SIRONA BIOCHEM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED OCTOBER 31, 2016

SIRONA BIOCHEM CORP.
(A Development Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED October 31, 2016

ITEM 1.1 INTRODUCTION

The following Management Discussion and Analysis ("MD&A") was prepared as of February 28, 2017 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended October 31, 2016 and 2015 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 T*F*Chem 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.

	As at and for the financial year ended October 31,		
	2016	**2015**	**2014**
(a) Total revenue	$ 360,500	$ 7,995	$ 207,737
(b) Loss:			
i) In total	$ 2,974,767	$ 3,659,898	$ 3,561,711
ii) On a per share basis (1)	$ 0.02	$ 0.03	$ 0.03
(c) Total assets	$ 3,125,047	$ 4,147,460	$ 2,935,327
(d) Total liabilities	$ 1,561,873	$ 2,001,198	$ 1,243,706
(e) Total shareholders' equity	$ 1,563,174	$ 2,146,262	$ 1,691,621

(1) *Basic and fully diluted*

ITEM 1.4 RESULTS OF ANNUAL OPERATIONS

Financial Analysis

Year 2016 compared to 2015

The loss in fiscal 2016 was $2,974,767 compared to $3,659,898 in fiscal 2015. The decrease in loss was driven primarily by revenue. Revenue increased by $352,505 in fiscal 2016 to $360,500 compared to $7,995 in fiscal 2015 due to a milestone payment received with respect to the licensing agreement entered with Wanbang Biopharmaceuticals. Share-based payment expenses decreased by $274,421 in fiscal 2016 to $276,780 compared to $551,201 in fiscal 2015. In fiscal 2016, 3,250,000 stock options were granted to directors, officers and consultants compared to 7,505,000 in fiscal 2015. Research expenses decreased by $86,829 due to the decrease in general research costs including rental costs, maintenance and repairs in TFChem. Consulting fees increased by $70,468 due to more consulting activities in relation to the business development.

Year 2015 compared to 2014

The loss in fiscal 2015 was $3,659,898 compared to $3,561,711 in fiscal 2014. The increase in loss was driven primarily by research expenses. Research expenses increased by $791,583 in fiscal 2015 to $1,391,309 compared to $599,726 in fiscal 2014 due to the end of grants from the "FEDER" and the "Normandy Region" and increase in the salary and benefits expenses of the R&D personnel as a result of wage increasing and new incentives, and the increase of the number of R&D employees. In F2015, TFChem lost its "young innovative company" status. As a result, the social contributions rate has increased to 40% compared with 17% in the previous years. Consulting fees decreased by $381,981 in fiscal 2015 to $381,275 compared to $763,256 in fiscal 2014 due to less activities for the acquisition of external expertise in the areas of scientific and corporate strategy development. Share-based payment expenses decreased by $174,675 in fiscal 2015 to $551,201 compared to $725,876 in fiscal 2014. In fiscal 2014, 7,505,000 stock options were granted to directors, officers and consultants. Wages, salaries and benefits increased by $141,886 to $286,655 due to an increase in the number of employees employed in 2015. Management fee decreased by $265,664 due to less amount bonuses in fiscal 2015 and the resignation of former CEO.

ITEM 1.5 SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

	Oct 31 2016 $	July 31 2016 $	April 30 2016 $	Jan 31 2016 $	Oct 31 2015 $	July 31 2015 $	April 30 2015 $	Jan 31 2015 $
Total Revenues	(38,488)	2,801	393,601	2,586	7,995	Nil	Nil	Nil
Net Loss	893,476	918,987	378,029	784,275	714,223	1,101,726	913,289	930,660
Loss per Share	0.01	0.01	0.00	0.00	0.01	0.01	0.00	0.01
Cash	613,158	940,236	818,704	1,094,890	1,543,105	1,094,890	1,141,469	722,830
Total Assets	3,125,047	3,954,719	4,160,509	4,221,831	4,147,460	4,221,831	3,918,434	3,564,162
Long Term Debt	725,911	949,727	723,542	768,650	728,078	768,650	681,761	723,593

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

Discussion of Results for the Year Ended October 31, 2016

The following results of operations should be read in conjunction with the consolidated financial statements for the year ended October 31, 2016.

		Year Ended October 31, 2016		Year Ended October 31, 2015 (Restated Note 2)
Revenue	$	360,500	$	7,995
Expenses				
Research expenses		(1,304,480)		(1,391,309)
Consulting fees		(451,743)		(381,275)
Office and administration		(253,640)		(243,139)
Accounting and audit fees		(249,581)		(237,019)
Amortization of equipment		-		-
Wages, salaries and benefits		(245,005)		(286,655)
Management fees		(213,500)		(240,038)
Travel and entertainment		(107,718)		(83,259)
Rental expenses		(62,499)		(62,497)
Investor relations		(60,350)		(45,576)
Legal fees		(25,615)		(19,265)
Filing fees and transfer agent fees		(24,902)		(32,836)
Management conferences and meetings		(18,623)		(23,896)
Exchange gain/loss		(4,875)		16,263
Share-based payments		(276,780)		(551,201)
Operating Loss for the Year		(2,938,811)		(3,573,707)

Revenue

The Company is in the development stage and has generated $360,500 of revenues from its business in 2016 (2015: $7,995). 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 $2,938,811 during the year ended October 31, 2016 compared to $3,573,707 during the same period last year. This $634,896 decrease in operating loss was due primarily to higher revenue, lower share-based payments and lower research expenses, offset by the higher consulting fees.

ITEM 1.6 LIQUIDITY

During the year ended October 31, 2016, the Company incurred a net loss after taxes of $2,974,767 (2015: $3,659,898) and at October 31, 2016, had an accumulated deficit of $21,076,490 (2015: $18,101,723) and working capital of $589,368 (2015: 1,218,065).

Management believes that its existing cash resources, together with funds obtained from 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 $2,103,256 for the year ended October 31, 2016 compared to $3,062,543 in the year ended October 31, 2015.

Financing Activities
Financing activities in the year ended October 31, 2016 was a source of funds of $1,327,660 (2015: $4,140,850), representing net payments to borrowings of $12,160 (2015: net borrowing of $702,303), cash proceeds from shares issuances of $805,500 (2015: $nil), and cash proceeds from options and warrants exercise of $534,320 (2015: $3,438,547).

Investing Activities
During the year ended October 31, 2016 investing activities amounted to a use of funds of $136,032 (2015: $118,591) which consisted of the cashing of purchase of equipment of $25,463 (2015: $13,700); and purchase of intangible assets of $110,569 (2015: $104,891).

ITEM 1.7 CAPITAL RESOURCES

Working Capital

	As At October 31, 2016	As At October 31, 2015
Current assets	$ 1,131,970	$ 2,421,253
Current liabilities	542,602	1,203,188
Working capital	$ 589,368	$ 1,218,065

During the year ended October 31, 2016, working capital decreased by $628,697 mainly due to less cash proceeds received from options and warrants exercise.

Cash Flow

	Year Ended October 31, 2016	Year Ended Oct 31, 2015
Net cash (used in) Operating Activities	$ (2,103,256)	$ (3,062,543)
Net cash provided by (used in) Investing Activities	(136,032)	(118,591)
Net cash provided by Financing Activities	1,327,660	4,140,850
Increase (decrease) during year	(911,628)	959,716
Effect of exchange rate fluctuations	(18,319)	(30,004)
Balance - beginning of year	1,543,105	613,393
Balance - end of year	$ 613,158	$ 1,543,105

As at October 31, 2016, the Company's cash position was $613,158 compared to $1,543,105 at October 31, 2015 year end.

Share Capital

Authorized: Unlimited common shares without par value.

Issued: As of October 31, 2016, 165,097,548 (2015: 151,402,715) common shares were issued and outstanding.

	Issued Common Shares		Contributed	Equity portion of
	Number	Amount	surplus	convertible debenture
BALANCE, OCTOBER 31, 2014 (Restated Note 2)	127,745,970	$ 11,920,445	$ 4,177,358	$ 5,717
Loss for the year	-	-	-	-
Issuance of shares for service provided (Note 18)	750,000	97,500	-	-
Issuance of bonus shares (Note 18)	203,125	34,531	-	-
Issuance of stock options (Note 18)	-	-	551,201	-
Exercise of options (Note 18)	1,598,000	337,641	(107,191)	-
Exercise of warrants (Note 18)	21,105,620	4,302,138	(1,094,041)	-
Foreign currency translation	-	-	-	-
BALANCE, OCTOBER 31, 2015 (Restated Note 2)	151,402,715	$ 16,692,255	$ 3,527,327	$ 5,717
Loss for the year	-	-	-	-
Private placement, net of share issuance cost (Note 18)	4,147,500	698,725	106,775	-
Conversion of convertible debentures (Note 13 and Note 18)	5,583,333	675,717	-	(5,717)
Issuance of stock options (Note 18)	-	-	276,780	-
Exercise of options (Note 18)	3,584,000	835,568	(262,998)	-
Exercise of warrants (Note 18)	380,000	96,582	(20,582)	-
Foreign currency translation	-	-	-	-
BALANCE, OCTOBER 31, 2016	165,097,548	$ 18,998,847	$ 3,627,302	$ -

Private Placement

On May 11, 2016, the Company completed a private placement for total gross proceeds of $829,500. The private placement consists of 4,147,500 units at $0.2 per unit. Each unit consists of one common share of the Company and one-half of 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 $0.3 per warrant. As finders' fee, the Company paid $24,000 in cash.

Convertible Debentures

During the year ended October 31, 2014, the Company issued convertible debentures (the "Debentures") for a total gross proceed of $670,000. During the year ended October 31, 2016, these debentures were converted in full into the Company's shares upon maturity and a total of 5,583,333 shares were issued upon conversion. The equity component of the debentures of $5,717 together with the fully accreted debt component were reclassified into share capital of the Company upon the conversion.

Exercise of Options and Warrants

During the year ended October 31, 2016, 3,584,000 (2015: 1,598,000) shares were issued for the exercise of options, 380,000 (2015: 21,105,620) shares were issued for the exercise of warrants, and 5,583,333 (2015: nil) shares were issued for conversion of loan balances. Amount of $114,250 proceeds from exercise of options was received subsequent to the yearend.

Share issued for service

On November 17, 2014, December 16, 2014 and January 15, 2015, the Company issued total 750,000 common shares to a business consultant of the Company, with a fair value of $97,500 for consulting services.

Bonus share issued

For the year ended October 31, 2016, nil (2015: 93,750) bonus shares were issued to the current CEO and a director of the Company; nil (2015: 78,125) bonus shares were issued to CFO; and nil (2015: 31,250) bonus shares were issued to an officer of the Company.

Warrants

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

	Number of Warrants		Weighted average exercise price	Weighted average remaining contractual life (year)
Balance at November 1, 2014	49,899,444	$	0.17	0.96
Warrants granted exercisable on or before June 20, 2015	120,000		0.10	-
Warrants exercised	(700,000)		0.10	-
Warrants exercised	(12,530,200)		0.15	-
Warrants exercised	(6,450,420)		0.16	-
Warrants exercised	(1,425,000)		0.20	-
Warrants expired	(19,667,854)		0.17	-
Balance at October 31, 2015	9,245,970	$	0.20	1.35
Warrants granted exercisable on or before May 11, 2018	2,073,750		0.30	1.53
Warrants exercised	(380,000)		0.20	-
Balance at October 31, 2016	10,939,720	$	0.22	0.57

At October 31, 2016, the warrants outstanding and exercisable were as follows:

Expiry Date		Exercise Price	Number of Warrants as at October 31, 2016
March 6, 2017	$	0.20	8,865,970
May 11, 2018	$	0.30	2,073,750
			10,939,720

Stock Options

At October 31, 2016, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2015	Granted During the Year	Exercised During the Year	Expired/ Cancelled During the Year	Number of Options as at October 31, 2016	Number of Options Exercisable as at October 31, 2016	
November 12, 2015	$0.10	777,000	-	(777,000)	-	-	-	
July 15, 2016	$0.20	500,000	-	(500,000)	-	-	-	*
November 3, 2016	$0.15	815,000	-	(400,000)	(15,000)	400,000	400,000	
January 16, 2017	$0.15	500,000	-	(500,000)	-	-	-	
March 10, 2017	$0.20	500,000	-	-	-	500,000	500,000	
April 15, 2017	$0.16	400,000	-	-	-	400,000	400,000	
June 26, 2017	$0.16	600,000	-	-	-	600,000	600,000	
September 1, 2017	$0.165	450,000	-	(450,000)	-	-	-	
October 13, 2017	$0.18	200,000	-	-	-	200,000	200,000	
November 25, 2017	$0.19	-	1,200,000	-	-	1,200,000	1,200,000	
December 17, 2017	$0.10	100,000	-	(50,000)	-	50,000	50,000	
April 11, 2018	$0.195	-	50,000	-	-	50,000	50,000	
June 25, 2018	$0.15	700,000	-	-	-	700,000	700,000	
August 9, 2018	$0.11	182,000	-	(182,000)	-	-	-	
August 25, 2018	$0.16	100,000	-	-	-	100,000	100,000	
September 21, 2018	$0.20	-	700,000	(200,000)	-	500,000	500,000	
November 22, 2018	$0.15	1,100,000	-	-	-	1,100,000	1,100,000	
February 19, 2019	$0.15	300,000	-	-	-	300,000	300,000	
April 2, 2019	$0.10	800,000	-	-	-	800,000	800,000	
April 25, 2019	$0.11	750,000	-	-	-	750,000	750,000	
October 21, 2019	$0.15	225,000	-	(225,000)	-	-	-	
February 25, 2020	$0.15	1,500,000	-	-	(200,000)	1,300,000	1,300,000	
June 21, 2021	$0.20	-	400,000	-	-	400,000	400,000	
June 26, 2025	$0.16	3,600,000	-	(300,000)	-	3,300,000	3,300,000	
September 21, 2026	$0.20	-	900,000	-	-	900,000	900,000	
		14,099,000	3,250,000	(3,584,000)	(215,000)	13,550,000	13,550,000	

* Management granted the extension of the options and the options were exercised in September 2016

The weighted average contractual life remaining of all stock options as at October 31, 2016 is 4.2 years (2015: 2.94 years). During the year ended October 31, 2016, 3,250,000 stock options were granted with a weighted average exercise price of $0.2. The granted stock options have a weighted fair value of $0.09 per share and 400,000 options' exercise price is greater than the market price at the date of grant and 2,800,000 options' exercise price is equal to the market price at the date of grant and 50,000 options' exercise price is lower 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:

	2016	**2015**
Risk-free interest rate	0.56% to 0.71%	0.36% to 1.04%
Dividend yield	0%	0%
Volatility	66% to 110%	70% to 110%
Expected life	2 to 10 years	1 to 2.5 years

For the year ended October 31, 2016, share-based compensation in the amount of $276,780 (2015 - $551,201) 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.

Escrow Shares

As at October 31, 2016, there were 975,000 common shares (2015 – 2,925,000) held in escrow subject to Section 11(5) of Exchange Policy 2.4. The 975,000 escrow shares is scheduled to be released in six months from October 31, 2016.

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:

	February 28, 2017	October 31, 2016	October 31, 2015
Common Shares	165,197,548	165,097,548	151,402,715
Stock Options	13,450,000	13,550,000	14,099,000
Warrants	10,939,720	10,939,720	9,245,970
Fully Diluted Shares	189,587,268	189,587,268	174,747,685

For additional details of outstanding share capital, refer to the audited consolidated financial statements for the year ended October 31, 2016.

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, 2016 and 2015, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2016 **$**	**2015** **$**
Management fees/bonus (a)	204,000	228,156
Director fees (b)	9,500	6,500
Advisory fees (c)	204,701	193,364
Accounting fees (d)	132,000	121,625
Share-based payments (e)	237,057	498,058
Total	787,258	1,047,703

(a) For the year ended October 31, 2016, amount of $144,000 (2015: $128,625) management fee was paid/incurred to Howard Verrico, for acting as CEO, secretary and director.

For the year ended October 31, 2016, amount of $25,000 (2015: $27,500) bonus was paid to the CFO, an amount of $30,000 (2015: $30,000) bonus was paid to the CEO and a director of the Company, and an amount of $5,000 (2015: $7,500) bonus was paid to an officer of the Company.

For the year ended October 31, 2016, nil (2015: 93,750) bonus shares were issued to the CEO and a director of the Company, nil (2015: 78,125) bonus shares were issued to CFO, and nil (2015: 31,250) bonus shares were issued to officers of the Company. For the year ended October 31, 2015, the fair value of the bonus shares issued is $0.17 per share with total amount of $34,531 which was included in management fee.

(b) For the year ended October 31, 2016, amount of $9,500 (2015: $6,500) director fee was paid/incurred to three directors for acting as directors.

(c) For the year ended October 31, 2016, amount of $204,701 (2015: $193,364) advisory fee was paid/incurred to Geraldine Deliencourt-Godefroy, for services provided.

(d) For the year ended October 31, 2016, amount of $132,000 (2015: $121,625) accounting fee was paid/incurred to Christopher Hopton, for acting as CFO.

(e) For the year ended October 31, 2016, 2,500,000 (2015: 5,700,000) stock options were granted to management and directors and amount of $237,057 (2015: $498,058) 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, 2016 and 2015 are as follows:

		Quarters Ended October 31		
		2016		***2015***
Revenue	$	(38,488)		7,995
Expenses				
Research expenses		300,073		295,007
Consulting fees		112,802		26,441
Office and administration		5,714		(22,569)
Accounting and audit fees		46,032		52,503
Wages, salaries and benefits		71,744		8,849
Management fees		44,000		70,000
Travel and entertainment		28,689		13,892
Rental expenses		62,499		62,497
Investor relations		15,190		17,640
Legal fees		4,579		7,211
Filing fees and transfer agent fees		3,511		12,011
Management conferences and meetings		-		5,499
Exchange gain/loss		(487)		10,143
Share-based payments		177,691		34,862
Withholding tax		(39,150)		-
Other expense (revenue)		(117)		-
Finance expense		1,239		(45,552)
Finance (income)		(50)		766
Income taxes recovery		21,029		173,018
Net income (loss) for the quarter	**$**	**(893,476)**	**$**	**(714,223)**

The loss in the quarter ended October 31, 2016 was $893,476 compared to $730,213 in fiscal 2015. This $163,263 increase in net loss was driven primarily by increase of $142,829 in share-based payments, $86,361 in consulting fees and $62,895 in wages, salaries and benefits, net against the decrease of $151,989 in income taxes recovery.

A breakdown of material components of expensed research and development costs for the years ended October 31, 2016 and 2015 as follows:

		Year Ended October 31,		
		2016		***2015***
				(Restated Note 2)
Wages and social charges	$	1,027,932	$	983,333
Sub-contracting		40,210		92,596
Small equipment		150,359		111,395
Rental costs		85,272		128,249
Maintenance and repairs		50,618		83,806
Fees		54,552		(1,692)
Depreciation and amortization		139,927		212,910
Government grants		(45,775)		8,155
Tax credit for R&D expenses		(218,279)		(228,633)
Testing		19,664		1,190
Total	**$**	**1,304,480**	**$**	**1,391,309**

ITEM 1.11 SUBSEQUENT EVENTS

On February 3, 2017, the Company has closed a non-brokered private placement of convertible notes ("Note") for 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 month term of the Notes. The Notes 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 are converted or repaid. The Company will be entitled to repay the principal amount of the Notes, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

Subsequent to the yearend, 70,000 options were exercised for $0.15 per share and 30,000 options were exercised for $0.19 per share.

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, 2016. 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, 2016 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.

<u>IFRS 9 Financial instruments</u>

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 ore 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.

New accounting standards adopted

Certain new accounting standards and interpretations have been adopted by the Company as of the beginning of the current fiscal period. The adoption of the following standards during the year did not have a material impact on the Company's financial statements.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation
Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

IFRS 8 Operating segments
The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets
The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed.

IAS 24 Related party disclosures
The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

IAS 27 Separate Financial Statements
IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 36 Impairment of assets
The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

IAS 39 Financial instruments: recognition and measurement
The amendments to IAS 39, issued in June 2013, clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations, does not terminate hedge accounting.

ITEM 1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

All financial instruments are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement and changes in fair value will depend on their initial classification as described in the following:

Financial assets

The Company's financial assets consist of cash and cash equivalents, trade and other receivables, and share subscriptions receivable. Cash and cash equivalents are classified as fair value through profit or loss and recorded at fair value. Trade and other receivables and share subscriptions receivable are classified as loans and receivables and are measured at amortized costs. The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Loans and receivables – these assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

Held-to-maturity investments – these assets 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. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

Available-for-sale – non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations and comprehensive loss.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

Financial assets measured at amortized cost are assessed at the end of each reporting period whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of loss is recognized in profit and loss. The previously recognized impairment loss is reversed in a subsequent period if the amount of impairment loss decreases and the decrease is related to an event occurring after the initial recognition of the impairment loss. However, the reversal will not result in the carrying amount of the financial asset that exceeds the amortized cost would have been had the impairment not been recognized at the date of impairment reversal. The amount of impairment reversal is recognized in profit and loss.

<u>Financial liabilities</u>

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities – this category includes all other financial liabilities not classified as fair value through profit or loss, which are recognized at amortized cost.

The Company's financial liabilities consist of trade and other payables, loan payable and due to related parties. Trade and other payables, loan payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

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. The Company's primary exposure to credit risk is in its cash and cash equivalents and short term investments. 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 $14,701 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, 2016.

		Due by period				
	Total	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	$	$	$	$	$	$
Trade and other payables	454,313	454,313	-	-	-	-
Lease obligation	242,721	33,789	34,713	35,662	36,637	101,920
Long-term debt	725,911	-	-	215,525	259,601	250,785
	1,422,945	488,102	34,713	251,187	296,238	352,705

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, 2016 and 2015, 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, 2106 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, 2016 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.