SIRONA BIOCHEM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED OCTOBER 31, 2019

SIRONA BIOCHEM CORP.
(A Development Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED October 31, 2019

ITEM 1.1 INTRODUCTION

The following Management Discussion and Analysis ("MD&A") was prepared as of February 28, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended October 31, 2019 and 2018 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.

	2019	2018	2017
Total revenue	135,743	1,278,695	5,468
Loss:			
In total	4,549,575	1,273,246	4,460,394
On a per share basis *	0.02	0.01	0.03
Total assets	4,256,895	770,510	1,251,038
Total liabilites	2,202,044	3,031,476	3,291,620
Total shareholders' equity (deficit)	2,189,537	(2,260,956)	(2,040,582)

** Basic and fully diluted*

ITEM 1.4 RESULTS OF ANNUAL OPERATIONS

Financial Analysis

Year 2019 compared to 2018

The loss in fiscal 2019 was $4,549,575 compared to $1,273,246 in fiscal 2018. The increase in loss was driven primarily by decreased revenue. Revenue decreased by $1,142,952 in fiscal 2019 to $135,743 compared to $1,278,695 in fiscal 2018 due to a milestone payment received in year 2018 with respect to the licensing agreement entered with Wanbang Biopharmaceuticals. Total compensation expenses increased by $245,519 in fiscal 2019 to $583,533 compared to $338,014 in fiscal 2018. Research expenses increased by $317,485 due to the increase in general research costs in TFC. Office and administration expenses increased by $54,318 due to more operation activities in fiscal 2019. Rental expenses increased by $17,981 in fiscal 2019 to $29,710 compared to $11,729 in fiscal 2018. Consulting fees increased by $568,570 due to more operation activities in relation to business development. Investor relations expenses increased by $166,299 in fiscal 2019 to $227,778 compared to $61,479 in fiscal 2018. Share-based payments increased by $958,653 due to the Company grant more stock option in fiscal 2019. Finance expenses decreased by $110,032 due to the Company issued more convertible notes and borrowed more short-term loan in year 2018, as result, more interest expenses incurred in fiscal 2018.

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 TFC. 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.

ITEM 1.5 SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

	Oct 31 2019 $	July 31 2019 $	April 30 2019 $	Jan 31 2019 $	Oct 31 2018 $	July 31 2018 $	April 30 2018 $	Jan 31 2018 $
Total Revenues	71,243	-	-	64,500	126,778	586361	3378	562178
Net Loss	(1,302,863)	(1,372,881)	(1,292,325)	(581,506)	(646,064)	105,292	(614,615)	(117,859)
Loss per Share	0.01	0.01	0.01	0.00	0.00	0.00	0.01	0.00
Cash	3,734,647	2,946,384	375,676	60,287	339,076	579,715	159,210	700,087
Total Assets	4,256,895	4,591,268	1,277,913	482,100	770,511	1,344,731	899,251	1,161,843
Long Term Debt	942,612	1,064,114	1,095,251	1,151,249	956,040	1,050,665	1,128,706	1,169,377

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

Discussion of Results for the Year Ended October 31, 2019

The following results of operations should be read in conjunction with the consolidated financial statements for the year ended October 31, 2019.

		Year Ended October 31, 2019		Year Ended October 31, 2018
Revenue	$	135,743	$	1,278,695
Expenses				
Research expenses		1,264,404		946,919
Consulting fees		820,273		251,703
Office and administration		221,347		167,029
Accounting and audit fees		261,582		261,980
Compensation		583,533		338,014
Travel and entertainment		59,277		20,308
Rental expenses		29,710		11,729
Investor relations		227,778		61,479
Legal fees		37,446		38,973
Filing fees and transfer agent fees		42,660		26,757
Exchange gain/loss		(4,505)		(9,576)
Share-based payments		1,056,963		98,310
Operating Loss for the Year		(4,464,725)		(934,930)

Revenue

The Company is in the development stage and has generated $135,743 of revenues from its business in 2019 (2018: $1,278,695) as a result of an milestone payments in return for the manufacture and supply of TFC-1067, a novel, new skin brightening ingredient in year 2019. 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 $4,464,725 during the year ended October 31, 2019 compared to $934,930 during the same period last year. This $3,529,795 increase in operating loss was due primarily to lower revenue, higher compensation, higher consulting fees, higher office and administration, higher investor relations, higher share-based payments and higher research expenses in 2019.

ITEM 1.6 LIQUIDITY

During the year ended October 31, 2019, the Company incurred a net loss after taxes of $4,549,575 (2018: $1,273,246) and at October 31, 2019, had an accumulated deficit of $31,359,705 (2018: $26,810,130) and working capital of $3,336,864 (2018: working capital deficit of $1,085,7782).

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 used in operating activities was $3,559,490 for the year ended October 31, 2019 compared to $593,349 in the year ended October 31, 2018, mainly due to the two revenue milestone cash payments received during the year.

Financing Activities

Cash flow provided by financing activities during the year ended October 31, 2019 was $6,963,988 (2018: $661,587), representing net payments to borrowings of $nil (2018: net payments to borrowings of $10,093), repayment of lease obligation $40,601, repayment of short-term loan $40,601, cash proceeds from shares issuances of $3,138,981 (2018: $597,304), and cash proceeds from options and warrants exercise of $4,065,608 (2018: $5,000).

Investing Activities

During the year ended October 31, 2019 investing activities amounted to a use of funds of $nil (2018: $ nil).

ITEM 1.7 CAPITAL RESOURCES

Working Capital

	As At October 31, 2019	As At October 31, 2018
Current assets	$ 4,256,895	$ 770,510
Current liabilities	920,031	1,856,292
Working capital (deficiency)	$ 3,336,864	$ (1,085,782)

During the year ended October 31, 2019, working capital increased by $4,422,646 mainly due to received the cash from privation placement and exercised options and warrants.

Cash Flow

	Year Ended October 31, 2019	Year Ended October 31, 2018
Cash used in operating activities	(3,559,490)	(593,349)
Cash used in investing activities	-	-
Cash provided by financing activities	6,963,988	661,587
Increase in cash and cash equivalents	3,404,498	68,238
Effect of exchange rate fluctuations	(8,927)	(1,436)
Cash and cash equivalents, beginning of year	339,076	272,274
Cash and cash equivalents, end of year	$ 3,734,647	$ 339,076

As at October 31, 2019, the Company’s cash position was $3,734,647 compared to $339,076 at October 31, 2018 year end.

Share Capital

Authorized: Unlimited common shares without par value.

Issued: As of October 31, 2019, 224,030,004 (2018: 179,325,982) common shares were issued and outstanding.

	Issued common shares		Contributed	Equity portion of	Foreign translation	Accumulated	Total equity
	Number	Amount	surplus	convertible debenture	reserve	deficit	(deficiency)
BALANCE, OCTOBER 31, 2017	170,030,882	$ 19,669,985	$ 3,823,935	$ 30,726	$ (28,344)	$ (25,536,884)	$ (2,040,582)
Loss for the year	-	-	-	-	-	(1,273,246)	(1,273,246)
Private placement, net of share issuance cost (Note 15)	7,095,100	510,515	189,463	-	-	-	699,978
Convertible debentures, net of issuance costs (Note 10)	-	-	14,075	(3,982)	-	-	10,093
Issuance of stock options (Notes 15 and 16)	-	-	122,798	-	-	-	122,798
Exercise of options (Note 15)	50,000	14,599	(9,599)	-	-	-	5,000
Issuance of common shares (Note 15)	2,150,000	201,500	-	-	-	-	201,500
Modification of warrants (Note 15)	-	-	23,966	-	-	-	23,966
Foreign currency translation	-	-	-	-	(10,473)	-	(10,473)
BALANCE, OCTOBER 31, 2018	179,325,982	20,396,599	4,164,638	26,744	(38,817)	(26,810,130)	(2,260,966)
BALANCE, OCTOBER 31, 2018	179,325,982	20,396,599	4,164,638	26,744	(38,817)	(26,810,130)	(2,260,966)
Loss for the year	-	-	-	-	-	(4,549,575)	(4,549,575)
Private placements, net of issuance costs (Note 15)	21,585,000	1,686,870	1,452,111	-	-	-	3,138,981
Issuance of shares for the interest of short term loan (Note 15)	400,000	36,000	-	-	-	-	36,000
Convertible debentures, net of issuance costs (Note 10)	4,861,428	701,810	-	(4,409)	-	-	697,401
Issuance of stock options (Notes 15 and 16)	-	-	1,056,963	-	-	-	1,056,963
Exercise of options (Note 15)	10,580,000	3,877,369	(1,411,369)	-	-	-	2,466,000
Exercise of warrants (Note 15)	7,277,594	1,824,441	(224,833)	-	-	-	1,599,608
Foreign currency translation	-	-	-	-	5,125	-	5,125
BALANCE, OCTOBER 31, 2019	224,030,004	$ 28,523,089	$ 5,037,510	$ 22,335	$ (33,692)	$ (31,359,705)	$ 2,189,537

Private Placement

On July 10, 2019, the Company completed a private placement for total gross proceeds of $1,500,000. The private placement consists of 3,750,000 units at $0.40 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 $0.60 per warrant. The Company estimated the fair value of the warrants at $659,612 and recorded the amount in contributed surplus. The Company issued 205,960 broker's warrants fair valued at $64,662 and paid cash of $10,284 to the finder in connection with the private placement.

On February 27, 2019, the Company completed a private placement for total 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 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 $0.16 per warrant. The Company estimated the fair value of the warrants at $688,747 and recorded the amount in Contributed surplus. The Company issued 621,630 broker's warrants fair valued at $39,090 and paid cash of $62,136 to the finder in connection with the 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 estimated the fair value of the warrants at $186,378 and recorded the amount in Contributed surplus. The Company issued 95,320 broker's warrants fair valued at $3,085 in connection with the private placements.

Short-term loan

During the year ended October 31, 2018, the Company entered into an unsecured loan agreement with a third party for a total amount of $200,000. The loan and accrued interest matured 90 days from the date of issuance and 400,000 shares of the Company were issued to the lender in payment of $36,000 interest accrued during the year ended October 31, 2018. The principal was repaid during the year ended October 31, 2019.

Convertible Debentures

On November 30, 2018, the Company issued 3,478,571 convertible notes ("Notes D") with a principal amount of $487,000 in exchange for an equivalent amount of Notes B. Each Note is 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 D. The Notes D 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 D are converted or repaid. The Company is entitled to repay the principal amount of the Notes D, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $471,826 related to the fair value of the debt component of the Notes D 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 $11,076, net of taxes ($4,098) was assigned to the equity conversion component and included in shareholders' equity. The Company amortizes the debt component of the Notes D using an effective interest rate of 15.39% over the term of the Notes D. For the year ended October 31, 2019, $52,178 (2018: $nil) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2019, $237,000 of Notes D were converted into the Company's common shares and a total of 1,692,857 common shares were issued upon conversion. The equity component of the Notes D of $7,384 with the fully accreted debt component was reclassified into share capital of the Company upon the conversion.

On August 31, 2018, the Company issued 3,168,571 convertible notes ("Notes C") for total gross proceeds of $443,600. Each Note is 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 is 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 $429,774 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 taxes ($3,733) was assigned to the equity conversion component and included in shareholders' equity. The Company amortizes the debt component of the Notes C using an effective interest rate of 15.39% over the term of the Notes C. For the year ended October 31, 2019, $45,253 (2018: $10,093) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2019, $443,600 of Notes D were converted into the Company's common shares and a total of 3,168,571 common shares were issued upon conversion. The equity component of the Notes D of $13,826 with the fully accreted debt component were reclassified into share capital of the Company upon the conversion.

During May 2017, the Company issued 3,261,111 convertible notes ("Notes B") for a total gross proceeds of $587,000. Each Note is 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 is 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 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, 2019, $13,861 (2018: $98,611) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2018, $100,000 of principal amount of Notes B was repaid. On November 30, 2018, $487,000 of principal amount of Notes B was exchanged for an equivalent amount of Notes D.

During February 2017, the Company issued convertible notes ("Notes A") for total gross proceeds of $665,360. Each Note is 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, 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 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, 2019, $nil (2018: $71,939) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2018, the Notes A were repaid. During the year ended October 31, 2018, the Notes A were repaid.

Exercise of Options and Warrants

During the year ended October 31, 2019, 10,580,000 (2018: 50,000) shares were issued for the exercise of options and 7,277,594 (2018: nil) shares were issued for the exercise of warrants. The total cash proceeds of $ 3,874,303 (2018: $5,000) has been received for options exercised and $1,597,208 (2018: $Nil) for warrants exercised. The $224,833 value of warrants exercised originally recorded to contributed surplus at issuance was reclassified to share capital upon exercise.

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 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
Warrants exercised	(7,277,594)	0.22	-
Warrants expired	(1,823,750)	0.30	-
Warrants granted exercisable on or before February 27, 2022	17,835,000	0.16	2.58
Broker warrants granted exercisable on or before February 27, 2022	621,360	0.16	2.58
Warrants granted exercisable on or before July 16, 2022	3,750,000	0.60	2.96
Broker warrants granted exercisable on or before July 16, 2022	205,960	0.60	2.96
Balance at October 31, 2019	26,808,480	$ 0.23	2.55

At October 31, 2019, the warrants outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Warrants as at October 31, 2019
October 16, 2021	$ 0.18	6,195,100
October 16, 2021 - broker	$ 0.18	35,660
February 27, 2022	$ 0.16	16,142,000
February 27, 2022 - broker	$ 0.16	479,760
July 16, 2022	$ 0.60	3,750,000
July 16, 2022 - broker	$ 0.60	205,960
		26,808,480

Stock Options

At October 31, 2019, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2018	Granted During the Year	Exercised During the Year	Expired/ Cancelled During the Year	Number of Options as at October 31, 2019	Number of Options Exercisable as at October 31, 2019
November 22, 2018	$0.15	1,100,000	-	-	(1,100,000)	-	-
January 1, 2019	$0.10	-	100,000	(100,000)	-	-	-
April 2, 2019	$0.10	800,000	-	(800,000)	-	-	-
April 25, 2019	$0.11	750,000	-	(750,000)	-	-	-
May 31, 2019	$0.15	200,000	-	-	(200,000)	-	-
October 21, 2019	$0.15	-	-		-	-	-
August 31, 2019	$0.15	400,000	-	-	(400,000)	-	-
September 1, 2019	$0.50	-	500,000	(100,000)	(400,000)	-	-
November 1, 2019	$0.45	-	500,000	(500,000)	-	-	-
February 25, 2020	$0.15	300,000	-	-	(300,000)	-	-
April 1, 2020	$0.19	-	200,000	(200,000)	-	-	-
June 1, 2020	$0.50	-	1,000,000	(1,000,000)	-	-	-
June 1, 2020	$0.50	-	1,000,000	(700,000)	-	300,000	300,000
March 1, 2021	$0.17	-	600,000	(600,000)	-	-	-
June 21, 2021	$0.20	300,000	-	(100,000)	(100,000)	100,000	100,000
November 3, 2021	$0.15	400,000	-	(330,000)	-	70,000	70,000
January 10, 2022	$0.18	100,000	-	(100,000)	-	-	-
March 1, 2022	$0.12	-	200,000	(100,000)	-	100,000	100,000
September 26, 2022	$0.15	1,300,000	-	(1,300,000)	-	-	-
November 20, 2022	$0.15	500,000	-	(500,000)	-	-	-
January 10, 2023	$0.18	100,000	-	(100,000)	-	-	-
February 26, 2024	$0.10	-	400,000	(400,000)	-	-	-
April 25, 2024	$0.19	-	1,300,000	(1,300,000)	-	-	-
June 7, 2024	$0.52	-	300,000	-	-	300,000	300,000
June 26, 2025	$0.16	3,300,000	-	-	-	3,300,000	3,300,000
September 21, 2026	$0.20	900,000	-	(600,000)	-	300,000	300,000
November 20, 2027	$0.15	1,450,000	-	(200,000)	-	1,250,000	1,250,000
February 26, 2029	$0.12	-	500,000	-	-	500,000	500,000
April 25, 2029	$0.19	-	600,000	(600,000)	-	-	-
June 14, 2029	$0.45	-	200,000	(200,000)	-	-	-
		11,900,000	7,400,000	(10,580,000)	(2,500,000)	6,220,000	6,220,000

The weighted average contractual life remaining of all stock options as at October 31, 2019 is 5.93 years (2018: 3.95 years). During the year ended October 31, 2019, 7,200,000 stock options were granted with a weighted average exercise price of $0.32.

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

	2019	**2018**
Risk-free interest rate	1.40% to 1.85%	1.46% to 1.88%
Dividend yield	0%	0%
Volatility	84.24% to 152.63%	67% to 68%
Expected life	0.17 to 5 years	1.44 to 2.5 years
Share price	$0.085 to $0.52	$0.11 to $0.13

For the year ended October 31, 2019, share-based compensation in the amount of $1,056,963 (2018 - $98,310) 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; and
(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:

	February 28, 2020	**October 31, 2019**	**October 31, 2018**
Common Shares	226,164,320	224,030,004	179,325,982
Stock Options	12,795,000	6,220,000	11,600,000
Warrants	26,684,880	26,808,480	13,497,504
Fully Diluted Shares	265,644,200	257,058,484	204,423,486

For additional details of outstanding share capital, refer to the audited consolidated financial statements for the year ended October 31, 2019.

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, 2019 and 2018, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2019	**2018**
	$	**$**
Management fees (a)	151,200	144,000
Director fees (b)	46,000	5,000
Consulting fees (c)	-	213,394
Accounting fees (d)	138,600	132,000
Salaries (e)	107,100	163,000
Bonuses (a), (c), (d) and (e)	260,000	-
Share-based payments (f)	281,424	95,195
Total	984,324	752,589

(a) For the year ended October 31, 2019, $151,200 (2018: $144,000) in management fees and bonuses totalling $94,000 (2018: $Nil) were paid/incurred to a company controlled by Howard Verrico, for acting as CEO, secretary and director.

(b) For the year ended October 31, 2019, $46,000 (2018: $5,000) in director fees were paid/incurred to two companies controlled by directors and one individual.

(c) For the year ended October 31, 2019, $Nil (2018: $213,394) in advisory fees and a bonus of $39,000 (2018: $Nil) were paid/incurred to Geraldine Deliencourt-Godefroy, the Company's Chief Scientific Officer.

(d) For the year ended October 31, 2019, $138,600 (2018: $132,000) in accounting fees and bonuses totalling $74,000 (2018: $Nil) were paid/incurred to Christopher Hopton for acting as CFO.

(e) For the year ended October 31, 2019, $Nil in salary (2018: $61,000) was paid/incurred to a former director and $107,100 (2018: $102,000) in salary and bonuses totalling $53,000 (2018: $Nil) were paid to the VP, Operations.

(f) For the year ended October 31, 2019, 1,800,000 (2018: 1,950,000) stock options were granted to management and directors and $281,424 (2018: $95,195) of share-based payments expense was recorded.

During the year ended October 31, 2019, the directors of the Company approved bonuses totalling $110,000 in March 2019 and major transaction bonuses totalling $150,000 in June 2019. No bonuses were approved during the year ended October 31, 2018.

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, 2019 and 2018 are as follows:

		Quarters Ended October 31		
		2019		***2018***
Revenue		71,243	$	126,778
Expenses				
Research expenses		406,883		162,553
Consulting fees		228,135		147,586
Office and administration		56,908		43,078
Accounting and audit fees		55,312		48,086
Compensation		217,775		69,867
Travel and entertainment		23,769		4,413
Rental expenses		11,636		2,799
Investor relations		17,943		16,542
Legal fees		17,550		21,000
Filing fees and transfer agent fees		1,820		8,195
Management conferences and meetings		-		(1,082)
Exchange gain/loss		1,197		(88,879)
Share-based payments		325,425		35,904
Other expense (revenue)		(13,010)		(32,298)
Finance expense		15,670		32,665
Finance (income)		-		67,502
Income taxes recovery		7,093		115,044
Net income (loss) for the quarter	**$**	**(1,302,863)**	**$**	**(590,793)**

The loss in the quarter ended October 31, 2019 was $1,302,863 compared to $590,793 in fiscal 2018. This $712,070 increase in net loss was driven primarily by increase of in research expenses, consulting fees, compensation and share-based payment in the quarter ended October 31, 2019.

A breakdown of material components of expensed research and development costs for the years ended October 31, 2019 and 2018 as follows:

	Year Ended October 31,	
	2019	2018
Wages and social charges	$ 843,847	$ 871,314
Sub-contracting	$ 294,627	75,958
Small equipment	$ 236,823	139,642
Rental costs	$ 121,326	124,819
Maintenance and repairs	$ 68,522	56,858
Fees	$ 36,951	14,980
Government grants	$ (21,216)	(27,198)
Tax credit for R&D expenses	$ (316,476)	(309,454)
Total	**$ 1,264,404**	**$ 946,919**

ITEM 1.11 SUBSEQUENT EVENTS

Subsequent to the year ended October 31, 2019, the following events occurred:

(i) The Company issued 348,600 common shares pursuant to the exercise of 123,000 share purchase warrants for proceeds of $3,776 and the exercise of 225,000 share purchase options for proceeds of $101,250.

(ii) On January 21, 2020, the Company granted 6,800,000 common share purchase options exercisable at $0.45 per share to directors, officers, employees and consultants of the Company, including:
   a. 700,000 options expiring five years after grant to directors;
   b. 3,625,000 options expiring ten years after grant to officers and employees; and
   c. 2,475,000 options expiring in one to ten years after grant to consultants.

(iii) $250,000 of Notes D were converted into 1,785,716 of the Company’s common shares.

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, 2019. 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, 2019 and stated below.

ITEM 1.13 NEWLY ADOPTED ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 15 Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued to replace IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations such as IFRIC 13 Customer Loyalty Programs. IFRS 15 introduces a single contract-based five-step model that applies to contracts with customers and two approaches for the recognition of revenue: at a point in time or over time. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. Revenue is recognized when a customer obtains control of a good or service and has the ability to direct the use and obtain the benefits from the good or service.

The Company has adopted IFRS 15 on the required effective date of November 1, 2018, using the modified retrospective approach. The Company has evaluated the impact of applying IFRS 15 by performing a comprehensive review of existing sale contracts, control processes and revenue recognition methodology. Adoption of the new standard did not result in any adjustment in the amounts previously recognized in the consolidated statements of financial position. As well, the timing in the recognition of revenue was not impacted by the new standard. Consequently, neither the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity (deficit) nor consolidated statement of cash flows were adjusted.

IFRS 9 Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

<u>Financial Assets</u>
At initial recognition, IFRS 9 *Financial Instruments* ("IFRS 9") requires financial assets to be measured at fair value and classified into three measurement categories: those subsequently measured at fair value through profit and loss ("FVTPL"), those subsequently measured at fair value through other comprehensive income ("FVTOCI") and those subsequently measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 provides a three-stage expected credit loss model for calculating impairment for financial assets. Expected credit losses are required to be recognized when financial instruments are initially recognized and the amount of expected credit losses recognized are required to be updated at each reporting date to reflect changes in the credit risk of the financial instruments.

<u>Financial Liabilities</u>
At initial recognition, IFRS 9 requires financial liabilities to be measured at fair value and classified as subsequently measured at amortized cost except for when one of the specified exceptions applies. In cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch.

For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The following table presents the initial IAS 39 classification and the new IFRS 9 classification for all financial instruments held by the Company as at the effective date of November 1, 2018. The adoption of the new standard did not result in any adjustment in the amounts previously recognized in the consolidated statements of financial position.

Financial assets and liabilities	**IAS 39 classification**	**IFRS 9 classification**
Cash and cash equivalents	FVTPL	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Lease obligation	Other financial liabilities	Amortized cost

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company is still in the process of assessing the impact on the consolidated financial statements of these new standards:

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 November 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

Classification

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income (FVOCI) or through net income (FVTPL).

The financial instruments' classification under IFRS 9 is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL.

Measurement

Financial instruments at amortized cost
Financial instruments at amortized cost are initially measured at fair value, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss and comprehensive loss.

Financial instruments at fair value
Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statements of loss and comprehensive loss. When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of loss and comprehensive loss.

Impairment

The Company recognizes loss allowances for expected credit losses ("ECL") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances on amounts receivable at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the consolidated statements of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

<u>Derecognition</u>

Financial assets
The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities
The Company derecognizes a financial liability when, and only when, it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.
The Company's activities expose it to a variety of financial risks. The Company's overall business strategies, tolerance of risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

The Company has the following financial instruments as of October 31, 2019 and October 31, 2018:

	Categories	October 31, 2019 $	October 31, 2018 $
Financial assets			
Cash and cash equivalents	Amortized cost	3,734,647	339,076
Trade and other receivables	Amortized cost	121,384	9,759
Share subscription receivable	Amortized cost	2,400	-
Financial liabilities			
Trade and other payables	Amortized cost	415,711	442,620
Convertible debentures	Amortized cost	247,544	918,226
Long-term debt	Amortized cost	1,162,803	1,179,368
Lease obligation	Amortized cost	138,359	176,447
Short-term loan	Amortized cost	-	236,000

Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents, trade and other receivables, share subscription receivable and trade and other payables approximate their carrying values due to the short-term nature of these instruments. The fair value of convertible debentures, lease obligation, short-term loan and long-term debt are determined by discounting future payments of loan principals and interests under the loans at prevailing market interest rates at each reporting date. The difference between the fair value and carrying amount is minimal.

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 its contractual obligations and cause the other party to incur a financial loss and arises principally from the Company's cash and cash equivalents and trade and other receivables. This risk is managed by placing its cash and cash equivalents with major financial institutions which have high credit quality as determined by the rating agencies. To mitigate credit risk with respect to trade receivables, the Company subjects all major customers to its credit evaluation process. At October 31, 2019, the Company had $121,384 (2018: $9,759) in trade and other receivables which were subject to 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 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% fluctuation in the Canadian dollar against the Euro would have a before-tax effect of approximately an $11,000 increase or decrease in accumulated other comprehensive income, based on amounts held at 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. The Company has no floating interest rate loans. 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. Given the cash and cash equivalents balance of $3,734,647 at October 31, 2019 and under current market conditions, both liquidity and funding risk have been assessed as relatively low.

		Due by period				
	Total	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	$	$	$	$	$	$
Trade and other payables	550,397	550,397	-	-	-	-
Convertible debentures	247,544	247,544	-	-	-	-
Long-term debt	1,162,803	220,191	293,420	352,104	297,088	-
Lease obligation	145,453	39,876	39,876	39,876	25,825	-
	2,106,197	1,058,008	333,296	391,980	322,913	-

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, 2019 and 2018, 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, 2019 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, 2019 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.