid/incurred to Christopher Hopton, for acting as CFO.
- (e) For the year ended October 31, 2018, amount of \$61,000 (2017: \$130,000) salaries were paid/incurred to a former director, and amount of \$102,000 (2017: \$102,000) salaries were paid to a key management personnel
- (f) For the year ended October 31, 2018, 1,950,000 (2017: nil) stock options were granted to management and directors and amount of \$95,195 (2017: \$nil) share-based payments was recorded.

These related party transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

ITEM 1.10 QUARTERLY RESULTS

Results for the three months ended October 31, 2018 and 2017 are as follows:

	<i>Quarters Ended October 31</i>	
	<i>2018</i>	<i>2017</i>
Revenue	126,778	\$ 2,052
Expenses		
Research expenses	162,553	280,191
Consulting fees	147,586	65,930
Office and administration	43,078	62,833
Accounting and audit fees	48,086	45,232
	-	
Wages, salaries and benefits	46,867	58,748
Management fees	23,000	41,000
Travel and entertainment	4,413	1,618
Rental expenses	2,799	15,934
Investor relations	16,542	10,871
Legal fees	21,000	-
Filing fees and transfer agent fees	8,195	7,566
Management conferences and meetings	(1,082)	
Exchange gain/loss	(88,879)	5,525
Share-based payments	35,904	85,031
Withholding tax	-	-
Other expense (revenue)	32,298	(92,141)
Impairment for long term assets	-	1,924,547
Finance expense	32,665	63,573
Finance (income)	67,502	5,876
Income taxes recovery	115,044	(10,796)
Net income (loss) for the quarter	\$ (590,793)	\$ (2,569,486)

The loss in the quarter ended October 31, 2018 was \$630,549 compared to \$2,569,486 in fiscal 2017. This \$1,938,937 decrease in net loss was driven primarily by increase of \$1,924,547 in impairment for long term assets in the quarter ended October 31, 2017.

A breakdown of material components of expensed research and development costs for the years ended October 31, 2018 and 2017 as follows:

	<i>Year Ended October 31,</i>	
	2018	2017
Wages and social charges	\$ 871,314	\$ 882,413
Sub-contracting	\$ 75,958	(44,698)
Small equipment	\$ 139,642	77,623
Rental costs	\$ 124,819	116,799
Maintenance and repairs	\$ 56,858	40,506
Fees	\$ 14,980	37,027
Depreciation and amortization	\$ -	305,264
Government grants	\$ (27,198)	(5,937)
Tax credit for R&D expenses	\$ (309,454)	(391,382)
Testing	-	300
Total	\$ 946,919	\$ 1,017,915

ITEM 1.11 SUBSEQUENT EVENTS

Subsequent to year end 2018, the Company borrowed \$240,000 short term loans from a director. The loans are non-interest bearing and due on demand.

Subsequent to year ended 2018, the Company closed a non-brokered private placement for gross proceeds of \$1,783,500. The private placement consists of 17,835,000 units at \$0.10 per Unit. Each Unit consists of one common share and one transferable share purchase warrant, each whole warrant is exercisable into one additional common share of the Company for a period of 3 years from the date of issue at a price of \$0.16 per share. The Company compensated finders by cash of \$62,136 and 621,360 warrants in connection with the private placements.

Subsequent to year ended 2018, the Company granted incentive stock options under its Stock Option Plan to directors and officers of the Company for the purchase of up to 700,000 common shares at a price of \$0.12 per share. Directors will receive 400,000 options at \$0.12 with a 5 year expiry and Officers will receive 300,000 options at \$0.12 with a 10 year expiry.

ITEM 1.12 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company are detailed in Note 3 of the audited consolidated financial statements for the year ended October 31, 2018. The recently released Canadian Accounting Standards with potential effect on the Company is both detailed in Note 3 of the audited consolidated financial statements for the year ended October 31, 2018 and stated below.

ITEM 1.13 NEWLY ADOPTED ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting standards not yet adopted

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other

note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 Financial instruments

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments (“IFRS 9”). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new “expected credit loss” model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

IFRS 15 Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company’s consolidated financial statements.

ITEM 1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Classification and measurement

At initial recognition, financial instruments are classified into the following categories depending on the purposes for which the instruments were acquired:

- Financial assets and liabilities at fair value through profit and loss (“FVTPL”):

A financial asset or liability is classified as FVTPL if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income (loss) in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the financial position date, which is classified as non-current.

- **Loans and receivables:**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period.
- **Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less a provision for impairment. They are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.
- **Financial liabilities at amortized cost:**
Financial liabilities other than those classified as FVTPL are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. Financial liabilities at amortized costs are classified as current liabilities if payment is due within twelve months after the end of the reporting period. Otherwise, they are presented as non-current liabilities.

Transaction costs associated with financial assets or financial liabilities carried at FVTPL are expensed as incurred while transaction costs associated with all other financial assets or financial liabilities are included in the initial carrying amount of the asset or liabilities.

The Company classifies cash and cash equivalents as FVTPL, trade and other receivables and share subscription receivable as loans and receivables, and trade and other payable, short-term loan, convertible debentures, lease obligation, and long term debt as financial liabilities at amortized cost. The Company does not have any derivative financial instruments.

Impairment of financial assets

Financial assets not carried at FVTPL are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss) in equity, to net income (loss). The cumulative loss that is removed from other comprehensive income (loss) and recognized in net income (loss) is the difference between the

acquisition costs, net of any principal repayment and amortization, and the current fair value less any impairment loss previously recognized in net (income) loss. If subsequently the fair value of any impaired available-for sale financial assets increases, then the impairment loss is reversed with the amount of the reversal recognized in net income (loss).

Cash and cash equivalents are measured at fair value. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash and cash equivalents are classified as Level 1.

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash and cash equivalents. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's financial instruments are exposed to the risks described below:

- (i) Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk is managed through using a major financial institution which has high credit quality as determined by the rating agencies. Management believes that the Company is subject to minimal credit risk.
- (ii) Since the Company's functional currency is the Canadian dollar, it has a foreign exchange risk regarding its Euro obligations since it now has a subsidiary in France. A significant change in the currency exchange rates between the Euro relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. A 1% strengthening in the Canadian dollar against Euro would have a before-tax effect of \$14,685 increase in accumulated other comprehensive income, based on amounts held at the year end.
- (iii) The Company's exposure to interest rate risk relates to its ability to earn short term interest on cash balances at variable rates. The Company is exposed to interest rate risk on its cash and cash equivalents and short term investments. The Company has no floating interest loan. Management does not believe that the impact of interest rate fluctuation will be significant.
- (iv) Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as relatively low. The following table summarizes the significant remaining contracted payments of the Company's financial liabilities and capital expenditures as at October 31, 2018.

	Total	Due by period				
		< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	442,620	442,620	-	-	-	-
Short-term loan	236,000	236,000	-	-	-	-
Lease obligation	187,898	40,428	40,428	40,428	40,428	26,186
Convertible debentures	930,000	930,000	-	-	-	-
Long-term debt	1,179,368	223,328	297,600	357,120	301,320	-
	2,975,885	1,872,375	338,028	397,548	341,748	26,186

ITEM 1.15 OTHER

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements for the years ended October 31, 2018 and 2017, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements which have been properly reflected in these audited consolidated financial statements.

Disclosure Controls and Procedures

As at October 31, 2018 disclosure controls and procedures ("DCP") have been designed by the Company to provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of DCP includes, among other things, the Company's Corporate Disclosure and Whistleblower policies and Code of Conduct, the review and approval procedures of the Disclosure Committee and continuous review and monitoring procedures by senior management.

Internal Controls over Financial Reporting

As at October 31, 2018 management has designed internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Due to its inherent limitations, ICFR may not prevent or detect misstatements. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, even effective ICFR can only provide reasonable, not absolute, assurance of achieving the control objectives for financial reporting.

The Company's CEO and CFO have evaluated the disclosure controls and procedures and concluded they are operating effectively notwithstanding the Company has a limited staff. As a result, internal controls which rely on segregation of duties in many cases are not possible. This inherent weakness is substantially overcome by the Company's heavy reliance on a rigorous senior management review and approval process.

Business and Regulatory Risks

There is no assurance the Company's research and development program will produce commercially viable products or treatments, and additional research and development will be required before a final

evaluation of the economic feasibility of the licensed technology can be determined. Even if the proposed research and development is completed and identification of commercially viable products and/or treatments is successful, significant funds must be spent on further studies before determining if the products and/or treatments are commercially viable or not.

Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and also includes the ever increasing complexity of financial reporting requirements and related costs of oversight and statutory filings which must be met in order to maintain the Company's exchange listing.

Forward-Looking Statements

The information in this MD&A contains forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ significantly from those included in the forward-looking statements.