Management Discussion and Analysis

(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.
(formerly Buffalo Capital Inc.)

Year ended December 31, 2017

BACKGROUND

This Management's Discussion and Analysis ("**MD&A**") of Waverley Pharma Inc. ("**Waverley**" or the "**Company**" - formerly Buffalo Capital Inc.) is dated April 26, 2018 and provides an analysis of the Company's operations for the year ended December 31, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars unless otherwise specified. The audited consolidated financial statements are available on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com under the Company's profile. The common shares of the Company are listed on the TSX Venture Exchange (the "**Exchange**" or the "**TSX-V**") under the symbol "WAVE".

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements or information (collectively – forward-looking statements). The Company is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: lack of operating history; regulatory risks; substantial capital and liquidity requirements; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; conflicts of interest of management; exposure to potential litigation, and other factors beyond the control of the Company.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risks and Uncertainties".

CORPORATION OVERVIEW

The Company was incorporated pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016. The Company is domiciled and incorporated in Canada and as of October 27, 2017, its Common Shares are listed on Tier 2 of the TSX Venture Exchange under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

On October 24, 2017, Buffalo Capital Inc. ("**Buffalo**") completed a Qualifying Transaction ("**QT**") by entering into a non-arm's length business combination transaction by way of amalgamation (the "**Amalgamation**") with Waverley Pharma Inc. ("**Old Waverley**") pursuant to the CBCA to continue as a new company, Waverley Pharma Inc. (the "**Resulting Issuer**").

The Company is a specialty pharma company that is dedicated to the development and commercialization of safe, effective and affordable oncology drugs. The Company is currently in the research and development stage and its planned principal commercial operations have not commenced. Accordingly, no revenue has been derived to date. The Corporation's fiscal year end is December 31st.

OVERALL PERFORMANCE

The Company recorded a net loss of $2,357,540 ($0.06 per Common Share) for the year ended December 31, 2017 compared to a net loss of $1,078 ($0.00 per Common Share) for the year ended December 31, 2016. Factors contributing to the increased net loss of $2,356,462 during the year ended December 31, 2017 compared to the prior year are mainly the result of the listing cost expense of $2,173,296 incurred by the Company as the result of QT and increases in general and administrative expenses of $152,650 and research and development expenses of $30,417 as a result of the Company commencing activities relating to its product development.

The Company incurred general and administrative expenses of $152,815 during the year ended December 31, 2017 compared to $165 for the year ended December 31, 2016. As a result of completion of the QT, the Company began its operations during the year ended December 31, 2017 and as a result incurred increased administrative fees and professional fees. Other increases in general and administrative costs were the result of the Company hiring its first employee and compensation for its contracted Chief Executive Office ("**CEO**"). Additionally, the Company incurred stock-based compensation expense relating to the issuance of 1,000,000 options to certain directors and a consultant of the Company.

The Company incurred research and development expenses of $31,330 during the year ended December 31, 2017 compared to $913 during the year December 31, 2016. As a result of completion of the QT, the Company began its operations during the year ended December 31, 2017 and its development activities during the year included payments to regulatory authorities associated with the filing of drug formulation dossiers relating to the Company's current drug development programs.

The Company incurred listing costs expenses of $2,173,296 during the year ended December 31, 2017 compared to nil during the year ended December 31, 2016. The listing cost expense was incurred as a result of the Company's QT. Consideration paid of $7,378,617 was the result of 14,000,000 Resulting Issuer Shares issued to the shareholders of Buffalo with a deemed price of $0.50 per share, $134,520 representing the fair value of 300,000 stock options granted by Buffalo prior to the QT (the "**Buffalo Options**") which converted into 300,000 options of the Resulting Issuer ("**Resulting Issuer Options**") at a 1:1 exchange ratio, and $244,097 representing the fair value of 970,000 warrants previously granted by Buffalo prior to the QT (the "**Buffalo Warrants**") which converted into 970,000 warrants of the Resulting Issuer (the "**Resulting Issuer Warrants**") at a 1:1 exchange ratio. The value of the net assets of Buffalo acquired by Waverley included cash of $309,460 and amounts receivable of $5,500,000 offset by accounts payable and accrued liabilities of $593,217. The listing costs also included $10,922 of professional fees attributable to the QT.

OVERALL PERFORMANCE (continued)

The following tables provide an overview of the financial results for the year ended December 31, 2017 compared to the year ended December 31, 2016:

For the year ended December 31	**2017**	2016	Change
Revenue	**$ -**	$ -	$ -
General and administration	**(152,815)**	(165)	(152,650)
Research and development	**(31,330)**	(913)	(30,417)
Listing costs	**(2,173,296)**	-	(2,173,296)
Finance income, net	**8,813**	-	8,813
Foreign exchange loss	**(8,912)**	-	(8,912)
Net loss	**$ (2,357,540)**	$ (1,078)	$ (2,356,462)
Translation adjustment	**(468)**	-	(468)
Net loss and comprehensive loss	**$ (2,358,008)**	$ (1,078)	$ (2,356,930)

GENERAL AND ADMINISTRATION

For the year ended December 31	**2017**	2016	Change
Administrative and other	**$ 23,549**	$ 165	$ 23,384
Professional and consulting fees	**47,860**	-	47,860
Salaries, wages & benefits	**33,662**	-	33,662
Stock-based compensation	**47,744**	-	47,744
Total, general and administration	**$ 152,815**	$ 165	$ 152,650

General and administrative costs during the year ended December 31, 2017 were $152,815 compared to $165 for the year ended December 31, 2016, an increase of $152,650. Significant differences during the year ended December 31, 2017 compared to the year ended December 31, 2016 are as follows:

- Administrative and other expense was $23,549 for the year ended December 31, 2017 (2016 - $165). The increase of $23,384 was the result of the Company's commencement of operations during the year ended December 31, 2017 and includes expenditures related to the Company's transfer agent, insurance and rent.
- Professional and consulting fees were $47,860 for the year ended December 31, 2017 (2016 – nil). The costs incurred during the year ended December 31, 2017 were the result of fees incurred by the Company in preparation of the QT completed October 24, 2017.
- Salaries, wages & benefits were $33,662 for the year ended December 31, 2017 (2016 – nil). The costs incurred during the year were the result of the Company's commencement of operations during the year ended December 31, 2017 and hiring its first employee and incurring costs related to payment of contracted CEO services.
- Stock-based compensation was $47,744 for the year ended December 31, 2017 (2016 – nil). The cost incurred during the year represents the fair value of the service expense of 1,000,000 Options issued to directors and a consultant of the Company which will vest in tranches over three years.

RESEARCH AND DEVELOPMENT

For the year ended December 31		**2017**		2016		Change
Licensing fees	**$**	**31,330**	$	-	$	31,330
Professional fees		**-**		913		(913)
Total, research and development	**$**	**31,330**	$	913	$	30,417

Research and development costs for the year ended December 31, 2017 were $31,330 compared to $913 during the year ended December 31, 2016. The increase of $30,417 was the result of the Company commencing its operations during the year ended December 31, 2017 and its development activities during the year included payments to regulatory authorities associated with the filing of drug formulation dossiers relating to the Company's current drug development programs.

INTANGIBLE ASSETS

As at December 31		**2017**		2016		Change
Licenses	**$**	**1,756,300**	$	-	$	1,756,300
Total, intangible assets	**$**	**1,756,300**	$	-	$	1,756,300

On August 30, 2017 the Company acquired exclusive licenses to two generic cancer drugs from Reliance Life Sciences Private Limited ("**RLS**" or the "**Licensor**"), in the United States of America and territories, Canada and Europe (excluding the United Kingdom where a non-exclusive license was acquired). An up-front payment of US$20,000 was made upon signing of the term sheet on July 5, 2017 and a US$180,000 payment was made upon signing of the definitive documentation on August 30, 2017. Additional payments of US$1,200,000 are payable upon certain development and approval based milestones being met. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. As the intangible assets relate to products under development, they are not currently available for use and as such, no amortization has been recorded for the year ended December 31, 2017.

DISCUSSION OF OPERATIONS

The Company has successfully raised funding through its Concurrent Financing (as defined below) of 11,000,000 Common Shares at $0.50 per Common Share providing gross proceeds to the Company of $5,500,000. This Concurrent Financing has provided the Company with the necessary capital to advance its research and development programs as well as the required working capital for its general and administrative expenses.

Subsequent to December 31, 2017, on April 17, 2018, the Company announced that its wholly-owned Irish subsidiary, Waverley Pharma Europe Limited had submitted its second marketing authorization application in select European Union countries through the European Union's De-Centralized Procedure for an anti-cancer generic drug.

Subsequent to December 31, 2017, on March 12, 2018, the Company announced that its wholly-owned Irish subsidiary, Waverley Pharma Europe Limited had submitted a marketing authorization application in select European Union countries through the European Union's De-Centralized Procedure for an anti-cancer generic drug.

On October 24, 2017, the Company completed its QT with Old Waverley. Pursuant to the QT, the Company and Old Waverley completed a non-arm's length business combination transaction by way of amalgamation (the "**Amalgamation**") pursuant to the CBCA to continue as a new company, Waverley Pharma Inc. (the "**Resulting Issuer**"). Each common share in the capital of Buffalo (the "**Buffalo Shares**") that was outstanding immediately prior to the Amalgamation (other than Buffalo Shares held by shareholders of Buffalo who exercised their dissent rights) was converted into one (1) issued and fully paid and non-assessable common share in the share capital of the Resulting Issuer (a "**Resulting Issuer Share**") at a deemed price of $0.50 per Resulting Issuer Share (the "**Buffalo Exchange Ratio**"). Each Class "A" common share in the capital of Old Waverley (an "**Old Waverley Share**") that was outstanding immediately prior to the Amalgamation (other than Old Waverley Shares held by shareholders of Old Waverley who exercised their dissent rights) was converted into 400,000 issued and fully paid and non-assessable Resulting Issuer Shares at a deemed price of $0.50 per Resulting Issuer Share (the "**Waverley Exchange Ratio**"). As a result of the QT, immediately after the Amalgamation, the former holders of Buffalo Shares held, in the aggregate, 14,000,000

Resulting Issuer Shares representing 25.9% of the outstanding Resulting Issuer Shares and the former holder of Old Waverley Shares held, in the aggregate, 40,000,000 Resulting Issuer Shares representing approximately 74.1% of the outstanding Resulting Issuer Shares.

A condition to the completion of the Amalgamation was that Buffalo complete a financing for gross proceeds of up to $5,000,000. Immediately prior to the completion of the Amalgamation, Buffalo completed a brokered private placement of 11,000,000 Buffalo Shares at an issue price of $0.50 per share for aggregate gross proceeds of $5,500,000 (the "**Concurrent Financing**") and representing an oversubscription of 1,000,000 Buffalo Shares (10%) over the amount that had previously been announced. PI Financial Corp ("**PI**") acted as lead agent in connection with the Concurrent Financing and was paid a cash commission of 7% of the gross proceeds of the Concurrent Financing, as well as receiving 770,000 warrants (the "**Agents' Warrants**") which shall entitle PI to acquire one (1) Resulting Issuer Share for each warrant at a price of $0.50 for a period of 24 months following the completion of the Amalgamation.

On August 30, 2017, the Company, through its wholly owned Barbadian subsidiary, Waverley Pharma International Inc. ("**WPII**") and RLS entered into a definitive license, manufacture and supply agreement (the "**Agreement**"), based on the previously agreed to binding term sheet the parties entered into on July 7, 2017. The Agreement grants the Company exclusive licenses to two generic cancer drugs, in the United States of America and its territories, Canada and Europe, excluding the United Kingdom, where a non-exclusive license was acquired. An up-front payment of US$20,000 was made upon the signing of the term sheet, and a US$180,000 payment was made upon signing of the definitive documentation on August 30, 2017. Additional payments of US$1,200,000 are due and payable upon certain development and approval based milestones being met. Additionally, under the Agreement, WPII will purchase inventory and pay a royalty of 7.5% of its net sales from these two products.

PRODUCT DEVELOPMENT

The Company's initial research project was the development of a novel PARP-1 inhibitor for cancer treatment. In an effort to augment the product pipeline and vastly reduce the time to revenue and profitability, the Company's current focus is on the generic oncology injectable market in the European Union and North America.

The Company commenced filing applications in certain member states of the European Union in late-2017 and has continued to file and incur related costs thus far in 2018 for the approval of its two generic oncology products, WAV-101 and WAV-102. The Company intends to commence filing in North America in 2018 for the same products. The Company is committed to providing patients with affordable prescription medicines that lower healthcare costs and provide a better quality of life.

Increasing incidences of cancer, patent expiry of a number of blockbuster oncology drugs and the high cost of cancer treatment, has led to a robust growth in the market for generic oncology drugs. In addition to their strong growth, these drugs also enjoy high product differentiation and entry barriers. As a result, competitive intensity in the injectable oncology segment is also relatively low. This has enabled manufacturers to enjoy higher pricing power and margins compared to commoditized generics.

WAV-101 is an injectable generic chemotherapy drug, developed for the treatment of non-small cell lung cancer and pleural mesothelioma. Currently the brand generates yearly revenue of over USD $1 billion.

WAV-102 is also an injectable generic chemotherapy drug, developed for the treatment of multiple myeloma and mantle cell lymphoma. Currently the brand generates yearly revenue of over USD $800 million.

As the drug substance and drug product patents for the branded version of these two drugs near expiry, several generics are expected to compete in these therapeutic segments.

Through its extensive contacts and marketing relationships, the Company plans to commercialize WAV-101 and WAV-102. In addition to its presence in Canada, Waverley has a wholly owned subsidiary in Barbados, and a subsidiary in Ireland to help navigate the regulatory process and realize commercial potential of Waverley's innovative products in the region.

HISTORIC USE OF PROCEEDS

Concurrent to the completion of the Company's qualifying transaction ("**QT**"), the Company completed a brokered private placement of 11,000,000 Buffalo Shares at an issue price of $0.50 per share for aggregate gross proceeds of $5,500,000 (the "**Concurrent Financing**") and representing an oversubscription of 1,000,000 Buffalo Shares (10%) over the amount of the Concurrent Financing that had previously been announced. Upon completion of the QT, these 11,000,000 Buffalo Shares were converted into 11,000,000 Resulting Issuer shares. PI Financial Corp ("**PI**") acted as lead agent in connection with the Concurrent Financing and was paid a cash commission of 7% of the gross proceeds of the Concurrent Financing, as well as receiving 770,000 warrants (converted into Resulting Issuer Warrants upon the Amalgamation; the "**Agents' Warrants**") which shall entitle PI to acquire one Resulting Issuer Share for each warrant at a price of $0.50 for a period of 24 months following the completion of the Amalgamation.

The following table sets out a comparison of the stated use of proceeds for the Concurrent Financing and how the Company actually used the proceeds from the Concurrent Financing.

Intended Use of Proceeds	Actual Use of Proceeds
To fund development costs associated with the Company's two generic drugs and for working capital and general corporate purposes.	The proceeds have been used as intended, to further the Company's Product development activities while meeting the Company's general administrative requirements. As at December 31, 2017, the Company had not fully-expended the funds raised in the Concurrent Financing

SUMMARY OF QUARTERLY RESULTS

The Company has not earned revenue as of April 26, 2018.

The following table sets forth selected unaudited consolidated financial information for the periods indicated. Other selected financial information provided below is derived from the Company's unaudited quarterly condensed consolidated interim financial statements in the 2017 and 2016 year ends for each of the last eight quarters. These historic results may not be indicative of the Company's future performance.

	Three months ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenue	$ -	$ -	$ -	$ -
General and administration	**(123,928)**	(13,694)	(15,063)	(130)
Research and development	**(31,330)**	-	-	-
Listing costs	**(2,173,296)**	-	-	-
Finance income (expense), net	**8,930**	(47)	(70)	-
Foreign exchange gain (loss)	**(16,382)**	7,303	167	-
Net loss	**(2,336,006)**	(6,438)	(14,966)	(130)
Other comprehensive income (loss)	**(2,354)**	1,886	-	-
Basic loss per share	**(0.05)**	(0.00)(*)	(0.00)(*)	(0.00)(*)
Diluted loss per share	**(0.05)**	(0.00)(*)	(0.00)(*)	(0.00)(*)

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue	$ -	$ -	$ -	$ -
General and administration	-	(165)	-	-
Research and development	-	(913)	-	-
Listing costs	-	-	-	-
Finance expense, net	-	-	-	-
Foreign exchange gain	-	-	-	-
Net loss	-	(1,078)	-	-
Other comprehensive loss	-	-	-	-
Basic loss per share	-(*)	(0.00)(*)	-(*)	-(*)
Diluted loss per share	-(*)	(0.00)(*)	-(*)	-(*)

(*) Basic and diluted earnings per share restated to reflect Waverley Exchange Ratio of 400,000 Resulting Issuer shares for each previously held share in Old Waverley.

Variations in the Company's net losses and expenses for the periods above resulted primarily from the following factors:

- Revenue: The Company has not earned revenue to date as it is in the pre-revenue research and development stage.
- General and administrative: Subsequent to the completion of the Company's QT and Concurrent Financing, in Q4 2017 the Company commenced operations and has since incurred costs related to administrative expenses, professional and consulting fees, staffing and stock-based compensation expense relating to Options issued to directors and a consultant.
- Research and development: Subsequent to the completion of the Company's QT and Concurrent Financing, in Q4 2017 the Company commenced operations and incurred fees relating to the filing of drug formulation dossiers related to the Company's current drug development programs.
- Listing costs: Incurred during the Q4 2017 were directly associated with the QT completed October 24, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. The consolidated financial statements do not include any adjustments to assets or liabilities should the Company be unable to continue in existence.

Sources and Uses of Cash

As at December 31, 2017, the Company had cash resources of $4,856,242 compared to $100 as at December 31, 2016. As at December 31, 2017 the Company had working capital of $4,241,304 compared to negative working capital of $11,624 at December 31, 2016. This increase in cash and cash equivalents is a result of the Concurrent Financing completed during the year ended December 31, 2017.

For the year ended December 31	**2017**	2016
Cash used in operating activities	**(116,141)**	-
Cash provided by investing activities	**309,460**	-
Cash provided by financing activities	**4,662,823**	-
Net increase in cash and cash equivalents	**4,856,142**	-

Cash used in operating activities for year ended December 31, 2017 was $116,141 compared to nil for the year ended December 31, 2016, an increase of $116,141. The increase in cash used in operating activities from the prior year is the result of a net loss incurred by the Company of $2,357,540, unrealized foreign exchange gain of $7,408, and working capital adjustments of $28,226 and $17,100 to amounts receivable and prepaid expenses and other current assets, respectively, offset by an adjustment for stock-based compensation totaling $47,744, non-cash listing costs of $2,162,374 and a working capital adjustment to accounts payable and accrued liabilities totaling $84,015. Cash flows provided by operations during the year ended December 31, 2016 of nil were the result of a net loss of $1,078 offset by a working capital adjustment to accounts payable and accrued liabilities of $1,078.

Cash provided by investing activities for the year ended December 31, 2017 was $309,460 compared to nil for the year ended December 31, 2016, an increase of $309,460 from the prior year. The increase in cash flows provided by investing activities was the result of cash assumed in Waverley's acquisition of Buffalo pursuant to the Company's QT.

Cash provided by financing activities for the year ended December 31, 2017 was $4,662,823 compared to nil for the year ended December 31, 2016, an increase of $4,662,823 from the prior year. The increase in cash flows provided by financing activities was the result of consideration received for Old Waverley's acquisition of Buffalo totaling $4,906,783 offset by $243,960 of milestone payments made to the Licensor upon the occurrence of the achievement of specific activities relating to the Company's drug development.

Funding requirements

As the Company does not currently earn revenue, it is required to finance its operating expenditures and capital costs. Operational activities during the year ended December 31, 2017 were financed by the proceeds from the Concurrent Financing.

The Company will consider investments through public or private financings. The Company's development programs are modular and can be scaled to accommodate the Company's financing strategy and timing.

Working Capital

The Company had working capital of $4,241,304 at December 31, 2017, compared to negative working capital of $11,624 at December 31, 2016. The increase in working capital of $4,252,928 was a result of increases in cash of $4,856,142, amounts receivable of $28,226, prepaid expenses and other current assets of $17,100 offset by increases in accounts payable of $178,102 and current portion of license fee payable of $470,438.

CONTRACTUAL OBLIGATIONS

On August 30, 2017 the Company acquired exclusive licenses to two generic cancer drugs from RLS, in the United States of America and territories, Canada and Europe (excluding the United Kingdom where a non-exclusive license was acquired). An up-front payment of US$20,000 was made upon signing of the term sheet on July 5, 2017 and a US$180,000 payment was made upon signing of the definitive documentation on August 30, 2017. Additional payments of US$1,200,000 are payable upon certain development and approval based milestones being met. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. As the intangible assets relate to products under development, they are not currently available for use and as such, no amortization has been recorded for the year ended December 31, 2017.

LIQUIDITY RISK

The Company manages liquidity risk through maintaining sufficient cash to finance its operations and seeking financing from existing shareholders and outside investors as required. The Company may have a working capital deficiency in the next twelve months if it is unable to raise enough cash to finance its planned business operations. If the Company does have a working capital deficiency, it may not be able to pay continuing obligations as they become due such as the lease payments in *"Contractual Obligations"* above. The Company intends to satisfy its continuing operating expenditures through existing cash on hand and under future equity offerings. Using the proceeds from future equity offerings, the Company will work toward the commercialization of its two generic drugs in which it holds a license, and may acquire additional products or licenses or fund additional developments internally. If financing is not available on reasonable terms as a result of external factors, such as disruptions in the capital markets, the Company's liquidity may be affected.

OUTSTANDING SHARE CAPITAL

As of April 26, 2018, 54,000,000 Common Shares were issued and outstanding. Other outstanding securities convertible into Common Shares are summarized in the following table:

	Number Outstanding as of April 26, 2018	Number of Common Shares issuable upon exercise as of April 26, 2018	Number Outstanding as of December 31, 2017
Common shares issued and outstanding[(1)]	54,000,000	54,000,000	54,000,000
Options[(2)(3)]	1,300,000	300,000	1,300,000
Warrants[(4)(5)]	970,000	970,000	970,000

Notes:

(1) On October 24, 2017, pursuant to the Amalgamation, the Company issued 14,000,000 Resulting Issuer Shares to the shareholders of Buffalo at a deemed price of $0.50 per Resulting Issuer Share and 40,000,000 Resulting Issuer Shares to the shareholders of Old Waverley at a deemed price of $0.50 per Resulting Issuer Share.

(2) On October 24, 2017, pursuant to the Amalgamation, 300,000 Buffalo Options to purchase one (1) Buffalo Share were converted into Resulting Issuer Options at a 1:1 exchange ratio entitling the holder to purchase one (1) Resulting Issuer Share per Resulting Issuer Option at an exercise price of $0.20 per Resulting Issuer Share.

(3) On October 24, 2017, the Company granted 1,000,000 Options to certain directors and a consultant of the Company with each Option giving the holder the right to purchase one (1) Resulting Issuer Share at an exercise price of $0.50 per Resulting Issuer Share.

(4) On October 24, 2017, pursuant to the Amalgamation, 200,000 Buffalo Warrants to purchase one (1) Buffalo Share were converted into Resulting Issuer Warrants at a 1:1 exchange ratio entitling the holder to purchase one (1) Resulting Issuer Share per Resulting Issuer Warrant at an exercise price of $0.20 per Resulting Issuer Share.

(5) On October 24, 2017, the Company granted 770,000 Buffalo Warrants as compensation to an agent of the Concurrent Financing to purchase one (1) Buffalo Share per Warrant were converted into Resulting Issuer Warrants at a 1:1 exchange ratio entitling the holder to purchase one (1) Resulting Issuer Share per Resulting Issuer Warrant at an exercise price of $0.50 per Resulting Issuer Share.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors (the "**Board**"), CEO and Chief Financial Officer ("**CFO**") of the Company are key management personnel.

The following table details the compensation paid to key management personnel:

For the year ended December 31		2017		2016
Salaries, fees and short-term benefits	**$**	**20,833**	$	-
Stock-based compensation		**42,970**		-
	$	**63,803**	$	-

During the year ended December 31, 2017, the Company paid CanAm Bioresearch Inc. ("**CanAm**"), a company controlled by a director of the Company a total of $20,833 (2016 – nil) for CEO services.

During the year ended December 31, 2017, the Company paid Genesys Venture Inc. ("**GVI**"), a company controlled by a director of the Company, a total of $1,500 (2016 – nil) for rental of office space. Additionally, GVI paid expenses totaling $130 (2016 - $165) on behalf of the Company.

During the year ended December 31, 2017, the Company received cash advances from GVI Clinical Development Solutions ("**GVI CDS**"), a Company controlled by a director of the Company, totalling $26,125 USD (CDN - $34,915).

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2017, included in accounts payable and accrued liabilities is $2,186 (2016 - $481) payable to GVI, $26,125 USD (CDN - $32,774; 2016 – nil) to GVI CDS and $21,875 (2016 - $11,243) payable to CanAm, which are unsecured, payable on demand and non-interest bearing.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Information about key assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

- Estimates of inputs into the valuation of stock based compensation
- Measurement and period of use of intangible assets
- Estimates of future enacted corporate tax rates

Management has used judgment in its assessment that Buffalo Capital Inc., a capital pool company, did not constitute a business at the time of the completion of a Qualifying Transaction as described in Note 4 to the consolidated financial statements for the year ended December 31, 2017.

The consolidated financial statements for the year ended December 31, 2017, have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on the funding of new investors to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. The condensed consolidated interim financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

OFF BALANCE SHEET ITEMS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has no proposed transactions.

FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments at December 31, 2017 and 2016 consist of the following:

As at December 31		**2017**		2016
Financial Assets				
Cash	**$**	**4,856,242**	$	100
Amounts receivable		**28,226**		-
Financial Liabilities				
Accounts payable and accrued liabilities		**(189,826)**		(11,724)
Current portion of license fee payable		**(470,438)**		-
License fee payable		**(940,875)**		-

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: loans and receivables. The Company has not classified any assets or liabilities as held-to-maturity or as available-for-sale.

The Company has the following non-derivative financial liabilities which are classified as other financial liabilities: accounts payable and accrued liabilities and license fee payable.

All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Costs incurred to obtain financing are deferred and amortized over the term of the associated debt using the effective interest method. Amortization is a non-cash charge to finance expense.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire.

FINANCIAL INSTRUMENTS AND RISKS (continued)

The Company is exposed to United States dollar currency risk through the following United States dollar denominated financial assets and liabilities:

(Expressed in United States dollars)	December 31, 2017	December 31, 2016
Cash	**$ 174,790**	$ -
Amounts receivable	**20,000**	-
Accounts payable and accrued liabilities	**(76,118)**	-
Current portion of license fee payable	**(375,000)**	-
License fee payable	**(750,000)**	-
	$ (1,006,328)	$ -

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its plans could be adversely affected.

Lack of Operating History

The Company has not commenced commercial operations, has no significant assets other than cash, has no history of earnings and shall not generate earnings or pay dividends until at least after approval of the products in its territory;

Substantial Capital Requirements

Substantial additional funds for the establishment of the Company's planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Competition

The health care industry is intensely competitive in all its phases. The Company competes with other companies that have greater financial resources. Competition could adversely affect the Company's ability to acquire suitable prospects in the future.

Financing Risks and Dilution to Shareholders

The Company has limited financial resources, no operations and no revenues. If the Company's business plan is successful, additional funds will be required. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

RISKS AND UNCERTAINTIES (continued)

Price Volatility of Public Stock

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the CBCA in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the CBCA. In accordance with the laws of Canada, the directors and officers of the Company are required to act honestly, in good faith and in the best interest of the Company.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Waverley's expenses are provided in the Company's statement of loss and note disclosures contained in its financial statements for the year ended December 31, 2017. These statements are available on Waverley's SEDAR page accessed through www.sedar.com.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for corporate and Business development activities. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, 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 judgments and have been properly reflected in the accompanying financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Qualifying Transaction

On October 24, 2017, the Company closed the QT involving the Company and Old Waverley. As a result, the Company is listed as a Tier 2 issuer on the Exchange under the symbol "WAVE". In conjunction with the QT, the Company raised $5,500,000 through a brokered private placement led by PI Financial Corp ("**PI**").

Under the agreement, the Company and Old Waverley completed a non-arm's length business combination (the "**Amalgamation**") transaction by way of amalgamation pursuant to the CBCA to continue as a new company, Waverley Pharma Inc. (the "**Resulting Issuer**"). Each common share in the capital of the Buffalo (the "**Buffalo Shares**") that was outstanding immediately prior to the Amalgamation (other than Buffalo Shares held by shareholders of Buffalo (the "**Buffalo Shareholders**") who exercised their dissent rights) was converted into one (1) issued and fully paid and non-assessable common shares in the share capital of the Resulting Issuer (the "**Resulting Issuer Shares**") at a deemed price of $0.50 per Resulting Issuer Share. Each Class "A" common share in the capital of Old Waverley (the "**Old Waverley Shares**") that was outstanding immediately prior to the Amalgamation (other than Waverley Shares held by shareholders of the Company (the "**Old Waverley Shareholders**") who exercised their dissent rights) was converted into 400,000 issued and fully paid and non-assessable Resulting Issuer Shares at a deemed price of $0.50 per Resulting Issuer Share. As a result, the former holders of Buffalo Shares hold, in the aggregate 14,000,000 Resulting Issuer Shares representing approximately 25.9% of the outstanding Resulting Issuer Shares and the former holder of Old Waverley Shares holds, in the aggregate 40,000,000 Resulting Issuer Shares representing approximately 74.1% of the outstanding Resulting Issuer Shares.

Qualifying Transaction (continued)

A condition to the completion of the Amalgamation, was that the Company complete a financing for gross proceeds of up to $5,000,000. Immediately prior to the completion of the Amalgamation, The Company completed a brokered private placement of 11,000,000 Buffalo Shares at an issue price of $0.50 per share for aggregate gross proceeds of $5,500,000 and representing an oversubscription of 1,000,000 Buffalo Shares (10%) over the amount of the Concurrent Financing previously announced. PI was engaged to act as lead agent in connection with the Concurrent Financing and will be paid a cash commission of 7% of the gross proceeds of the Concurrent Financing, as well as receiving 770,000 warrants which shall entitle PI to acquire one Resulting Issuer Share per warrant, at a price of $0.50 for a period of 24 months following the completion of the Amalgamation.

Proceeds of the Concurrent Financing are anticipated to be used for planning, preparation and execution of the Company's regulatory strategy and business development and partnering activities, to pay the costs associated with the Concurrent Financing and for working capital and other corporate purposes.

Concurrent with the completion of the QT, the Resulting Issuer also issued an aggregate of 1,000,000 stock options to certain directors, and a consultant of the Company. The options have an exercise price of $0.50, vest in tranches over a period of three years and expire 10 years from the date of grant.

On October 27, 2017, the Resulting Issuer began trading on the Exchange under the symbol "WAVE". As a result of the foregoing, the Resulting Issuer has an aggregate of 54,000,000 common shares issued and outstanding and 1,300,000 stock options and 970,000 warrants to purchase common shares outstanding.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee intends to meet periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Dated: April 26, 2018