# SIRONA BIOCHEM CORP.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# FOR THE NINE MONTHSENDED JULY 31, 2023

**SIRONA BIOCHEM CORP.**
**(A Development Stage Company)**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE NINE MONTHSENDED JULY 31, 2023**

## ITEM 1.1 INTRODUCTION

The following Management Discussion and Analysis ("MD&A") was prepared as of September 29, 2023 and should be read in conjunction with the consolidated financial statements and related notes for the period ended July 31, 2023 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 principal 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

- **BUSINESS OVERVIEW**

  Sirona Biochem was founded in 2009 by its current Chairman and CEO, Dr. Howard Verrico. The Company's first transaction was to acquire an exclusive global license to TFChem's proprietary diabetes drug, the SGLT2 Inhibitor. In 2011, Sirona Biochem went on to acquire TFChem's entire platform and development laboratory in Rouen, France.

  The value of Sirona and TFChem lies within the proprietary chemistry technology, its existing patents, existing licensing and partnering agreements and the team's expertise. TFChem has developed a fluorination chemistry that can improve the pharmaceutical qualities of carbohydrate-based molecules by stabilizing them. Carbohydrate molecules perform a variety of roles in living organisms and are essential to life. Their importance to life makes them valuable for the development of therapeutics and cosmeceuticals, but while they have broad application potential, they are extremely challenging to develop. Sirona has overcome the challenge of working with carbohydrates to develop safer, more effective cosmetic and pharmaceutical active ingredients.

  Sirona Biochem's development focus is centered around high-value programs. Each program is selected based on core expertise in the area, market potential, development timeline and return on investment. The Company is currently exploring the areas of diabetes, dyschromia, anti-aging, anti-cellulite and antiviral therapies and relies on a business model of licensing patents to large organizations in return for up-front and milestone payments as well as royalties.

- **SIGNIFICANT EVENTS**

  On June 7, 2022, the Company entered into a global exclusive licensing agreement with Allergan Aesthetics, an AbbVie company (NYSE: ABBV), pursuant to which Allergan Aesthetics will develop and commercialize topical skin care treatments based on active ingredients derived from certain of Sirona's patents for TFC-1067 and related family of compounds.

  Under the license agreement, the Company will a receive an upfront payment and further payments on achievement of milestones and royalties on product sales and has also agreed to financial terms as a supplier of its compounds.

## 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.

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total revenue | 671,923 | 268,022 | 105,711 |
| Loss: | | | |
| In total | 3,557,804 | 2,306,335 | 4,133,724 |
| On a per share basis | 0.01 | 0.02 | 0.02 |
| Total assets | 1,290,709 | 1,287,464 | 2,137,239 |
| Total liabilities | 1,076,194 | 1,384,479 | 2,089,844 |
| Total shareholders' equity | (214,515) | 97,015 | (47,395) |

*basic and fully diluted

## ITEM 1.4 RESULTS OF ANNUAL OPERATIONS

### Financial Analysis

***Year 2022 compared to 2021***

The loss in fiscal 2022 was $3,557,804 compared to $2,306,335 in fiscal 2021. The increase in loss was driven primarily by increased operation expenses. Revenue increased by $403,901 in fiscal 2022 to $671,923 compared to $268,022 in fiscal 2021. Research expenses decreased by $74,227 due to the decrease in general research costs in TFC. Consulting fees increased by $258,339 due to more operation activities in relation to business development in fiscal 2022. Office and administration expenses is consistent with fiscal 2021. Accounting and audit fees increased by $71,641 in fiscal 2022 to $292,766 compared to $221,125 in fiscal 2021. Legal fees increased by $122,208 in fiscal 2022 to $133,564 compared to $11,356 in fiscal 2021. Management fees and bonus increased by $124,452 in fiscal 2022 to $285,732 compared to $161,280 in fiscal 2021. Share-based payments increased by $1,133,564 due to the Company granting more stock options in fiscal 2022. Finance expenses increased by $23,666 due to the Company incurred more interest expenses in fiscal 2022.

***Year 2021 compared to 2020***

The loss in fiscal 2021 was $2,306,335 compared to $4,133,724 in fiscal 2020. The decrease in loss was driven primarily by increased revenue and decreased operation expenses. Revenue increased by $162,311 in fiscal 2021 to $268,022 compared to $105,711 in fiscal 2020. Research expenses decreased by $154,961 due to the decrease in general research costs in TFC. Consulting fees decreased by $125,913 due to less operation activities in relation to business development in fiscal 2021. Office and administration expenses decreased by $29,643 due to less operation activities in fiscal 2021. Accounting and audit fees decreased by $36,307 in fiscal 2021 to $221,125 compared to $257,432 in fiscal 2020. Legal fees decreased by $49,830 in fiscal 2021 to $11,356 compared to $61,186 in fiscal 2020. Share-based payments decreased by $1,291,740 due to the Company granting less stock options in fiscal 2021. Finance expenses decreased by $9,797 due to the Company fully paid convertible notes in year 2020, as result, less interest expenses incurred in fiscal 2021. Other income decreased by $32,442 in fiscal 2021 to $8,225 compared to $40,667 in fiscal 2020.

## ITEM 1.5 SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

| | July 31 2023 $ | April 30 2023 $ | January 31 2023 $ | October 31 2022 $ | July 31 2022 $ | April 30 2022 $ | January 31 2022 $ | October 31 2021 $ |
|---|---|---|---|---|---|---|---|---|
| Total Revenues | 6,815 | 59,514 | - | 18,055 | 653,868 | - | - | 29,900 |
| Net Loss | (525,669) | (763,911) | (622,326) | (363,889) | (381,101) | (761,448) | (2,051,366) | (300,347) |
| Loss per Share | (0.00) | (0.00) | (0.00) | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 |
| Cash | 308,847 | 907,859 | 144,117 | 421,519 | 1,126,071 | 1,342,522 | 144,625 | 778,006 |
| Total Assets | 1,102,838 | 1,395,354 | 778,005 | 1,290,709 | 1,957,324 | 2,026,285 | 674,853 | 1,287,464 |
| Long Term Debt | 195,980 | 200,894 | 112,352 | 91,139 | 176,972 | 274,509 | 385,020 | 468,770 |

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

## ITEM 1.6 LIQUIDITY

During the period ended July 31, 2023, the Company incurred a net loss after taxes of $1,911,907 (2022: $3,193,915) and at July 31, 2023, had an accumulated deficit of $43,269,475 (2022: $41,357,568) and working capital of $361,966 (2022: $407,448).

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 $1,515,555 for the year ended July 31, 2023 compared to $1,804,338 in the period ended July 31, 2022, mainly due to more operating expenses incurred during the year 2022.

Financing Activities
Cash flow used for financing activities during the year ended July 31, 2023 was $1,394,033 (2022: $2,162,942), representing net borrowings of $1,341,533 (2022: net payment of $238,292) and cash proceeds from options and warrants exercise of $52,500 (2022: $2,401,234).

Investing Activities
During the year ended July 31, 2023 and 2022, there is no investing activities for the purchase of equipment.

## ITEM 1.7 CAPITAL RESOURCES

**Working Capital**

| | As At July 31, 2023 | As At October 31, 2022 |
|---|---|---|
| Current assets | $ 1,091,279 | $ 1,271,984 |
| Current liabilities | 729,313 | 741,152 |
| Working capital (deficiency) | $ 361,966 | $ 407,446 |

During the period ended July 31, 2023, working capital increased by $45,481 mainly due to cash provided in financing activities in 2023.

**Cash Flow**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Cash used in operating activities | | (1,515,555) | | (1,804,338) |
| | | | | |
| Cash provided by financing activities | | 1,394,033 | | 2,162,942 |
| | | | | |
| Increase in cash and cash equivalents | | (121,522) | | 358,604 |
| Effect of exchange rate fluctuations | | 8,850 | | (10,539) |
| Cash and cash equivalents, beginning of period | | 421,519 | | 778,006 |
| Cash and cash equivalents, end of period | $ | 308,847 | $ | 1,126,071 |

As at July 31, 2023, the Company's cash position was $308,847 compared to $1,126,071 at July 31, 2022 period end.

**Share Capital**

Authorized: Unlimited common shares without par value.

Issued: As of July 31, 2023, 252,223,526 (2022: 251,731,526) common shares were issued and outstanding.

**Exercise of Options and Warrants**

During the period ended July 31, 2023, 380,000 shares were issued for the exercise of options for proceeds of $52,500. The $8,901 value of options 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, 2021 | 17,964,920 | $ | 0.26 | 0.41 |
| Warrants exercised | (14,008,960) | $ | 0.16 | - |
| Warrants expired | (3,955,960) | $ | 0.60 | - |
| Balance at October 31, 2022 | - | $ | - | - |
| Broker warrants granted | 125,000 | $ | 0.15 | 2.72 |
| Warrants granted exercisable on or before April 21, 2023 | 100,000 | $ | 0.15 | 2.73 |
| Balance at July 31, 2023 | 225,000 | $ | 0.15 | 2.72 |

**Stock Options**

At July 31, 2023, the stock options outstanding and exercisable were as follows:

| Expiry Date | Exercise Price | Number of Options Exercisable as at October 31, 2022 | Granted During the Year | Exercised During the Year | Expired/ Cancelled During the Year | Number of Options as at July 31, 2023 | Number of Options Exercisable as at July 31, 2023 |
|---|---|---|---|---|---|---|---|
| June 30, 2023 | $0.17 | 250,000 | - | - | - | 250,000 | 250,000 |
| November 1, 2023 | $0.13 | - | 250,000 | (180,000) | - | 70,000 | 70,000 |
| June 7, 2024 | $0.52 | 300,000 | - | - | - | 300,000 | 300,000 |
| June 30, 2024 | $0.15 | - | 250,000 | - | - | 250,000 | 250,000 |
| January 1, 2025 | $0.17 | 4,150,000 | - | - | - | 4,150,000 | 4,150,000 |
| June 26, 2025 | $0.16 | 3,300,000 | - | - | - | 3,300,000 | 3,300,000 |
| February 1, 2026 | $0.38 | 200,000 | - | - | - | 200,000 | 200,000 |
| January 1, 2026 | $0.15 | - | 200,000 | (200,000) | - | - | - |
| September 21, 2026 | $0.20 | 300,000 | - | - | - | 300,000 | 300,000 |
| January 1, 2027 | $0.17 | 500,000 | - | - | - | 500,000 | 500,000 |
| November 20, 2027 | $0.15 | 1,150,000 | - | - | - | 1,150,000 | 1,150,000 |
| February 26, 2029 | $0.12 | 500,000 | - | - | - | 500,000 | 500,000 |
| January 21, 2030 | $0.45 | 5,430,000 | - | - | - | 5,430,000 | 5,430,000 |
| April 1, 2031 | $0.45 | 750,000 | - | - | - | 750,000 | 750,000 |
| January 1, 2032 | $0.17 | 3,750,000 | - | - | - | 3,750,000 | 3,750,000 |
| July 19, 2032 | $0.20 | 700,000 | - | - | - | 700,000 | 700,000 |
| | | 21,280,000 | 700,000 | 380,000) | - | 21,600,000 | 21,600,000 |
| Weighted average exercised price | | | $ 0.14 | $ 0.14 | - | $ 0.25 | $ 0.25 |

The weighted average contractual life remaining of all stock options as at July 31, 2023 is 4.45 years (2022: 5.23 years).

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

| | 2023 | 2022 |
|---|---|---|
| Risk-free interest rate | 3.92% to 4.07% | 0.91% to 3.13% |
| Dividend yield | 0% | 0% |
| Volatility | 92.15% to 94.24% | 94.04% to 102.60% |
| Expected life | 1-1.5 years | 1-5 years |
| Share price of grant date | $0.11 to $0.13 | $0.20 |

For the period ended July 31, 2023, share-based compensation in the amount of $30,502 (2022 - $1,464,972) 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.

Expected life of stock options

When the Company grants 10-year options, management estimates that the period of time from the date of grant to the date of exercise is five years. Pursuant to IFRS 2 Share-based Payment, the effects of an expected early exercise can be accounted for by using an estimate of the option's expected life as an input into the option pricing model. Accordingly, for 10-year options, an expected life of five years is used as an input when estimating fair value.

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:

| | **September 29, 2023** | **July 31, 2023** | **October 31, 2022** |
|---|---|---|---|
| Common Shares | 252,223,526 | 252,223,526 | 251,731,526 |
| Stock Options | 21,600,000 | 21,600,000 | 21,280,000 |
| Warrants | 225,000 | 225,000 | - |
| Fully Diluted Shares | 274,048,526 | 274,048,526 | 273,011,526 |

For additional details of outstanding share capital, refer to the audited consolidated financial statements for the year ended July 31, 2023.

## 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.

| | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Management fees (a) | 135,477 | 122,573 |
| Accounting fees (b) | 110,880 | 110,880 |
| Salaries (e) | 94,248 | 94,248 |
| Bonuses | - | 118,000 |
| Share-based payments (d) | - | 786,669 |
| Total | 340,605 | 1,232,370 |

(a) For the period ended July 31, 2023, $135,477 (2022: $122,573) in management fees and $nil (2022: $44,000) in bonus were paid/incurred to a company controlled by Howard Verrico, for acting as CEO, secretary and director. See below.

(b) For the period ended July 31, 2023, $110,880 (2022: $110,880) in accounting fees and $nil (2022: $39,000) were paid/incurred to Christopher Hopton for acting as CFO. See below.

(c) For the period ended July 31, 2023, $94,248 (2022: $94,248) in salary and $nil (2022: $35,000) were paid to the VP, Operations.

(d) For the period ended July 31, 2023, nil (2022: 4,500,000) stock options were granted to management and directors and $nil (2022: $680,892) of share-based payments expense was recorded.

As at July 31, 2023, included in trade and other payables for expense reimbursements was $nil (2022: $nil) payable to the Company's CEO, $3,119 (2022: $1,459) payable to the Company's CFO and $700 (2022: $1,276) payable to the VP of operations.

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 amended on July 2022, Howard currently receives $15,053 (plus GST) per month an increase from $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 Nine months ended July 31, 2023 and 2022 are as follows:

| | | Nine Months Ended July 31, 2023 | | Nine Months Ended July 31, 2022 |
|---|---|---|---|---|
| **Revenue** (Note 12) | $ | 66,329 | $ | 653,868 |
| **Expenses** | | | | |
| Accounting and audit fees (Note 16) | | 212,480 | | 244,869 |
| Consulting fees | | 57,530 | | 261,489 |
| Depreciations | | 7,166 | | 6,902 |
| Exchange (gain)/loss | | 2,250 | | (6,256) |
| Filing fees and transfer agent fees | | 44,213 | | 30,034 |
| Investor relations | | 45,224 | | 83,549 |

| | | |
|---|---|---|
| Legal fees | 114,700 | 114,956 |
| Management fees and bonus (Note 16) | 143,463 | 240,573 |
| Office and administration | 211,300 | 170,658 |
| Rental expenses | 27,460 | 26,882 |
| Research expenses (net) | 885,467 | 1,064,566 |
| Share-based payments (Note 16) | 30,502 | 1,464,972 |
| Travel and entertainment | 9,199 | 7,589 |
| Wages, salaries and benefits (Note 16) | 112,083 | 110,543 |
| | (1,836,708) | (3,167,458) |
| **Other income/(expenses)** | | |
| Other income | 2,871 | 4,881 |
| Finance expense (Notes 10, 11) | (80,079) | (26,236) |
| | (77,208) | (21,355) |
| **Loss for the period before income taxes** | (1,913,916) | (3,188,813) |
| Income taxes recovery (expense) | 2,009 | (5,102) |
| **Net loss for the period** | (1,911,907) | (3,193,915) |
| **Other comprehensive income (loss) for the period** | | |
| Foreign currency translation | (31,159) | (199,561) |
| **Comprehensive loss for the period** | $ (1,943,066) | $ (3,393,476) |
| **Loss per share** - basic and diluted | (0.01) | $ (0.01) |
| **Weighted average number of common shares outstanding** - basic and diluted | 252,004,229 | 242,714,863 |

The loss in the period ended July 31, 2023 was $1,911,907 compared to $3,193,915 in fiscal 2022. This $1,282,008 decrease in net loss was driven primarily by a decrease in bonus, research expenses and share-based payments in the period ended July 31, 2023.

A breakdown of material components of expensed research and development costs for the years ended July 31, 2023 and 2022 as follows:

| | Nine Months Ended July 31, 2023 | Nine Months Ended July 31, 2022 |
|---|---|---|
| Wages and social charges | $ 721,867 | $ 751,583 |
| Patent costs | 4,455 | 42,835 |
| Sub-contracting | 93,963 | 267,732 |

| | | | | |
|---|---|---|---|---|
| Small equipment | | 165,943 | | 129,599 |
| Rental costs | | 108,990 | | 104,939 |
| Maintenance and repairs | | 48,491 | | 39,741 |
| Fees | | 59,905 | | 42,074 |
| Tax credit for R&D expenses | | (318,149) | | (313,938) |
| **Total** | **$** | **885,467** | **$** | **1,064,566** |

## ITEM 1.11 SUBSEQUENT EVENTS

None.

## 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 July 31, 2023.

## 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 consolidated 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.

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

<u>Classification</u>
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.

Derecognition

*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 July 31, 2023 and October 31, 2022:

| | Categories | July 31, 2023<br>$ | October 31, 2022<br>$ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | Amortized cost | 308,847 | 421,519 |
| Trade and other receivables | Amortized cost | 42,521 | 54,115 |
| **Financial liabilities** | | | |
| Trade and other payables | Amortized cost | 630,121 | 490,852 |
| Long-term debt | Amortized cost | 279,577 | 428,805 |
| Lease obligation | Amortized cost | 15,594 | 41,426 |
| Convertible debentures | Amortized cost | 1,364,626 | - |

**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 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 $5,800 increase or decrease in accumulated other comprehensive income, based on amounts held at year end.

(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 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 $308,847 at July 31, 2023 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 | 630,121 | 630,121 | - | - | - | - |
| Long-term debt | 279,577 | 83,598 | 195,980 | - | - | - |
| Lease obligation | 15,594 | 15,594 | - | - | - | - |
| Convertible debenture | 1,364,626 | - | - | 1,364,626 | - | - |
| | 2,289,918 | 729,313 | 195,980 | 1,364,626 | - | - |

## ITEM 1.15 OTHER

**Management's Responsibility for Financial Statements**

The information provided in this MD&A, including the consolidated financial statements for the periods ended July 31, 2023, 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 July 31, 2023 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 July 31, 2023 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.