SIRONA BIOCHEM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JANUARY 31, 2021

SIRONA BIOCHEM CORP.
(A Development Stage Company)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three Months Period Ended January 31, 2021

ITEM 1.1 INTRODUCTION

The following Management Discussion and Analysis ("MD&A") was prepared as of March 29, 2021 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended January 31, 2021 and the audited consolidated financial statements and related notes for the year ended October 31, 2020.

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.

	2020	2019	2018
Total revenue	105,711	135,743	1,278,695
Loss:			
In total	4,133,724	4,549,575	1,257,731
On a per share basis *	0.02	0.02	0.01
Total assets	2,137,239	4,256,895	770,511
Total liabilites	2,089,844	2,067,358	3,031,467
Total shareholders' equity	(47,395)	(2,189,537)	2,260,956

** Basic and fully diluted*

ITEM 1.4 RESULTS OF ANNUAL OPERATIONS

Financial Analysis

<u>Year 2020 compared to 2019</u>

The loss in fiscal 2020 was $4,133,724 compared to $4,549,575 in fiscal 2019. The decrease in loss was driven primarily by decreased operation expense. Revenue decreased by $30,032 in fiscal 2020 to $105,711 compared to $135,743 in fiscal 2019. Research expenses increased by $44,524 due to the increase in general research costs in TFC. Total wages, salaries and benefits; management fees; director fees; and bonuses decreased by $288,246 in fiscal 2020 to $295,287 compared to $583,533 in fiscal 2019. Consulting fees decreased by $581,681 due to less operation activities in relation to business development in fiscal 2019. Office and administration expenses increased by $29,728 due to more operation activities in fiscal 2020. Investor relations expenses decreased by $105,999 in fiscal 2020 to $121,779 compared to $227,778 in fiscal 2019. Rental expenses increased by $5,623 in fiscal 2020 to $35,333 compared to $29,710 in fiscal 2019. Share-based payments increased by $566,186 due to the Company granting more stock options in fiscal 2020. Finance expenses decreased by $103,609 due to the Company issued more convertible notes in year 2019, as result, more interest expenses incurred in fiscal 2019.

<u>Year 2019 compared to 2018</u>

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.

ITEM 1.5 SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

	January 31 2021 $	Oct 31 2020 $	July 31 2020 $	April 30 2020 $	January 31 2020 $	Oct 31 2019 $	July 31 2019 $	April 30 2019 $
Total Revenues	18,159	105,711	-	-	-	71,243	-	-
Net Loss	(675,599)	(407,120)	(1,206,888)	(612,181)	(1,907,535)	(1,302,863)	(1,372,881)	(1,292,325)
Loss per Share	0.00	0.00	0.01	0.00	0.01	0.01	0.01	0.01
Cash	921,955	1,535,873	2,186,172	2,880,395	3,071,664	3,734,647	2,946,384	375,676
Total Assets	1,556,532	2,137,239	2,582,566	3,435,705	3,931,452	4,391,581	4,591,268	1,277,913
Long Term Debt	775,650	850,432	1,017,142	975,701	871,854	942,612	1,064,114	1,095,251

ITEM 1.6 LIQUIDITY

During the period ended January 31, 2021, the Company incurred a net loss after taxes of $675,578 (2020: $1,907,535) and at January 31, 2021, had an accumulated deficit of $36,169,028 (2020: $35,493,429) and working capital of $566,415 (2020: $1,070,168).

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 $745,467 for the period ended January 31, 2021 compared to $601,581 in the period ended January 31, 2020, mainly due to the two revenue milestone cash payments received during the period.

Financing Activities
Financing activities in the three months ended January 31, 2021 was cash inflow of $131,784 (2020: cash outflow of $59,957), representing cash paid for the previous loans.

ITEM 1.7 CAPITAL RESOURCES

Working Capital

		As At January 31, 2021		As At October 31, 2020
Current assets	$	1,521,820	$	2,099,964
Current liabilities		955,405		1,029,796
Working capital (deficiency)	$	566,415	$	1,070,168

During the period ended January 31, 2021, working capital decreased by $503,753 mainly due to cash used for operating activities.

Cash Flow

		January 31, 2021		January 31, 2020
Cash used in operating activities		(745,467)		(601,581)
Cash provided by financing activities		131,784		(59,957)
Increase in cash and cash equivalents		(613,683)		(661,538)
Effect of exchange rate fluctuations		(195)		(1,445)
Cash and cash equivalents, beginning of period		1,535,873		3,734,647
Cash and cash equivalents, end of period	$	921,995	$	3,071,664

As at January 31, 2021, the Company's cash position was $921,995 compared to $3,071, 664 at January 31, 2020 period end.

Share Capital

Authorized: Unlimited common shares without par value.

Issued: As of January 31, 2021, 227,659,820 (2020: 226,309,320) common shares were issued and outstanding.

	Issued common shares Number	Issued common shares Amount	Contributed surplus	Equity portion of convertible debenture	Foreign translation reserve	Accumulated deficit	Total equity (deficiency)
BALANCE, OCTOBER 31, 2019	224,030,004	$ 28,523,089	$ 5,037,510	$ 22,335	$ (33,692)	$ (31,359,705)	$ 2,189,537
Loss for the period	-	-	-	-	-	(1,907,535)	(1,907,535)
Convertible debentures, net of issuance costs (Note 10)	1,785,716	257,789	-	(7,789)	-	-	250,000
Issuance of stock options (Notes 15 and 16)	-	-	1,815,542	-	-	-	1,815,542
Exercise of options (Note 15)	225,000	157,275	(56,025)	-	-	-	101,250
Exercise of warrants (Note 15)	123,600	25,123	(5,347)	-	-	-	19,776
Foreign currency translation	-	-	-	-	8,575	-	8,575
BALANCE, JANUARY 31, 2020	226,164,320	$ 28,963,276	$ 6,791,680	$ 14,546	$ (25,117)	$ (33,267,240)	$ 2,477,145
BALANCE, OCTOBER 31, 2020	226,309,320	$ 29,079,178	$ 6,563,182	$ -	$ (101,536)	$ (35,493,429)	$ 47,395
Loss for the period	-	-	-	-	-	(675,599)	(675,599)
Issuance of stock for consulting fees	129,000	-	-	-	-	-	-
Issuance of stock options (Notes 15 and 16)	-	-	-	-	-	-	-
Exercise of options (Note 15)	-	28,380	19,901	-	-	-	48,281
Exercise of warrants (Note 15)	1,221,500	244,229	(44,560)	-	-	-	199,669
Foreign currency translation	-	-	-	-	21	-	21
BALANCE, JANUARY 31, 2021	227,659,820	$ 29,351,787	$ 6,538,523	$ -	$ (101,515)	$ (36,169,028)	$ (380,233)

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, 2020, $52,178 (2019: $nil) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2020, $250,000 (2019: $237,000) of Notes D were converted into the Company's common shares and a total of 1,785,716 (2019: 1,692,857) common shares were issued upon conversion. The equity component of the Notes D of $7,789 (2019: $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.

Exercise of Options and Warrants

During the period ended January 31, 2021, nil (2020: 370,000) shares were issued for the exercise of options and 1,221,500 (2020: 123,600) shares were issued for the exercise of warrants. Total cash proceeds of $nil (2020: $65,250) has been received for options exercised and $199,670 (2020: $19,777) for warrants exercised. The $nil (2020: $92,130) value of options and $44,560 (2020: $5,347) 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, 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
Warrants exercised	123,600		0.16	-
Balance at October 31, 2020	26,684,880	$	0.23	1.30
Warrants exercised	(1,221,500)	$	0.16	
Balance at January 31, 2021	25,463,380	$	0.23	1.05

At January 31, 2021, the warrants outstanding and exercisable were as follows:

Expiry Date		Exercise Price	Number of Warrants as at January 31, 2021
October 16, 2021	$	0.18	5,983,600
October 16, 2021	$	0.18	35,660
February 27, 2022	$	0.16	15,032,000
February 27, 2022	$	0.16	456,160
July 16, 2022	$	0.60	3,750,000
July 16, 2022	$	0.60	205,960
			25,463,380

Stock Options

At January 31, 2021, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2020	Granted During the Year	Exercised During the Year	Expired/ Cancelled During the Year	Number of Options as at January 31, 2021	Number of Options Exercisable as at January 31, 2021
June 1, 2020	$0.50	-	-	-	-	-	-
January 31, 2020	$0.15	-	-	-	-	-	-
November 3, 2021	$0.15	-	-	-	-	-	-
January 21, 2021	$0.45	1,000,000	-	-	(1,000,000)	-	-
June 21, 2021	$0.20	100,000	-	-	-	100,000	100,000
June 30, 2021	$0.30	300,000	-	-	-	300,000	300,000
September 8, 2021	$0.22	100,000	-	-	-	100,000	100,000
January 22,2022	$0.22	-	150,000	-	-	150,000	150,000
March 1, 2022	$0.12	100,000	-	-	-	100,000	100,000
January 21, 2023	$0.45	500,000	-	-	-	500,000	500,000
June 7, 2024	$0.52	300,000	-	-	-	300,000	300,000
January 21, 2025	$0.45	700,000	-	-	-	700,000	700,000
June 26, 2025	$0.16	3,300,000	-	-	-	3,300,000	3,300,000
September 21, 2026	$0.20	300,000	-	-	-	300,000	300,000
November 20, 2027	$0.15	1,250,000	-	-	-	1,250,000	1,250,000
February 26, 2029	$0.12	500,000	-	-	-	500,000	500,000
January 21, 2030	$0.45	4,230,000	-	-	-	4,230,000	4,230,000
		12,680,000	150,000	-	(1,000,000)	11,830,000	11,830,000

The weighted average contractual life remaining of all stock options as at January 31, 2021 is 6.07 years (2020: 6.45 years). During the year ended January 31, 2021, 150,000 stock options were granted with a weighted average exercise price of $0.38 (2020: 7,200,000 and $0.44).

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

	2021	**2020**
Risk-free interest rate	0.17%	0.24% to 1.65%
Dividend yield	0%	0%
Volatility	92.84%	81.88% to 159.49%
Expected life (*)	1	1 to 5 years
Share price of grant date	$0.38	$0.19 to $0.31

For the year ended January 31, 2021, share-based compensation in the amount of $19,900 (2020 - $1,815,542) 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:

	March 29, 2021	**January 31, 2021**	**October 31, 2020**
Common Shares	227,659,820	226,309,320	224,030,004
Stock Options	11,669,286	12,680,000	12,750,000
Warrants	24,047,720	26,684,880	26,684,880
Fully Diluted Shares	265,316,686	265,674,200	263,464,884

For additional details of outstanding share capital, refer to the unaudited condensed interim consolidated financial statements for the three months ended January 31, 2021.

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 period ended January 31, 2021 and 2020, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

		2021		**2020**
Management fees (a)	$	40,320	$	40,320
Accounting fees (b)		36,960		36,960
Salaries (c)		28,560		28,560
Share-based payments (d)		-		1,307,536
Total	$	105,840	$	1,413,376

(a) For the period ended January 31, 2021, $40,320 (2020: $40,320) in management fees were paid/incurred to a company controlled by Howard Verrico, for acting as CEO, secretary and director. See below.

(b) For the period ended January 31, 2021, $36,960 (2020: $36,960) in accounting fees were paid/incurred to Christopher Hopton for acting as CFO. See below.

(c) For the period ended January 31, 2021, $28,560 (2020: $28,560) in salary were paid to the VP, Operations.

(d) For the period ended January 31, 2021, nil (2020: 4,325,000) stock options were granted to management and directors and $nil (2020: $1,307,536) of share-based payments expense was recorded.

During the year ended January 31, 2021, an aggregate of $8,999 (2019: $9,123) in rental payments were made paid/incurred to the Company's CEO and CFO.

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.

On June 1, 2013, and as subsequently amended, the Company entered into indefinite consulting agreements for management services with Howard Verrico and Christopher Hopton, whereby Howard currently receives $13,440 (plus GST) per month and Christopher currently receives $12,320 per month (plus GST) until the agreements are terminated by either party. Effective June 1, 2019, compensation was increased from $12,000 and $11,000 per month, respectively, on the recommendation of the Compensation Committee.

Pursuant to the agreements, Howard and Christopher are eligible to receive discretionary cash bonuses, change of control payments and buyout bonuses. In the event that Howard or Christopher resign or their agreements are terminated with 12 months after a change of control (as defined), they will receive two times the compensation received immediately preceding such termination. In addition to the change of control payments, if the change of control results in a buyout of the Company transaction (as defined), on closing of the buyout transaction Howard will receive a cash bonus equal to 1.4% (plus GST) of the transaction value and Christopher will 1% (plus GST).

ITEM 1.10 QUARTERLY RESULTS

Results for the three months ended January 31, 2021 and 2020 are as follows:

	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020
Revenue (Note 13)	$ 18,159	$ -
Expenses		
Research expenses (net)	399,897	307,020
Consulting fees	41,740	88,823
Depreciations	2,563	-
Office and administration	70,956	74,261
Accounting and audit fees (Note 16)	36,960	62,052
Wages, salaries and benefits (Note 16)	33,494	33,362
Management fees (Note 16)	40,320	40,320
Travel and entertainment	95	17,640
Rental expenses	8,999	9,123
Investor relations	31,743	16,765
Legal fees	455	11,975
Filing fees and transfer agent fees	1,573	2,045
Exchange (gain)/loss	7,428	(1,080)
Share-based payments (Note 16)	19,900	1,815,542
	(677,964)	(2,477,848)
Other income/(expenses)		
Other income	-	4,299
Finance expense (Notes 10, 11 and 12)	484	571,597
	484	575,896
Loss for the period before income taxes	(677,480)	(1,901,952)
Income taxes recovery (expense)	1,881	(5,583)
Net loss for the period	(675,599)	(1,907,535)

The loss in the quarter ended October 31, 2021 was $675,599 compared to $1,907,535 in fiscal 2020. This $1,231,936 decrease in net loss was driven primarily by decrease of share-based payment in the quarter ended January 31, 2021.

A breakdown of material components of expensed research and development costs for the quarters ended January 31, 2021 and 2020 as follows:

	Year Ended January 31,	
	2021	***2020***
Wages and social charges	$ 250,891	$ 221,336
Sub-contracting	$ 48,239	21,492
Small equipment	$ 109,502	81,929
Rental costs	$ 42,575	32,377
Maintenance and repairs	$ 12,676	11,078
Fees	$ 19,251	9,164
Depreciation and amortization	$ 24,449	-
Tax credit for R&D expenses	$ (107,685)	(70,356)
Total	**$ 399,897**	**$ 307,020**

ITEM 1.11 SUBSEQUENT EVENTS

Subsequent to the period ended January 31, 2021, the following events occurred:

- Options to purchase up to 200,000 common shares of the Company at a price of $0.38 per share for a period of five years were granted to two directors of the Company.

- 604,000 options were exercised for proceeds of $166,880.

ITEM 1.12 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and recently released IFRS accounting standards with potential effect on the Company are both detailed in Note 3 of the condensed interim consolidated financial statements for the three months ended January 31, 2021 contained herein.

ITEM 1.13 NEWLY ADOPTED ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

<u>Future accounting standards and interpretations</u>
New IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements are listed below. The Company plans to apply the new standards or interpretations in the annual period for which they are first required.

Business combinations
Narrow-scope amendments to IFRS 3 were issued in October 2018 and apply to annual reporting periods beginning on or after January 1, 2020. The amendments clarify the definition of a business, provide guidance in determining whether an acquisition is a business combination or a combination of a group of assets, emphasize that the output of a business is to provide goods and services to customers and provide a supplementary guidance.

Presentation of financial statements
An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-

current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

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 January 31, 2021 and October 31, 2020:

	Categories	January 31, 2021 $	October 31, 202 $
Financial assets			
Cash and cash equivalents	Amortized cost	921,995	1,535,87
Trade and other receivables	Amortized cost	105,347	138,21
Share subscription receivable	Amortized cost	-	
Financial liabilities			
Trade and other payables	Amortized cost	636,564	726,34
Convertible debentures	Amortized cost	-	
Long-term debt	Amortized cost	1,055,011	1,114,62
Lease obligation	Amortized cost	117,385	127,25

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:

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 cash and cash equivalents with major financial institutions which have a 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. See Note 6.

(i) 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.

At January 31, 2021, the Company's monetary assets and liabilities denominated in the Euro and were approximately as follows:

Monetary assets	€	91,986
Monetary liabilities		1,080,973
Net monetary liabilities	€	988,987
Gain/loss on a 1% increase/decrease on the revaluation of monetary assets and liabilities denominated in the Euro	€	9,890
	$	15,342

(ii) 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.

(iii) Liquidity risk arises through the excess of financial obligations due over available financial assets 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 $1,521,641 at January 31, 2021 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	636,564	636,564	-	-	-	-
Long-term debt	1,055,017	279,367	356,799	418,851	-	-
Lease obligation	117,385	31,662	42,216	42,216	7,036	-
	1,808,967	947,593	399,015	461,067	7,036	-

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, 2020 and 2019, 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 January 31, 2021 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 January 31, 2021 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.