



Management Discussion and Analysis  
(Expressed in Canadian Dollars)

## **WAVERLEY PHARMA INC.**

Three and nine months ended September 30, 2020

Prepared by Management without review from the Company's auditor

## BACKGROUND

This Management's Discussion and Analysis ("**MD&A**") of Waverley Pharma Inc. ("**Waverley**" or the "**Company**") is dated November 25, 2020 and provides an analysis of the Company's operations for the three and nine months ended September 30, 2020. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 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 have been 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: a limited 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 the "*Risks and Uncertainties*" section for more information.

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, temozolomide and erlotinib in the United Kingdom (the "**UK**");
- the intention, cost, progress and success of the Company's product development program for pemetrexed (formerly known as WAV-101) and WAV-102;
- the timing of and ability to achieve regulatory approval for marketing authorization ("**MA**") of pemetrexed and WAV-102 in the United States and its territories (the "**USA**") and the European Union (the "**EU**") and applicable milestones payable to Reliance Life Sciences Private Limited ("**RLS**" or the "**Licensor**");
- the Company's intention to sell and market pemetrexed 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 the Company's business model and strategic plans;
- estimates of the size of the potential markets for capecitabine, temozolomide, erlotinib, pemetrexed 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;

## FORWARD-LOOKING INFORMATION (continued)

- the Company's intentions regarding the protection of its 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
- 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 extent and impact of the COVID-19 outbreak on the Company's business including any impact on its customers, suppliers and other third-party service providers;
- 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 wholly-owned Barbadian subsidiary, Waverley Pharma International Inc. ("**WPIL**"), the Company entered into a license, manufacture, supply, marketing and distribution agreement with 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 acquired exclusive territorial licenses from RLS for two oncologic drugs currently under development, pemetrexed and WAV-102 in the USA, Canada, and the EU, excluding the UK, where a non-exclusive territorial license was acquired. These products are marketed in the EU and the UK through the Company's wholly-owned Irish subsidiary, Waverley Pharma Europe Limited ("**WPEL**"). The Company's fiscal year end is December 31st.

## OVERALL PERFORMANCE

The Company recorded a net income of \$989 (\$0.00 per Common Share) for the three months ended September 30, 2020 compared to a net loss of \$480,298 (\$0.01 per Common Share) for the three months ended September 30, 2019. Factors contributing to the decreased net loss of \$481,287 during the three months ended September 30, 2020 compared to same period in the prior year included:

- Loss recovery under profit sharing arrangement increased by \$112,404. The increase in the current period is attributable to a recovery of \$107,930 relating to the 2019 profit share which had previously been written off due to collections issues stemming from COVID-19. The remaining \$15,735 recorded represents the recovery under the profit sharing arrangement up to end of the current period.
- Revenue increased by \$89,015 for the period ended September 30, 2020 in comparison to the same period in the prior year. The increase in revenue is due to increased off contract sales in the current period. Due to COVID-19, many pharmaceutical suppliers had shortages during the current period. This resulted in hospitals purchasing pharmaceuticals from the Company at a higher volume and purchase price in comparison to the same period in the prior year.
- General and administrative expenses decreased by \$302,603 during the three month period ended September 30, 2020, in comparison to the same period in the prior year. The decrease is related to a decrease in travelling expenses, along with a decrease in professional fees incurred related to pharmacovigilance, strategic planning and development of procedures for the Company's initial set-up of commercial operations. In addition, stock-based compensation expense incurred in the current period was less than the amount incurred in the same period in the prior year as a result of forfeited stock options, and a decrease in service expense of previously issued stock options vesting over time. Lastly, the Company recorded \$18,052 in government assistance resulting from the Canada Emergency Wage Subsidy ("CEWS"). The funding has been recorded as a reduction of the related salary expenditures, consistent with the reasoning in which the subsidy was provided.

Offset by:

- Cost of goods sold increasing by \$8,194 for the three months ended September 30, 2020 due to higher sales volume in the current period as a result of the Company's competitors having stock shortages during the current period as a result of the COVID-19 outbreak.
- Increase in finance expense, net of \$14,415 for the three months ended September 30, 2020 compared to the same period in the prior year, stemming from the Company's cash on hand balance decreasing and therefore resulting in less interest income earned during the period.

The following table provides an overview of the financial results for the three months ended September 30, 2020 compared to the three months ended September 30, 2019:

| <i>For the three months ended September 30</i> | <b>2020</b>        | <b>2019</b>         | <b>Change</b>     |
|------------------------------------------------|--------------------|---------------------|-------------------|
| Revenue                                        | \$ <b>353,305</b>  | \$ 264,290          | \$ 89,015         |
| Cost of goods sold                             | <b>(252,003)</b>   | (243,809)           | (8,194)           |
| General and administration                     | <b>(211,848)</b>   | (514,451)           | 302,603           |
| Research and development                       | <b>(3,896)</b>     | (3,282)             | (614)             |
| Loss recovery under profit sharing arrangement | <b>123,705</b>     | 11,301              | 112,404           |
| Finance income (expense), net                  | <b>(3,237)</b>     | 10,533              | (13,770)          |
| Foreign exchange loss                          | <b>(5,037)</b>     | (4,880)             | (157)             |
| Net income (loss)                              | \$ <b>989</b>      | \$ (480,298)        | \$ 481,287        |
| Translation adjustment                         | <b>(44,108)</b>    | 5,491               | (49,599)          |
| <b>Net loss and comprehensive loss</b>         | <b>\$ (43,119)</b> | <b>\$ (229,275)</b> | <b>\$ 186,156</b> |

## OVERALL PERFORMANCE (continued)

The Company recorded a net loss of \$383,609 (\$0.01 per Common Share) for the nine months ended September 30, 2020 compared to a net loss of \$882,568 (\$0.01 per Common Share) for the nine months ended September 30, 2019. Factors contributing to the decreased net loss of \$498,959 during the nine months ended September 30, 2020 compared to same period in the prior year included:

- Loss recovery under profit sharing arrangement increased by \$112,404. The increase in the current period is attributable to a recovery of \$107,930 relating to the 2019 profit share which had previously been written off due to collections issues stemming from COVID-19. The remaining \$15,735 recorded represents the recovery under the profit sharing arrangement up to end of the current period.
- General and administrative expenses decreased by \$448,057 during the nine month period ended September 30, 2020, in comparison to the same period in the prior year. The decrease is related to a decrease in travelling expenses, along with a decrease in professional fees incurred related to pharmacovigilance, strategic planning, and development of procedures for the Company's initial set-up of commercial operations. In addition, stock-based compensation expense incurred in the current period was less than the amount incurred in the same period in the prior year as a result of forfeited stock options, and a decrease in service expense of previously issued stock options vesting over time. Lastly, the Company recorded \$45,130 in government assistance resulting from the CEWS. The funding has been recorded as a reduction of the related salary expenditures, consistent with the reasoning in which the subsidy was provided.
- Decrease in research and development expenses of \$9,479 for the nine months ended September 30, 2020 compared to the same period in the prior year, resulting from timing differences in fees paid for product development. The Company records such expenses as incurred, and as a result, the amount of these expenses fluctuates between periods.

Offset by:

- Increase in finance expense, net of \$36,725 for the nine months ended September 30, 2020 compared to the same period in the prior year, stemming from the Company's cash on hand balance decreasing and therefore resulting in less interest income earned during the period.
- Cost of goods sold increased by \$91,749 for the nine month period ended September 30, 2020 in comparison to the same period in the prior year. The increase in cost of goods sold is directly attributable to increased sales volume during the current period stemming from stock shortages at the Company's competitors, as a result of COVID-19.

The following table provides an overview of the financial results for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019:

| <i>For the nine months ended September 30</i>  | <b>2020</b>         | 2019         | Change     |
|------------------------------------------------|---------------------|--------------|------------|
| Revenue                                        | \$ <b>949,521</b>   | \$ 884,852   | \$ 64,669  |
| Cost of goods sold                             | <b>(865,021)</b>    | (773,272)    | (91,749)   |
| General and administration                     | <b>(547,503)</b>    | (995,560)    | 448,057    |
| Research and development                       | <b>(43,904)</b>     | (53,383)     | 9,479      |
| Loss recovery under profit sharing arrangement | <b>123,705</b>      | 27,760       | 95,945     |
| Finance income, net                            | <b>2,922</b>        | 39,647       | (36,725)   |
| Foreign exchange gain (loss)                   | <b>(3,329)</b>      | (12,612)     | 9,283      |
| Net loss                                       | \$ <b>(383,609)</b> | \$ (882,568) | \$ 498,959 |
| Translation adjustment                         | <b>(34,246)</b>     | (54,685)     | 20,439     |
| <b>Net loss and comprehensive loss</b>         | <b>\$ (417,855)</b> | \$ (937,253) | \$ 519,398 |

## REVENUE FROM CONTRACTS WITH CUSTOMERS

|                                                     | Three<br>months<br>ended<br>September<br>30, 2020 | Three<br>months<br>ended<br>September 30,<br>2019 | Change              | Nine<br>months<br>ended<br>September<br>30, 2020 | Nine<br>months<br>ended<br>September<br>30, 2019 | Change             |
|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------|--------------------------------------------------|--------------------------------------------------|--------------------|
| Capecitabine                                        | \$ 313,332                                        | \$ 206,863                                        | \$ 106,469          | \$ 816,418                                       | \$ 720,264                                       | \$ 96,154          |
| Temozolomide                                        | 39,973                                            | 57,427                                            | (17,454)            | 130,123                                          | 164,588                                          | (34,465)           |
| Erlotinib                                           | -                                                 | -                                                 | -                   | 2,980                                            | -                                                | 2,980              |
| <b>Total, revenue from contracts with customers</b> | <b>\$ 353,305</b>                                 | <b>\$ 264,290</b>                                 | <b>\$ (120,995)</b> | <b>\$ 949,521</b>                                | <b>\$ 884,852</b>                                | <b>\$ (64,669)</b> |

Revenue from contracts with customers for the three and nine months ended September 30, 2020 totaled \$353,305 and \$949,521, respectively (2019 - \$264,290 and 884,852). Prior to 2020, all revenue from contracts with customers related to the sales of capecitabine and temozolomide. On May 1, 2020, the Company began the commercialization of erlotinib in the UK. The Company intends to grow the sales of erlotinib going forward in the UK by applying for additional tenders with the UK National Health Service (the "UK NHS") in the future.

The Company currently sells capecitabine, temozolomide and erlotinib through its third-party distributor to hospitals affiliated with the UK NHS through tenders awarded by the UK NHS.

## COST OF GOODS SOLD

|                                   | Three<br>months<br>ended<br>September<br>30, 2020 | Three<br>months<br>ended<br>September<br>30, 2019 | Change          | Nine<br>months<br>ended<br>September<br>30, 2020 | Nine<br>months<br>ended<br>September<br>30, 2019 | Change           |
|-----------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------|--------------------------------------------------|--------------------------------------------------|------------------|
| Capecitabine                      | \$ 222,791                                        | \$ 200,916                                        | \$ 21,875       | \$ 740,907                                       | \$ 629,581                                       | \$ 111,326       |
| Temozolomide                      | 29,212                                            | 42,893                                            | (13,681)        | 119,231                                          | 143,691                                          | (24,460)         |
| Erlotinib                         | -                                                 | -                                                 | -               | 4,883                                            | -                                                | 4,883            |
| <b>Total, costs of goods sold</b> | <b>\$ 252,003</b>                                 | <b>\$ 243,809</b>                                 | <b>\$ 8,194</b> | <b>\$ 865,021</b>                                | <b>\$ 773,272</b>                                | <b>\$ 91,749</b> |

Cost of goods sold for the three and nine months ended September 30, 2020 totaled \$252,003 and \$865,021, respectively (2019 – \$243,809 and \$773,272). Cost of goods sold includes 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 three and nine months ended September 30, 2020 and the three and nine months ended September 30, 2019 was incurred by the Company in conjunction with the revenue earned through its third-party distributor to service the tenders it has been awarded by the UK NHS.

## GENERAL AND ADMINISTRATION

|                                          | Three<br>months<br>ended<br>September<br>30, 2020 | Three<br>months<br>ended<br>September<br>30, 2019 | Change              | Nine<br>months<br>ended<br>September<br>30, 2020 | Nine<br>months<br>ended<br>September<br>30, 2019 | Change              |
|------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------|--------------------------------------------------|--------------------------------------------------|---------------------|
| Administrative and other                 | \$ 110,503                                        | \$ 357,147                                        | \$ (246,644)        | \$ 258,479                                       | \$ 505,147                                       | \$ (246,668)        |
| Professional and consulting fees         | 65,463                                            | 54,415                                            | 11,048              | 172,351                                          | 207,656                                          | (35,305)            |
| Salaries, wages & benefits               | 24,198                                            | 64,028                                            | (39,830)            | 96,271                                           | 157,415                                          | (61,144)            |
| Stock-based compensation                 | 11,684                                            | 38,861                                            | (27,177)            | 20,402                                           | 125,342                                          | (104,940)           |
| <b>Total, general and administration</b> | <b>\$ 211,848</b>                                 | <b>\$ 514,451</b>                                 | <b>\$ (302,603)</b> | <b>\$ 547,503</b>                                | <b>\$ 995,560</b>                                | <b>\$ (448,057)</b> |

General and administrative costs during the three and nine months ended September 30, 2020 were \$211,848 and \$547,503, respectively (2019 - \$514,451 and \$995,560). Significant differences during the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 were as follows:

- Administrative and other were \$110,503 and \$258,479, respectively (2019 – \$357,147 and \$505,147). These expenses relate to the operation of the Company and include administrative expenses, office expenses, travel expenditures, rental costs and failure to supply penalties. The decrease noted in both the three month and nine month periods ending September 30, 2020 in comparison to the same periods in the prior year is the result of reduced failure to supply penalties, as a result of the Company increasing its inventory on hand, offset by an increase in regulatory costs related to a waiver received in the prior year which the Company was not eligible to receive in the current year. In addition, travel expenses in the current periods have decreased as a result of the COVID-19 pandemic. Lastly, the Company recorded \$18,052 and \$45,130 for the three and nine months ended September 30, 2020 in government assistance resulting from the CEWS. The funding has been recorded as a reduction of the related salary expenditures, consistent with the reasoning in which the subsidy was provided.
- Professional and consulting fees were \$65,463 and \$172,351 for the three and nine months ended September 30, 2020 (2019 – \$54,415 and \$207,656). The decrease noted in the three month period ended September 30, 2020 in comparison to the same period in the prior year was due to an increase in professional fees relating to regulatory filings made by the Company during the current period. Professional and consulting fees decreased during the nine month period ending September 30, 2020 in comparison to the same period in the prior year due to a decrease in professional fees relating to pharmacovigilance, strategic planning and development of procedures for the Company's commercial operations.
- Stock-based compensation for the three and nine months ended September 30, 2020 was \$11,684 and \$20,402, respectively (2019 – \$38,861 and \$125,342). The decrease noted in both the three month and nine month periods ended September 30, 2020 in comparison to the same periods in the prior year was the result of a decrease in service expense of previously issued stock options vesting over time, in addition to the forfeiture of stock options in the current period.

## RESEARCH AND DEVELOPMENT

|                                        | Three<br>months<br>ended<br>September<br>30, 2020 | Three<br>months<br>ended<br>September<br>30, 2019 | Change        | Nine<br>months<br>ended<br>September<br>30, 2020 | Nine<br>months<br>ended<br>September<br>30, 2019 | Change            |
|----------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------|--------------------------------------------------|--------------------------------------------------|-------------------|
| Licensing Fees                         | \$ 3,896                                          | \$ -                                              | \$ 3,896      | \$ 43,904                                        | \$ 40,509                                        | \$ 3,395          |
| Professional and consulting fees       | -                                                 | 3,282                                             | (3,282)       | -                                                | 12,874                                           | (12,874)          |
| <b>Total, research and development</b> | <b>\$ 3,896</b>                                   | <b>\$ 3,282</b>                                   | <b>\$ 614</b> | <b>\$ 43,904</b>                                 | <b>\$ 53,383</b>                                 | <b>\$ (9,479)</b> |



## RESEARCH AND DEVELOPMENT (continued)

Research and development costs for the three and nine months ended September 30, 2020 were \$3,896 and \$43,904, respectively (2019 - \$3,282 and \$53,383). The fluctuations noted in both periods is the result of the timing of payments of filing fees to regulatory agencies for the Company's two products under development, pemetrexed and WAV-102. Expenditures of this nature are expensed when incurred, the timing of which varies between the Company's reporting periods. Included within licensing fees in the three and nine months ended September 30, 2020 is \$3,045 and \$5,221 of amortization respectively, relating to the amortization of erlotinib which commenced commercialization in May of the current year.

## DISCUSSION OF OPERATIONS

On November 12, 2020, the Company announced that it had obtained tentative approval of its Abbreviated New Drug Application ("**ANDA**") approval for pemetrexed (formerly known as WAV-101) in the United States. The tentative ANDA approval indicates that the technical requirements for approval have been met but approval cannot be made effective until the patent on the reference listed drug has expired, which is projected to occur in 2022. Pemetrexed is an injectable chemotherapy product used in the treatment of pleural mesothelioma and non-small cell lung cancer along with other indications. In addition to obtaining tentative ANDA approval in the US, the Company has obtained marketing authorization for this product in numerous European countries and is in the process of filing for market authorization in additional countries across Europe.

On September 23, 2020, the Company announced a listing on the Frankfurt Stock Exchange under the ticker symbol 5GZ. The Frankfurt Stock Exchange is the world's third largest organized exchange-trading market in terms of turnover and dealings in securities. The Company anticipates that it will obtain access to new potential investors by listing on the Frankfurt Stock Exchange.

On September 8, 2020, the Company announced the signing of a term sheet with RLS, to acquire the exclusive rights to market six additional generic oncology products in the United States. RLS will manufacture and supply the finished products and the Company will be responsible for filing the ANDA for each product with the United States Food and Drug Administration. The brands represented by these six generic products, referred to by the Company as WAV-103, WAV-104, WAV-105, WAV-106, WAV-107 and WAV-108, had combined sales of more than \$3 billion USD in 2019. The signed term sheet is subject to the Company entering into a definitive agreement with the Licensor.

On July 30, 2020, the Company announced that it had been granted market authorization of pemetrexed and bortezomib in multiple European countries. Pemetrexed is an injectable chemotherapy product used in the treatment of pleural mesothelioma and non-small cell lung cancer along with other indications. The Company has obtained marketing authorization for this product in numerous countries including Belgium, the Czech Republic, Germany, Ireland, the Netherlands, and the United Kingdom and is in the process of filing for market authorization in additional countries across Europe. Bortezomib is an injectable chemotherapy product used to treat multiple myeloma and mantle cell lymphoma along with other indications. The Company has obtained marketing authorization for this product in numerous countries including Belgium, Denmark, France, Germany, Ireland, the Netherlands, Norway, Spain, Sweden and the United Kingdom and is in the process of filing for market authorization in additional countries across Europe.

On June 25, 2020, the Company announced that it had entered into an Industrial Research Collaboration agreement with the University of Manitoba to undertake a research and development project entitled "*Production of a Synthetic Library of Chloroquine Analogs and Precursors for Immediate and Future Development of COVID-19 Treatments.*" The funding for this project is provided by the Natural Sciences and Engineering Research Council of Canada under its Alliance COVID-19 Grants program. Waverley is granted exclusive worldwide intellectual property and commercial rights to any resulting products or technology developed under the agreement in exchange for paying a royalty to the University of Manitoba on future sales of such products or technology.

On February 3, 2020, the Company announced the appointment of Mr. Larry Thiessen as the new President and Chief Executive Officer ("**CEO**") effective February 1, 2020. Mr. Thiessen has extensive pharmaceutical experience having worked for Bausch Health Companies Inc. (formerly Biovail Corporation), for the past 28 years, working his way up from manager to site director of the manufacturing operation in Steinbach, Manitoba. In addition, the Company announced that it has authorized the grant of an aggregate of 250,000 options (each an "**option**") to certain directors and officers of the Company, including Mr. Thiessen, in accordance with the Company's stock option plan. Each option



## DISCUSSION OF OPERATIONS (continued)

is exercisable into one common share of the Company at the exercise price of \$0.10, for a period of five years from the date of grant.

On January 8, 2020, the Company announced the resignations of both Dr. Theron (Ted) Odlaug as CEO and Pieter de Visser as Chief Financial Officer (“CFO”) and a member of the board of directors, effective December 31, 2019. On January 8, 2020, the Company appointed Mr. Haaris Uddin to the position of CFO.

On December 17, 2019, the Company announced that it has been granted MA in the UK by the Medicines & Healthcare products Regulatory Agency (“MHRA”) for three different strengths of generic erlotinib (25 mg, 100 mg and 150 mg tablets). erlotinib is an oral oncology medication used to treat non-small cell lung cancer and pancreatic cancer.

## 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, UK 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 November 25, 2020, for the approval of its two generic oncology products, pemetrexed (formerly known as WAV-101) and WAV-102. Additionally, the Company has completed filings for pemetrexed and WAV-102 with the FDA and has incurred related regulatory costs during the period ended September 30, 2020.

On November 12, 2020 the Company announced that it had obtained tentative approval of its ANDA for pemetrexed, the generic product which was previously referred to as WAV-101. The tentative ANDA approval indicates that the technical requirements for approval have been met but approval cannot be made effective or begin marketing until the patent on the reference listed drug has expired, which is projected to occur in 2022. The Company expects to obtain a similar tentative of its ANDA for WAV-102 within the current fiscal year.

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.

**Pemetrexed (formerly known as 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, the EU and the UK, 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, the EU and the UK, 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 pemetrexed 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.

In addition to the development of pemetrexed and WAV-102, the Company has signed a term sheet to acquire the exclusive rights to six additional products for the US market. Further information regarding the commercialization of these products will be provided once the Company has signed the fully executed definitive agreement with the Licensor. The brands represented by these six generic products, referred to by the Company as WAV-103, WAV-104, WAV-105, WAV-106, WAV-107 and WAV-108, had combined sales of more than \$3 billion USD in 2019. The signed term sheet is subject to the Company entering into a definitive agreement with the Licensor.

Additionally, the Company entered into an Industrial Research Collaboration agreement with the University of Manitoba to undertake a research and development project entitled “Production of a Synthetic Library of Chloroquine Analogs and Precursors for Immediate and Future Development of COVID-19 Treatments.” The funding for this project is

## PRODUCT DEVELOPMENT (continued)

provided by the Natural Sciences and Engineering Research Council of Canada (NSERC) under its Alliance COVID-19 Grants program.

Dr. David E. Herbert will serve as the principal investigator of the project. Dr. Herbert is currently an Associate Professor in the Department of Chemistry in addition to serving as the Faculty of Science Research Chair in Fundamental Science (Physical Sciences) at the University of Manitoba.

Waverley is granted exclusive worldwide intellectual property and commercial rights to any resulting products or technology developed under the agreement in exchange for paying a royalty to the University of Manitoba on future sales of such products or technology.

## HISTORIC USE OF PROCEEDS

Concurrent to the completion of the Company's QT, the Company completed a brokered private placement 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 (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) 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.

On April 27, 2019, the initial 200,000 warrants granted expired without being exercised. On October 24, 2019, the remaining 770,000 warrants issued as part of the Concurrent Financing expired without being exercised.

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 of September 30, 2020, the Company has not fully-expended the funds raised in the Concurrent Financing.</p> |

## 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 for each of the last eight quarters. These historic results may not be indicative of the Company's future performance.

|                                                | Three months ended        |               |                |                   |
|------------------------------------------------|---------------------------|---------------|----------------|-------------------|
|                                                | <b>September 30, 2020</b> | June 30, 2020 | March 31, 2020 | December 31, 2019 |
| Revenue                                        | \$ <b>353,305</b>         | \$ 257,195    | \$ 339,021     | \$ 272,422        |
| Cost of goods sold                             | <b>(252,003)</b>          | (266,885)     | (346,133)      | (335,067)         |
| General and administration                     | <b>(211,848)</b>          | (163,981)     | (171,674)      | (379,815)         |
| Research and development                       | <b>(3,896)</b>            | (9,044)       | (30,964)       | (33,821)          |
| Loss recovery under profit sharing arrangement | <b>123,705</b>            | -             | -              | 125,032           |
| Finance income, net                            | <b>(3,237)</b>            | 318           | 5,841          | 6,346             |
| Foreign exchange gain (loss)                   | <b>(5,037)</b>            | (19,669)      | 21,377         | (12,693)          |
| Net income (loss)                              | <b>989</b>                | (202,066)     | (182,532)      | (357,596)         |
| Other comprehensive (loss) income              | <b>(43,119)</b>           | (89,040)      | 98,902         | (4,342)           |
| Basic loss per share                           | <b>(0.00)</b>             | (0.00)        | (0.00)         | (0.00)            |
| Diluted loss per share                         | <b>(0.00)</b>             | (0.00)        | (0.00)         | (0.00)            |

|                                                | Three Months Ended |               |                |                   |
|------------------------------------------------|--------------------|---------------|----------------|-------------------|
|                                                | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 |
| Revenue                                        | \$ 264,290         | \$ 378,190    | \$ 242,372     | \$ 223,401        |
| Cost of goods sold                             | (243,809)          | (317,754)     | (211,709)      | (190,643)         |
| General and administration                     | (514,451)          | (288,199)     | (192,909)      | (281,689)         |
| Research and development                       | (3,282)            | (4,772)       | (45,329)       | (17,055)          |
| Loss recovery under profit sharing arrangement | 11,301             | 4,096         | 12,363         | 5,652             |
| Finance income, net                            | 10,533             | 11,537        | 17,577         | 16,894            |
| Foreign exchange gain (loss)                   | 4,890              | (13,297)      | 5,565          | (6,585)           |
| Net loss                                       | (480,298)          | (230,199)     | (172,070)      | (250,025)         |
| Other comprehensive (loss) income              | 5,941              | (33,265)      | (26,911)       | 56,726            |
| Basic loss per share                           | (0.01)             | (0.00)        | (0.00)         | (0.00)            |

## SUMMARY OF QUARTERLY RESULTS (continued)

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

- **Revenue:** The Company commenced its commercialization of capecitabine and temozolomide in Q4 of 2018. During 2020, the Company obtained the rights to market erlotinib in the UK. Q2 of 2020 was the first quarter in which the Company recorded revenue relating to erlotinib. The revenue earned from the sale of these products is primarily dependent on tenders awarded to the Company from the UK NHS.
- **General and administrative:** General and administrative costs relate to administrative expenses, professional and consulting fees, staffing and stock-based compensation expense relating to options issued to directors, officers, employees, and a consultant. The Company's development of pemetrexed and WAV-102 has resulted in the Company incurring additional regulatory and professional fees which have been included under general and administrative expenses.
- **Research and development:** As the Company continues to develop additional products under its drug development programs, the Company has incurred fees relating to the filing of drug formulation dossiers. The timing of expenses of this nature fluctuate and are expensed as incurred. When the Company commenced the commercialization of erlotinib in the UK during the second quarter of 2020, the Company began amortizing the intangible asset relating to the product during the same period. The amortization expense is recorded under research and development.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's condensed consolidated interim 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 condensed consolidated interim 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 September 30, 2020, the Company had cash resources of \$723,027 compared to \$1,477,417 as at December 31, 2019. The decrease in cash of \$754,390 during the nine months ended September 30, 2020 is the result of a \$413,695 milestone payment made to the Licensor upon the occurrence of the achievement of specific activities relating to the Company's drug development. In addition, the Company incurred a net loss of \$383,609 during the nine months ended September 30, 2020, offset by a non-cash adjustment of \$20,402 for stock-based compensation during the same period.

The following is a summary of cash flows used in the nine months ended September 30, 2020 and 2019:

| <b>For the nine months ended September 30</b>    | <b>2020</b>         | <b>2019</b>           |
|--------------------------------------------------|---------------------|-----------------------|
| Cash used in operating activities                | \$ (336,142)        | \$ (1,162,640)        |
| Cash used in financing activities                | (373,695)           | -                     |
| Effect of exchange rates differences on cash     | (44,503)            | (29,157)              |
| <b>Net decrease in cash and cash equivalents</b> | <b>\$ (754,340)</b> | <b>\$ (1,191,797)</b> |

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

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

Cash used in operating activities for the nine months ended September 30, 2020 was \$336,142 compared to \$1,162,640 for the nine months ended September 30, 2019, an increase of \$826,498. Cash used in operating activities totaling \$336,142 for the nine months ended September 30, 2020 was the result of a net loss incurred by the Company of \$383,609 and working capital adjustments for a decrease in accounts payable of \$69,454, increase in inventory of \$172,415 and an increase in prepaid expenses of \$263,409; offset by an adjustment for stock-based compensation of \$20,402, an adjustment for amortization of intangible assets of \$5,152 and a working capital adjustment for a decrease to accounts receivable of \$527,191. Cash used in operating activities totaling \$1,162,640 for the nine months ended September 30, 2019 was the result of a net loss incurred by the Company of \$882,568 and working capital adjustments for an increase in accounts receivable of \$296,695, inventory of \$154,260 and prepaid expenses of \$23,227; offset by an adjustment for stock-based compensation of \$125,342 and a working capital adjustment for an increase in accounts payable and accrued liabilities of \$68,768.

Cash used in financing activities for the nine months ended September 30, 2020 was \$373,695 compared to nil used in financing activities for the nine months ended September 30, 2019. The change in cash flows used in financing activities was the result of a \$413,695 milestone payment made to the Licensor upon the occurrence of the achievement of specific activities relating to the Company's drug development, off-set by \$40,000 received by the Company as an interest-free loan from the government of Canada as part of the Canada Emergency Business Account program.

### **Funding requirements**

The Company has not been profitable through September 30, 2020, and as a result, it has financed its operating expenditures and capital costs. Operational activities during the nine months ended September 30, 2020 were financed by the proceeds from the Concurrent Financing and revenue earned by the Company.

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 \$548,409 at September 30, 2020, compared to working capital of \$990,818 at December 31, 2019. The decrease in working capital of \$442,409 was a result of a decrease in cash of \$754,340, and a decrease in accounts receivable of \$527,191; offset by decrease in accounts payable and accrued liabilities of \$69,453, increase in inventory of \$172,415, increase in prepaid expenses of \$263,409, as well as a decrease in license fee payable of \$373,845.

## **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 commitments listed in "*Contractual Obligations*" above. The Company intends to satisfy its continuing operating expenditures through existing cash on hand and through future equity offerings. Using the proceeds from future equity offerings, the Company will work toward the commercialization of current and future 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.

## **CONTRACTUAL OBLIGATIONS**

On June 7, 2018, the Company through WPIL entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the UK and Germany and non-exclusive territorial license to market and sell temozolomide in the UK. Additionally, the Company has assumed the obligations associated with binding contracts held by the Licensor for the supply of these products to the UK NHS. All inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

**CONTRACTUAL OBLIGATIONS (continued)**

In addition, as part of the June 7, 2018 agreement, the Company was provided an option to obtain the market authorization rights to erlotinib in the UK. On December 17, 2019, the Company elected to exercise this option and obtained the rights to market erlotinib in the UK, and as of May 1, 2020, the Company began commercialization of erlotinib in the UK. Similar to both capecitabine and temozolomide, all inventory purchased for resale will be purchased from RLS, in accordance with June 7, 2018 agreement.

In connection with the signing of the June 7, 2018 agreement, the Company entered into a profit and/or loss sharing arrangement resulting in a portion of the net profits, after a margin deduction to the Company on the sales of capecitabine and temozolomide, to be paid to RLS. During the three and nine months ended September 30, 2020, the Company recorded a recovery from the profit and/or loss arrangement of \$15,735 and \$15,375 respectively (2019 - \$11,301 and \$27,760). In addition, during the three months ended September 30, 2020, the Company recorded a recovery of \$107,930 relating to the recovery of the 2019 profit share arrangement which was previously was written off on December 31, 2019.

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 were payable upon certain development and approval-based milestones being met and as at September 30, 2020, the Company has paid US \$950,000 of this amount with US \$450,000 (\$600,255 CAD) recorded as license fee payable. The amount recorded as license fee payable represents the remaining portion of the milestones which have not been met, the remaining milestone payments are recorded as current liabilities as they are expected to be met within one year of September 30, 2020. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. The term of the August 30, 2017 agreement is a period of ten (10) years, which begins when regulatory approval is obtained in the USA.

As at September 30, 2020, 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 a subsidiary, WPEL has committed to purchase inventory totaling £4,355 and an office space lease at a rate of €1,095 per month for a term ending October 31, 2020. All commitments are current and expected to be settled within one year of September 30, 2020.



## OUTSTANDING SHARE CAPITAL

As of November 25, 2020, 54,000,000 Common Shares were issued and outstanding. Other outstanding securities convertible into Common Shares are summarized in the following table:

|                                                        | Number of Common<br>Shares and Options<br>Outstanding as of<br>November 25, 2020 | Number of<br>Options<br>exercisable<br>into Common<br>Shares as of<br>November 25,<br>2020 | Number of<br>Common Shares<br>and Options<br>Outstanding as of<br>September 30,<br>2020 |
|--------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Common shares issued and outstanding <sup>(1)(2)</sup> | 54,000,000                                                                       | -                                                                                          | 54,000,000                                                                              |
| Options <sup>(3)(4)(5)(6)(7)(8)</sup>                  | 1,635,000                                                                        | 1,068,332                                                                                  | 1,635,000                                                                               |

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 and expiring October 24, 2027.
- (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 and expiring August 1, 2023.
- (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 and expiring December 1, 2023.
- (7) On February 1, 2020, the Company granted 250,000 options to certain directors and officers of the Company with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.10 per common share and expiring February 1, 2025.
- (8) On March 2, 2020, the Company granted 25,000 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 \$0.10 per common share and expiring March 2, 2025.

## 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, CEO and CFO of the Company are considered to be key management personnel.

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

|                                        | <b>Three months<br/>ended<br/>September 30,<br/>2020</b> | Three months<br>ended<br>September 30,<br>2019 | <b>Nine months<br/>ended<br/>September<br/>30, 2020</b> | Nine months<br>ended<br>September 30,<br>2019 |
|----------------------------------------|----------------------------------------------------------|------------------------------------------------|---------------------------------------------------------|-----------------------------------------------|
| Salaries, fees and short-term benefits | \$ 37,198                                                | \$ 34,993                                      | \$ 126,646                                              | \$ 106,334                                    |
| Stock-based compensation               | 8,622                                                    | 33,896                                         | 34,673                                                  | 111,682                                       |
|                                        | <b>\$ 45,820</b>                                         | <b>\$ 68,889</b>                               | <b>\$ 161,409</b>                                       | <b>\$ 218,016</b>                             |

Directors and key management personnel control 77% of the voting shares of the Company as at September 30, 2020 (December 31, 2019 - 75%).

During the three and nine months ended September 30, 2020, the Company paid Genesys Venture Inc. ("GVI"), a company controlled by a director of the Company, a total of \$1,575 and \$4,725 respectively, (2019 – \$525 and \$2,100) for rental of office space and \$1,138 and \$4,350, respectively (2019 – \$3,261 and \$8,187) for business administration expenses.

During the three and nine months ended September 30, 2020, the Company paid GVI Clinical Development Solutions ("GVI CDS") a company controlled by a director of the Company, a total of \$nil and \$218, respectively, (2019 – \$nil and \$226) for regulatory affairs consulting.

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 September 30, 2020, included in accounts payable and accrued liabilities is \$574 (December 31, 2019 - \$2,351) payable to GVI. This amount is unsecured, payable on demand and non-interest bearing.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of condensed consolidated interim 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## CRITICAL ACCOUNTING ESTIMATES (continued)

Areas in which management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the determination of the Company's and its subsidiaries' functional currencies.

Information about key assumptions and estimation uncertainties that have a significant 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 measurement and valuation of inventory
- Estimates of the measurement and period of use of intangible assets
- Estimates of accruals for research and development costs
- Estimates and assessment of the recoverability of unused tax losses and deductible temporary differences
- Estimates regarding assumptions used to estimate the value of share-based payment transactions and warrants

The condensed consolidated interim financial statements for the three and nine months ended September 30, 2020, 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 financing provided from external sources to continue as a going concern. Management intends to raise capital in order to fund its operations, however, the outcome of any financing activities cannot be predicted at this time. In addition, there is uncertainty surrounding the potential impacts of COVID-19 and BREXIT on the Company and its subsidiaries. The COVID-19 pandemic has resulted in subsequent closures in an effort to combat the spread of the virus. Due to the preventive measures taken by the UK, the EU and Canada with respect to preventing the spread of the virus, the Company is unable at this time, to assess the impact of both COVID-19 and BREXIT on the Company and its subsidiaries operations. These uncertainties cast significant doubt upon the Company's ability 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, raise capital and obtain funds from equity financings or borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing liabilities. 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 September 30, 2020 and December 31, 2019 consist of the following:

|                                          | September 30, 2020 | December 31, 2019 |
|------------------------------------------|--------------------|-------------------|
| <b>Financial Assets</b>                  |                    |                   |
| Cash                                     | \$ 723,077         | \$ 1,477,417      |
| Accounts receivable                      | 399,388            | 926,579           |
| <b>Financial Liabilities</b>             |                    |                   |
| Accounts payable and accrued liabilities | (504,842)          | (574,295)         |
| Current portion of license fee payable   | (600,255)          | (974,100)         |
| Long-term loan payable                   | (40,000)           | -                 |

## FINANCIAL INSTRUMENTS AND RISKS (continued)

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.

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, license fee payable and long-term loan 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:

|                                          | September 30, 2020  | December 31, 2019   |
|------------------------------------------|---------------------|---------------------|
| <i>USD (Expressed in USD)</i>            |                     |                     |
| Cash                                     | \$ 68,567           | \$ 78,818           |
| Accounts receivable                      | 2,731               | 1,575               |
| Accounts payable and accrued liabilities | (78)                | (28,561)            |
| Current portion of license fee payable   | (450,000)           | (750,000)           |
|                                          | <b>\$ (378,780)</b> | <b>\$ (698,168)</b> |
| <i>GBP (Expressed in GBP)</i>            |                     |                     |
| Cash                                     | £ 12,279            | £ 10,959            |
| Accounts receivable                      | 222,295             | 534,194             |
| Accounts payable and accrued liabilities | (256,428)           | (249,910)           |
|                                          | <b>£ (21,854)</b>   | <b>£ 295,243</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.

### **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.

### **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.

### **Financing Risks and Dilution to Shareholders**

The Company has limited financial resources 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. Specifically, the Company is unable to measure the impacts of Brexit and COVID-19 on its operations at this time.

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

### **Disease Outbreak**

Disease outbreaks may negatively impact the performance of the Company. A local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could interrupt supplies and other services from third parties upon which the Company relies (including contract manufacturers, marketing and transportation and logistics providers), decrease demand for the Company's products, decrease the willingness of the general population to travel, cause staff shortages, reduce customer demand, and increase government regulation, all of which may materially and negatively impact the business, financial condition and results of operations of the Company. In particular, if the current outbreak of the COVID-19 coronavirus continues or increases in severity, the Company could experience difficulty in executing its strategic plans and the marketing, sales, production, logistics and distribution of its products could be severely disrupted. These events could materially and adversely affect the Company's business and could have a material adverse effect on the Company's liquidity and its financial results.

### **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 of, 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 of directors, 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.

### **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.

## **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 three and nine months ended September 30, 2020. These statements are available on Waverley's SEDAR page accessed through [www.sedar.com](http://www.sedar.com).

## 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 Company 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.

## 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 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: November 25, 2020