



Management Discussion and Analysis  
(Expressed in Canadian Dollars)

## **WAVERLEY PHARMA INC.**

Year ended December 31, 2018

## BACKGROUND

This Management's Discussion and Analysis ("**MD&A**") of Waverley Pharma Inc. ("**Waverley**" or the "**Company**") is dated April 25, 2019 and provides an analysis of the Company's operations for the year ended December 31, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 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](http://www.sedar.com) under the Company's profile. As of October 27, 2017, the common shares of the Company are listed on Tier 2 of the TSX Venture Exchange (the "**Exchange**" or the "**TSX-V**") 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.

## 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".

Forward looking statements are based on estimates and assumptions made by management in light of their experience of historical trends, current conditions and expected future developments, as well as factors that are believed to be appropriate. Forward looking statements in this MD&A include, but are not limited to, statements relating to:

- the Company's intention to sell and market its oncological products, Capecitabine and Temozolomide in the United Kingdom (the "**UK**");
- the intention, cost, progress and success of the Company's product development program for WAV-101 and WAV-102;
- the timing of and ability to achieve regulatory approval for marketing authorization ("**MA**") of WAV-101 and WAV-102 in the United States and its territories (the "**USA**") and the European Union (the "**EU**") and applicable milestones payable to RLS (as defined below);
- the Company's intention to sell and market WAV-101 and WAV-102 in the USA and the EU;
- the ability to achieve profitability;
- the Company's ability to establish and maintain relations with collaborators with acceptable development, regulatory and commercialization expertise, and the benefits to be derived from such collaborative efforts;
- the implementation of a business model and strategic plans;
- estimates of the size of the potential markets for Capecitabine, Temozolomide, WAV-101 and WAV-102;
- expectations regarding market risk, including changes in interest rate and foreign currency movements;
- estimates of expenses, future revenue, capital requirements and availability of future financing;
- the Company's intentions regarding the protection of the Company's intellectual property;
- the Company's intention to identify, negotiate and complete business development transactions (e.g. the sale, purchase or license of pharmaceutical products or services); and

## FORWARD-LOOKING INFORMATION (continued)

- the Company's business strategy and the expectations that it will not pay dividends for the foreseeable future.

Inherent in forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to predict or control 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 risk factors include, among others, the Company's future product revenues, stage of development, additional capital requirements, risks associated with the completion and timing of clinical trials and obtaining regulatory approval to market the Company's products, the ability to protect its intellectual property, dependence upon collaborative partners, changes in government regulation or regulatory approval processes and rapid technological change in the industry. These factors should be considered carefully and readers are cautioned to not place undue reliance on such forward-looking statements.

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;
- the impact of changes between the Canadian dollar and the US dollar, European Euro, British Pound and other foreign exchange rates on the Company's revenues, costs and results;
- the timing of the receipt of regulatory and government approvals for the Company's product development projects;
- the availability of financing for the Company's commercial operations and/or product development projects, or the availability of financing on reasonable terms;
- results of future clinical trials;
- the uncertainties associated with the acceptance and demand for new products;
- government regulation not imposing requirements that significantly increase expenses or that delay or impede the Company's ability to bring new products to market;
- the Company's ability to attract and retain skilled management and employees;
- the Company's ability, amid circumstances and decisions that are out of the Company's control, to maintain adequate supply of product for commercial sale;
- inaccuracies and deficiencies in the scientific understanding of the interaction and effects of pharmaceutical treatments when administered to humans;
- market competition;
- tax benefits and tax rates; and
- the Company's ongoing relations with its employees and with its business partners.

## COMPANY OVERVIEW

The Company was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016, and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the Exchange. On October 24, 2017, 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 the Company (the "**Resulting Issuer**").

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. Through its subsidiary, Waverley Pharma International Inc. ("**WPIL**"), the Company has entered into a license, manufacture, supply, marketing and distribution agreement with Reliance Life Sciences Inc. ("**RLS**" or the "**Licensor**") by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the UK and Germany as well as a non-exclusive territorial license to market and sell Temozolomide in the UK. Additionally, the Company has acquired exclusive territorial licenses from RLS to two oncologic drugs currently under development, WAV-101 and WAV-102 in the USA, Canada, and the EU, excluding the UK, where a non-exclusive territorial license has been acquired. These products are marketed through its subsidiary, Waverley Pharma Europe Limited ("**WPEL**"). The Company's fiscal year end is December 31st.

#### FOURTH QUARTER

The Company recorded a net loss of \$250,025 (\$0.00 per Common Share) for the three months ended December 31, 2018 compared to a net loss of \$2,328,833 (\$0.05 per Common Share) during the three months ended December 31, 2017. Factors contributing to the decreased net loss of \$2,078,808 during the three months ended December 31, 2018 compared to the same period in the prior year included:

- Listing cost expense of \$2,173,296 was the result of QT incurred by the Company during the three months ended December 31, 2017. Consideration paid of \$7,378,617 was the result of \$7,000,000 representing the fair value of the conversion of 14,000,000 common shares in the capital of Buffalo into 14,000,000 shares of the Resulting Issuer 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.
- Net revenue of \$223,401 for the three months ended December 31, 2018 as a result of the commencement of the sales of Temozolomide and Capecitabine beginning in November 2018, for which there was no comparable activity during the same period in the prior year.
- Decrease in research and development expense of \$14,275, due to greater expenditures during the three months ended December 31, 2017 incurred relating to the development activities of WAV-101 and WAV-102, which is consistent with the decreased expenditures during the same period in the 2018 fiscal year as the product moved through later stages of development.

Offset by:

- Cost of goods sold of \$190,643 for the three months ended December 31, 2018 directly attributable to the revenue recognized in the same period. There was no comparable expense in the prior year.
- Increase in selling, general and administrative expenses of \$157,928 as result of a full quarter of operations compared to a shorter period in the prior year. The Company commenced its commercial operations which resulted in increases in professional fees paid in respect as the result of the Company’s pharmacovigilance and distribution planning activities; salaries, wages and benefits paid to the Company’s Current CEO (as later defined), Former CEO (as later defined) and an employee of the Company. The Company utilized its employee and contracted staff for the entire quarter during the current year, compared to the period subsequent to the QT in the prior year.

The following table provides an overview of the financial results for the three months ended December 31, 2018 compared to the three months ended December 31, 2017:

<i>For the three months ended December 31</i>	<b>2018</b>	2017	Change
Revenue	\$ <b>223,401</b>	\$ -	\$ 223,401
Cost of goods sold	<b>(190,643)</b>	-	(190,643)
Selling, general and administration	<b>(281,689)</b>	(123,761)	(157,928)
Research and development	<b>(17,055)</b>	(31,330)	14,275
Loss recovery under profit sharing arrangement	<b>5,652</b>	-	5,652
Listing costs	-	(2,173,296)	2,173,296
Finance income, net	<b>16,894</b>	8,930	7,964
Foreign exchange loss	<b>(6,585)</b>	(9,376)	2,791
Net loss	\$ <b>(250,025)</b>	\$ (2,328,833)	\$ 2,078,808
Translation adjustment	<b>56,726</b>	(6,275)	63,001
<b>Comprehensive loss</b>	\$ <b>(193,299)</b>	\$ (2,335,108)	\$ 2,141,809

## OVERALL PERFORMANCE

The Company recorded a net loss of \$1,420,708 (\$0.03 per Common Share) for the year ended December 31, 2018 compared to a net loss of \$2,357,540 (\$0.06 per Common Share) during the year ended December 31, 2017. Factors contributing to the decreased net loss of \$936,832 during the year ended December 31, 2018 compared to the prior year included:

- Listing cost expense of \$2,173,296 was the result of QT incurred by the Company during the year ended December 31, 2017. Consideration paid of \$7,378,617 was the result of \$7,000,000 representing the fair value of the conversion of 14,000,000 common shares in the capital of Buffalo into 14,000,000 shares of the Resulting Issuer with a deemed price of \$0.50 per share, \$134,520 representing the fair value of 300,000 Buffalo Options which converted into 300,000 Resulting Issuer Options at a 1:1 exchange ratio, and \$244,097 representing the fair value of 970,000 Buffalo Warrants which converted into 970,000 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.
- Net revenue of \$223,401 for the year ended December 2018 as a result of the commencement of the sales of Temozolomide and Capecitabine beginning in November 2018, for which there was no comparable activity during the prior year.
- Increase in finance income of \$56,942 attributable to cash from the proceeds of the QT, which was held by the Company for the entire year ended December 31, 2018 compared to a portion of the year ended December 31, 2017.

Offset by:

- Cost of goods sold of \$190,643 for the year ended December 31, 2018 directly attributable to the revenue recognized in the same period. There was no comparable expense in the prior year.
- Increase in selling, general and administrative expenses as a result of \$639,768 due to business administration costs incurred as a result of a whole year of operations in 2018 compared to operations limited to Q4 in 2017. Significant variances include increased professional fees due to various engagements entered into by the Company relating to pharmacovigilance and development of the commercial operations; salaries and wages paid for an entire year of operations, compared to only a portion of 2017 when the Company had its sole employee and contracted management; selling expenses relating to third party logistics and commissions; and stock-based compensation from additional stock options (“Options”) issued during the 2018 year as well as options previously issued in which service expense was incurred during 2017.
- Increase in research and development expenses of \$693,558 due to fees paid to various agencies in the EU and USA as it seeks approval for Company’s products under development, WAV-101 and WAV-102.

The following table provides an overview of the financial results for the year ended December 31, 2018 compared to the year ended December 31, 2017:

<i>For the year ended December 31</i>	<b>2018</b>	2017	Change
Revenue	\$ <b>223,401</b>	\$ -	\$ 223,401
Cost of goods sold	<b>(190,643)</b>	-	(190,643)
Selling, general and administration	<b>(792,583)</b>	(152,815)	(639,768)
Research and development	<b>(724,888)</b>	(31,330)	(693,558)
Loss recovery under profit sharing arrangement	<b>5,652</b>	-	5,652
Listing costs	-	(2,173,296)	2,173,296
Finance income, net	<b>65,755</b>	8,813	56,942
Foreign exchange loss	<b>(7,402)</b>	(8,912)	1,510
Net loss	\$ <b>(1,420,708)</b>	\$ (2,357,540)	\$ 936,832
Translation adjustment	<b>83,912</b>	(468)	84,380
<b>Net loss and comprehensive loss</b>	<b>\$ (1,336,796)</b>	\$ (2,358,008)	\$ 1,021,212

**NET REVENUE**

<i>For the year ended December 31</i>	<b>2018</b>		2017	Change
Capecitabine	\$	<b>204,890</b>	\$ -	\$ 204,890
Temozolomide		<b>18,511</b>	-	18,511
<b>Total, net revenue</b>	<b>\$</b>	<b>223,401</b>	<b>\$ -</b>	<b>\$ 223,401</b>

Net revenue for the year ended December 31, 2018 totaled \$223,401 compared to nil for the year ended December 31, 2017. Commercial sales began in November 2018, following the approval of the transfer of MA of Capecitabine and Temozolomide in the UK from RLS. As a result, the Company did not earn any revenue from sales of Capecitabine or Temozolomide in 2017.

The Company currently sells Capecitabine and Temozolomide through its third-party distributor to the UK National Health Service (the "NHS") through tenders awarded by the NHS.

**COST OF GOODS SOLD**

<i>For the year ended December 31</i>	<b>2018</b>		2017	Change
Capecitabine	\$	<b>173,737</b>	\$ -	\$ 173,737
Temozolomide		<b>16,906</b>	-	16,906
<b>Total, cost of goods sold</b>	<b>\$</b>	<b>190,643</b>	<b>\$ -</b>	<b>\$ 190,643</b>

Cost of goods sold for the year ended December 31, 2018 totaled \$190,643 compared to nil for the year ended December 31, 2017. Cost of goods sold for the year ended December 31, 2018 include the cost of products available for sale and bringing the inventory to its present location immediately prior to sale.

Cost of goods sold for the year ended December 31, 2018 was incurred in conjunction with the revenue earned through its third-party distributor to service the tenders it has been awarded by the NHS.

## SELLING, GENERAL AND ADMINISTRATION

<i>For the year ended December 31</i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Administrative and other	\$ <b>150,870</b>	\$ 23,549	\$ 127,321
Professional and consulting fees	<b>165,541</b>	47,860	117,681
Salaries, wages & benefits	<b>209,964</b>	33,662	176,302
Selling expenses	<b>13,825</b>	-	13,825
Stock-based compensation	<b>252,383</b>	47,744	204,639
<b>Total, selling, general and administration</b>	<b>\$ 792,583</b>	\$ 152,815	\$ 639,768

General and administrative costs during the year ended December 31, 2018 were \$792,583 compared to \$152,815 during the year ended December 31, 2017, an increase of \$639,768. Significant differences during the year ended December 31, 2018 compared to the year ended December 31, 2017 are as follows:

- Administrative and other expenses were \$150,870 for the year ended December 31, 2018 (2017 - \$23,549). The increase of \$127,321 during the year ended December 31, 2018 was the result of a full year of operations during the year ended December 31, 2018, compared to the post-QT period during the prior year. The Company classifies such expenditures related to the Company's transfer agent, insurance, rent and regulatory fees incurred relating to currently marketed products in this category.
- Professional and consulting fees were \$165,541 for the year ended December 31, 2018 (2017 - \$47,860). The increase of \$117,681 during the year ended December 31, 2018, the Company incurred additional expenditures relating to accounting and audit as well as increased professional fees as the result of engagements commenced relating to pharmacovigilance and development of procedures for the Company's commercial operations.
- Salaries, wages & benefits were \$209,964 for the year ended December 31, 2018 (2017 - \$33,662). The increased expenditures of \$176,302 during the year ended December 31, 2018 were the result of the Company's full year of operations during 2018 while the prior year expenditures were the result of the commencement of operations in late-2017. Expenditures for both periods includes the salary of the Company's sole employee and compensation of the Former CEO and Current CEO (both terms later defined).
- Selling expenses were \$13,825 for the year ended December 31, 2018 (2017 - nil). The expenses incurred in 2018 were directly attributable to the sales of products in 2018, and include third-party logistics expenses and commissions.
- Stock-based compensation was \$252,383 for the year ended December 31, 2018 (2017 - \$47,744). The increase in expense of \$204,639 during the year ended December 31, 2018 was the result of the service expense of the Options granted during 2018, as well as 2017 options vesting over time during the year ended December 31, 2018. The Company's expense during the year ended December 31, 2017 was lower due to a shorter period of service expense, due to the grant of the Options in late-2017.

## RESEARCH AND DEVELOPMENT

<i>For the year ended December 31</i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Licensing fees	\$ <b>679,645</b>	\$ 31,330	\$ 648,315
Professional and consulting fees	<b>45,243</b>	-	45,243
<b>Total, research and development</b>	<b>\$ 724,888</b>	\$ 31,330	\$ 693,558

Research and development costs for the year ended December 31, 2018 were \$724,888 compared to \$31,330 during the year ended December 31, 2017. The increase of \$693,558 was the result of the Company commencing its operations following the QT in 2017 and such activities continued into 2018. Expenditures of this nature during the years ended December 31, 2018 and 2017 included payments to regulatory authorities associated with the filing of drug formulation dossiers relating to the Company's current drug development programs.

## 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 (as defined below) 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.

On December 19, 2018, the Company announced that its wholly-owned subsidiary, WPEL, has entered into a storage and distribution agreement with Mawdsley-Brooks & Co. Ltd. ("**Mawdsleys**") to distribute various strengths of Capecitabine and Temololomide on WPEL's behalf to hospitals in the UK under binding contracts that WPEL has secured with the UK National Health Service. These two generic oncology products were originally developed by RLS, and the contracts with the NHS for the supply of these products were previously transferred to WPEL. The Company's sales from this agreement began in November 2018.

On December 1, 2018, the Company granted 50,000 Options to an employee of the Company in accordance with the Company's stock option plan. Each Option will be exercisable into one common share of the Company at the closing market price of the Company's common shares on the date of grant, for a period of five years from the date of grant.

On July 23, 2018, the Company announced that its Board of Directors (the "**Board**") accepted the resignation of Dr. George Thomas as President and Chief Executive Officer (the "**Former CEO**"), effective July 26, 2018. Additionally, the Company announced the concurrent appointment of Dr. Theron (Ted) Odlaug as Chief Executive Officer (the "**Current CEO**") effective August 1, 2018. Dr. Odlaug is the former Executive Chairman of Impopharma Inc. and was the most recent Chief Executive Officer of leon-nanodrugs GmbH, based in Munich, Germany. Additionally, he has previously held the role of Executive Chairman of Cedarburg Pharmaceuticals in addition to more than 35 years of experience in senior leadership roles at Astellas, Fujisawa, Bayer AG and Baxter.

On July 23, 2018, the Company announced the authorization of 400,000 Options to certain directors and officers of the Company and its subsidiaries in accordance with the Company's stock option plan. Each Option will be exercisable into one common share of the Company at the closing market price of the Company's common shares on the date of grant, for a period of five years from the date of grant.

On June 27, 2018, the Company announced that its wholly-owned Barbadian subsidiary, WPIL, had submitted two abbreviated new drug applications (the "**ANDAs**") with the United States Food and Drug Administration (the "**FDA**") for two high value anti-cancer drugs. These ANDA filings are the result of an exclusive product supply and development agreement executed with RLS on August 30, 2017.

On June 25, 2018, the Company announced that its wholly-owned Barbadian subsidiary, WPIL, had acquired two generic oncology products, Temozolomide and Capecitabine (the "**Products**"), currently marketed in the UK, from RLS. In addition to the Products, the Company acquired the binding contracts with the UK NHS for the supply of the Products. The Products will be manufactured by RLS at its Medicines and Healthcare Products Regulatory Agency approved facility in Mumbai, India and supplied to the Company. The Company anticipates modest profit margins relating to the sale of the Products following the payment of transfer prices to RLS and subsequent to distributor and analytical testing charges in the UK.

On April 17, 2018, the Company announced that its wholly-owned Irish subsidiary, WPEL, had submitted its second marketing authorization application in select EU countries through the EU's De-Centralized Procedure for an anti-cancer generic drug.

On March 12, 2018, the Company announced that its wholly-owned Irish subsidiary, WPEL, had submitted a marketing authorization application in select EU countries through the EU's De-Centralized Procedure for an anti-cancer generic drug.

## DISCUSSION OF OPERATIONS (continued)

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 the Amalgamation pursuant to the CBCA to continue as the Resulting Issuer, Waverley Pharma Inc. 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 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.

## 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 EU and North America.

The Company commenced filing applications in certain member states of the EU in late 2017, and has continued to file and incur related costs through April 25, 2019, for the approval of its two generic oncology products, WAV-101 and WAV-102. Additionally, the Company has completed filings for WAV-101 and WAV-102 with the FDA and has incurred related costs during the year ended December 31, 2018.

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.

**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 annual revenue of over USD \$1 billion. Regulatory filings have been made in the USA and the EU and the Company is currently seeking a sales and marketing partner for the EU.

**WAV-102** is also an injectable generic chemotherapy drug, developed for the treatment of multiple myeloma and mantle cell lymphoma. Currently the brand generates annual revenue of over USD \$800 million. Regulatory filings have been made in the USA and the EU and the Company is currently seeking a sales and marketing partner for the EU.

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 wholly-owned subsidiaries in Barbados and Ireland to help the Company navigate the regulatory process and realize the commercial potential of Waverley's innovative products in the region.

## HISTORIC USE OF PROCEEDS

Concurrent to the completion of the Company's QT, the Company completed the Concurrent Financing in which it issued 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 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 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) which 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.	<p>The proceeds have been used as intended, to further the Company's product development activities while meeting the Company's general administrative requirements.</p> <p>As at December 31, 2018, the Company had not fully-expended the funds raised in the Concurrent Financing.</p>

## SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated financial information for the periods indicated. Other selected financial information provided below is derived from the Company's audited financial statements for the years ended December 31, 2018, 2017 and 2016. These historic results may not be indicative of the Company's future performance.

<i>For the year ended December 31</i>	<b>2018</b>	2017	2016
Revenue	\$ <b>223,401</b>	\$ -	\$ -
Net loss	<b>(1,420,708)</b>	(2,357,540)	(1,078)
Total assets	<b>5,236,565</b>	6,657,868	100
Total non-current financial liabilities	-	(940,875)	-

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

- Revenue: The Company began to earn revenue during the year ended December 31, 2018 from the sales of Capecitabine and Temozolomide, of which a license was acquired from RLS in June 2018. The Company began selling products through its third-party distributor in November 2018 in accordance with the previously awarded NHS tenders. The Company did not have any trade revenue during the years ended December 31, 2017 or 2016.
- Net loss: 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. The Company's decreased net loss from the prior year was the result of revenue from the sale of products (as discussed above), increased finance income from interest earned on cash held from the proceeds of the QT for a full year compared to the portion of 2017 following the QT, and the absence of the listing costs incurred during the year ended December 31, 2017 as a result of the QT. Offsetting the decreases in net loss during the year ended December 31, 2018 was the Company's increased selling, general and administrative expenditures and research and development expenditures, discussed in greater detail in the "Selling, General and Administration" and "Research and Development" sections, respectively.
- Total assets: Total assets at December 31, 2018 totaled \$5,236,565 compared to \$6,657,868 at December 31, 2017. The contributing factors in the decreases in total assets at December 31, 2018 from the prior year was primarily the result of a net loss of \$1,420,708, offset by \$252,383 for stock-based compensation, a non-cash item, incurred during the year ended December 31, 2018 in addition to payments on the license fees payable to RLS totaling \$488,798. At December 31, 2017, the Company had assets of \$6,657,868, mainly the result of the Completion of the Concurrent Financing in October 2017, at which time the Company's commercial operations had only recently commenced and significant expenditures had not been incurred until the year ended December 31, 2018. At December 31, 2016, assets of \$100 were the result of the initial purchase of shares in Old Waverley.
- Non-current financial liabilities: Non-current liabilities were nil at December 31, 2018 compared to \$940,875 at December 31, 2017. Non-current liabilities at December 31, 2017 represent amounts payable upon the achievement of certain milestones in the Company's development programs of WAV-101 and WAV-102.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited consolidated financial information for the periods indicated. The financial information provided below is derived from the Company's unaudited quarterly condensed consolidated interim financial statements in the 2018 and 2017 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, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenue	\$ 223,401	\$ -	\$ -	\$ -
Cost of goods sold	(190,643)	-	-	-
Selling, general and administration	(281,689)	(218,620)	(157,614)	(134,660)
Research and development	(17,055)	(9,189)	(468,335)	(230,309)
Loss recovery under profit sharing arrangement	5,652	-	-	-
Finance income, net	16,894	16,820	14,756	17,285
Foreign exchange gain (loss)	(6,585)	(1,120)	258	45
Net loss	(250,025)	(212,109)	(610,935)	(347,639)
Other comprehensive income (loss)	56,726	(17,166)	22,545	21,807
Basic loss per share	(0.00)	(0.00)	(0.01)	(0.01)
Diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)

	Three Months Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenue	\$ -	\$ -	\$ -	\$ -
Selling, general and administration	(123,761)	(13,861)	(15,063)	(130)
Research and development	(31,330)	-	-	-
Listing costs	(2,173,296)	-	-	-
Finance income (expense), net	8,930	(47)	(70)	-
Foreign exchange (loss) gain	(9,376)	297	167	-
Net loss	(2,328,833)	(13,611)	(14,966)	(130)
Other comprehensive (loss) income	(6,275)	5,807	-	-
Basic loss per share	(0.05)	(0.00) <sup>(*)</sup>	(0.00) <sup>(*)</sup>	(0.00) <sup>(*)</sup>
Diluted loss per share	(0.05)	(0.00) <sup>(*)</sup>	(0.00) <sup>(*)</sup>	(0.00) <sup>(*)</sup>

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

## SUMMARY OF QUARTERLY RESULTS (continued)

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

- Revenue: During Q4 2018, the Company began to earn revenue from the sales of Capecitabine and Temozolomide, of which a license was acquired from RLS in June 2018. The Company began selling products through its third-party distributor in November 2018 in accordance with the previously awarded NHS tenders.
- 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. The timing of expenses of this nature fluctuate and are expensed as incurred.
- 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 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, 2018, the Company had cash resources of \$2,942,968 compared to \$4,856,242 as at December 31, 2017. As at December 31, 2018 the Company had working capital of \$2,062,436 compared to working capital of \$4,241,304 at December 31, 2017. The decrease in cash of \$1,913,274 during the year ended December 31, 2018 is primarily the result of the net loss of \$1,420,708 incurred by the Company during the year ended December 31, 2018 as well as milestone payments on the license fee payable to RLS totaling \$488,798.

The following is a summary of cash flows from the years ended December 31, 2018 and 2017:

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
Cash used in operating activities	\$ (1,452,211)	\$ (108,690)
Cash provided by investing activities	-	309,460
Cash (used in) provided by financing activities	(488,798)	4,662,823
Effect of exchange rates differences on cash	27,735	(7,451)
Net increase in cash and cash equivalents	\$ (1,913,274)	\$ 4,856,142

Cash used in operating activities for year ended December 31, 2018 was \$1,452,211 compared to \$108,690 for the year ended December 31, 2017, an increase of \$1,343,521. Cash used in operating activities totaling \$1,452,211 for the year ended December 31, 2018 was the result of a net loss incurred by the Company of \$1,420,708 and working capital adjustments for an increase in accounts receivable of \$292,615, inventory of \$28,796 and prepaid expenses of \$8,891; offset by an adjustment for stock-based compensation of \$252,383 and a working capital adjustment for an increase in accounts payable and accrued liabilities of \$46,416. Cash used in operating activities totalling \$108,690 for the year ended December 31, 2017 was the result of a net loss incurred by the Company of \$2,357,540, and working capital adjustments of \$28,226 and \$17,134 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 \$84,092.

## **LIQUIDITY AND CAPITAL RESOURCES (continued)**

### **Sources and Uses of Cash (continued)**

Cash provided by investing activities for the year ended December 31, 2018 was nil compared to \$309,460 for the year ended December 31, 2017, a decrease of \$309,460 from the prior year. The decrease 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 in 2017.

Cash used in financing activities for the year ended December 31, 2018 was \$488,798 compared to cash provided by financing activities for the year ended December 31, 2017 totalling \$4,662,823. The change in cash flows provided by financing activities was the result of an increase of \$244,838 of milestone payments made to the Licensor upon the occurrence of the achievement of specific activities relating to the Company's drug development, offset by consideration received for acquisition of Buffalo net of cash assumed by the Company in the QT totalling \$4,906,783.

### **Funding requirements**

The Company has not been profitable through December 31, 2018, and as a result, it has financed its operating expenditures and capital costs. Operational activities during the year ended December 31, 2018 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 \$2,062,436 at December 31, 2018, compared to working capital of \$4,241,304 at December 31, 2017. The decrease in working capital of \$2,178,868 was a result of a decrease in cash of \$1,913,274 increases in accounts payable and accrued liabilities of \$51,273 and license fees payable of \$552,712 offset by increases in accounts receivable of \$299,758, inventory of \$29,499, and prepaids of \$9,134.

## **CONTRACTUAL OBLIGATIONS**

On June 25, 2018, the Company announced that RLS granted the Company selling and marketing rights to two additional generic cancer drugs. The Company obtained exclusive selling and marketing rights for Capecitabine in the UK and Germany and non-exclusive selling and marketing rights for Temozolomide in the UK. Additionally, the Company will purchase inventory and has entered into a profit sharing arrangement resulting in a portion of the net profits of Capecitabine and Temozolomide to be paid to the Licensor. Additionally, the Company has assumed the obligations associated with a binding contract held by the Licensor for the supply of these products to the NHS.

On August 30, 2017, the Company acquired exclusive licenses to sell and market two generic cancer drugs from RLS, in the USA, Canada and EU (excluding the UK 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 and as at December 31, 2018, the Company has paid US \$650,000 of this amount. 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 at December 31, 2018, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed. The Company, through WPEL, has committed to purchase inventory totaling £105,540 (\$178,099 CAD), and a lease of office space at a rate of €881.10 per month for a term ending October 31, 2019, and a commitment of \$10,181 for professional services to be provided to the Company.

## 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 25, 2019, 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 25, 2019	Number of Common Shares issuable upon exercise as of April 25, 2019	Number Outstanding as of December 31, 2018
Common shares issued and outstanding <sup>(1)</sup>	54,000,000	54,000,000	54,000,000
Options <sup>(2)(3)(4)(5)(6)</sup>	1,750,000	300,000	1,750,000
Warrants <sup>(7)(8)</sup>	970,000	970,000	970,000

### Notes:

- (1) On October 24, 2017, pursuant to the Amalgamation, 14,000,000 Buffalo Shares converted into 14,000,000 Resulting Issuer Shares at the Buffalo Exchange Ratio at a deemed price of \$0.50 per Resulting Issuer Share.
- (2) On October 24, 2017, pursuant to the Amalgamation, 100 Old Waverley Shares converted into 40,000,000 Resulting Issuer Shares at the Waverley Exchange Ratio at a deemed price of \$0.50 per Resulting Issuer Share.
- (3) 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.
- (4) On October 24, 2017, the Company granted 1,000,000 Options to certain directors and a consultant of the Company with each Option entitling the holder to purchase one (1) Resulting Issuer Share at an exercise price of \$0.50 per Resulting Issuer Share.
- (5) On August 1, 2018 the Company granted 400,000 Options to certain directors and an officer of the Company and its subsidiaries with each Option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.26 per common share.
- (6) On December 1, 2018, the Company granted 50,000 Options to an employee of the Company with each Option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.285 per common share.
- (7) On October 24, 2017, pursuant to the Amalgamation, 200,000 Buffalo Warrants entitling the holder 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.
- (8) On October 24, 2017, the Company granted 770,000 Buffalo Warrants as compensation to an agent of the Concurrent Financing entitling the holder to purchase one (1) Buffalo Share per Warrant which 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, Chief Financial Officer (“**CFO**”) and effective August 1, 2018, the current Chief Executive Officer (the “**Current CEO**”) of the Company are key management personnel. The former Chief Executive Officer (the “**Former CEO**”) was considered key management during the year ended December 31, 2018 and 2017, until his resignation, effective July 26, 2018. Compensation paid to CanAm (as defined below) for the services provided by the Former CEO was included within the compensation paid to key management personnel for the year ended December 31, 2018.

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

For the year ended December 31	2018		2017	
Salaries, fees and short-term benefits	\$	149,511	\$	20,833
Stock-based compensation		228,877		42,970
	\$	378,388	\$	63,803

Directors and key management personnel control 75% of the voting shares of the Company as at December 31, 2018 (2017 - 76%).

During the year ended December 31, 2018, the Company paid CanAm BioResearch Inc. (“**CanAm**”), a company controlled by a director of the Company a total of \$79,743 (2017 – \$20,833) for CEO services provided by the Former CEO.

During the year ended December 31, 2018, the Company paid Genesys Venture Inc. (“**GVI**”), a company controlled by a director of the Company, a total of \$9,450 (2017 – \$1,500) for rental of office space and \$11,018 for business administration services. During the year ended December 31, 2017, GVI paid expenses on behalf of the Company totaling \$130.

During the year ended December 31, 2018, the Company paid GVI Clinical Development Solutions (“**GVI CDS**”) a company controlled by a director of the Company, \$12,645 (2017 – nil) for regulatory affairs consulting. During the year ended December 31, 2017, the Company received cash advances from GVICDS 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, 2018, included in accounts payable and accrued liabilities is \$2,987 (2017 - \$2,186) payable to GVI, \$282 [2017 - \$26,125 USD (CDN - \$32,774)] to GVI CDS, nil (2017 - \$21,875) payable to CanAm and \$10,394 payable to the Current CEO, 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 variable consideration receivable from revenue from contracts with customers
- Estimates of the valuation of inventory
- Estimates of inputs into the valuation of stock based compensation
- Estimates of accruals for research and development costs
- Estimates of the measurement and period of use of intangible assets
- Estimates of future enacted corporate tax rates

## CRITICAL ACCOUNTING ESTIMATES (continued)

The consolidated financial statements for the year ended December 31, 2018, 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, 2018 and 2017 consist of the following:

As at December 31	2018	2017
<b>Financial Assets</b>		
Cash	\$ 2,942,968	\$ 4,856,242
Amounts receivable	327,984	28,226
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	(241,099)	(189,826)
Current portion of license fee payable	(1,023,150)	(470,438)
License fee payable	-	(940,875)

The Company initially recognizes a financial asset 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 has classified all of its non-derivative financial assets as financial assets measured at amortized cost. The Company has not classified any assets financial assets measured at fair value through profit or loss or fair value through other comprehensive income.

A non-derivative financial asset is measured at amortized cost when both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost. Financial assets measured at amortized cost are comprised of cash and amounts receivable.

## FINANCIAL INSTRUMENTS AND RISKS (continued)

All 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. All financial liabilities are measured at amortized cost, except for financial liabilities measured at fair value through profit or loss. A financial liability may no longer be reclassified subsequent to initial recognition. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

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

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

The Company is exposed to currency risks through the following USD and GBP denominated financial assets and liabilities:

	December 31, 2018	December 31, 2017
<i>USD (Expressed in USD)</i>		
Cash	\$ 96,748	\$ 174,790
Accounts receivable	24,062	20,000
Accounts payable and accrued liabilities	(9,830)	(76,118)
Current portion of license fee payable	(750,000)	(375,000)
License fee payable	-	(750,000)
	<b>\$ (639,020)</b>	<b>\$ (1,006,328)</b>
<i>GBP (Expressed in GBP)</i>		
Accounts receivable	£ 160,268	£ -
Accounts payable and accrued liabilities	(87,060)	-
	<b>£ 73,208</b>	<b>£ -</b>

## 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 only recently commenced commercial operations, has no significant assets other than cash, has no history of earnings and does not anticipate to generate earnings or pay dividends in the near future.

### 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.

## **RISKS AND UNCERTAINTIES (continued)**

### **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 is not currently profitable. 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.

### **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, 2018. These statements are available on Waverley's SEDAR page accessed through [www.sedar.com](http://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 the Amalgamation pursuant to the CBCA to continue as the Resulting Issuer. Each Buffalo Share that was outstanding immediately prior to the Amalgamation (other than Buffalo Shares held by the Buffalo Shareholders who exercised their dissent rights) was converted into one (1) issued and fully paid and non-assessable Resulting Issuer Share at a deemed price of \$0.50 per Resulting Issuer Share. Each Old Waverley Share that was outstanding immediately prior to the Amalgamation 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, immediately after the QT, the former holders of Buffalo Shares held, 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 held, 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 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.

The proceeds of the Concurrent Financing were 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. The proceeds have been used as intended, to further the Company's product development activities while meeting the Company's general administrative requirements.

Concurrent with the completion of the QT, the Resulting Issuer also issued an aggregate of 1,000,000 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 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 25, 2019