

This management's discussion and analysis ("MD&A") is provided to enable the reader to assess material changes in financial condition and results of operations of BioHEP Technologies Ltd ("BioHEP" or the "Company") for the year ended January 31, 2018. This MD&A should be read in conjunction with the Company's financial statements for year ended January 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's financial statements.

This MD&A contains forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 11. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of May 31, 2018.

## **BUSINESS OVERVIEW**

BioHEP Ventures Ltd. was incorporated under the British Columbia Business Corporations Act as a private company on February 11, 2014. On April 11, 2014, BioHEP completed a Plan of Arrangement ("Arrangement") with Global Blockchain Technologies Corp. ("Global") (formerly Carrus Capital Corporation). Under the terms of the Arrangement, BioHEP received substantially all of Global's interest in the SB-9000 technologies with \$nil carrying value, investment in Spring Bank Pharmaceuticals Inc. ("Spring Bank") of \$1,000 and \$5,000 cash. As consideration for the SB-9000 technologies, BioHEP issued 2,845,378 common shares to Global, which was then distributed to the shareholders of Global pro-rata based on their relative shareholdings of Global. As a result of the Arrangement, the Company became a private bio-pharmaceutical reporting issuer.

On September 27, 2017 the Company closed an asset sale agreement ("Assignment Agreement") entered into on April 21, 2017 between the Company and Exro Technologies Inc. (formerly BioDE Ventures Ltd.) ("BioDE"). Under the asset sale agreement, BioDE assigned to the Company a license agreement and certain patents for \$450,000 which was paid by the Company by issuing 448,321 shares and \$1,679 cash consideration.

## **HEPATITIS SB-9000 TECHNOLOGY**

On April 11, 2014 the Company acquired a biotechnology license related to SB-9000 (formerly known as MX-1313), for the treatment for chronic HBV infection (the "Agreement"). The Acquisition of this license included an agreement with Spring Bank Pharmaceuticals Inc. ("Spring Bank"), a U.S. development stage company, whereby Spring Bank was granted the worldwide rights to a dinucleotide analogue compound (SB-9000). As consideration related to the original license granted to Spring Bank, Spring Bank issued 250,000 Series A non-voting, convertible preferred shares of Spring Bank and 12,500 common shares of Spring Bank. In addition, the Company may receive in the future, payments related to the Agreement aggregating US\$3,500,000 upon the achievement of certain clinical development milestones and royalties on net sales and sublicensing revenues. Spring Bank is responsible for all development and related patent costs.

On February 1, 2016, the Company entered into an amended and restated license agreement with Spring Bank Pharmaceuticals, Inc. ("Spring Bank") of Milford, MA ("New Agreement"). Under the amended and restated license agreement, BioHEP granted Spring Bank an exclusive worldwide license under certain patents and know-how to make, have made, use, sell, offer to sell and import certain product candidates comprising a novel phosphorothioate dinucleotide referred to as ORI-9020 and certain related compounds, for the diagnosis and/or treatment of all viral diseases and conditions. In exchange, Company received an additional 125,000 common shares (500,000 pre-reverse stock split) of Spring Bank and 125,000 share purchase warrants (500,000 pre-reverse stock split) with an exercise price of USD\$16 per share (USD\$4 pre-reverse stock split), expiring on August 1, 2018.

An income tax expense has been estimated based on the shares received in conjunction with the restated license being treated as a capital gain. The capital gain was applied at tax rate of 26% to the fair value of the shares received of \$1,928,625. The fair value of the shares was determined to be \$11.10 per share which is based on the closing price on May 6, 2016, when Spring Bank became publicly traded on the NASDAQ stock exchange.

As at January 31, 2018, deferred income tax liability of \$491,364 has been estimated using the 2018 tax rate of 27% applied to the unrealized gain to date on shares classified as available for sale. During the year ended January 31, 2018, deferred income tax expense of \$231,671 was recognized in the statement of comprehensive income.

On March 18, 2016, Spring Bank completed a 4-for-1 reverse stock split. Following the reverse split the Company owned 250,000 convertible preferred shares, 137,500 common shares and 125,000 warrants with an exercise price of USD\$16 per share, expiring on August 1, 2018. The fair value of the shares was determined to be \$11.10 per share which is based on the closing price on May 6, 2016 when the 250,000 convertible preferred shares were converted to 250,000 common shares and Spring Bank became publicly traded on the NASDAQ stock exchange. As part of a share capital restructuring, on May 6, 2016, the 250,000 convertible Spring Bank preferred shares were converted to 250,000 common shares.

During the year ended January 31, 2018, the Company sold 15,000 Spring Bank shares for net proceeds of \$131,309 with an adjusted cost base of \$74,696. A gain of \$56,613 was recognized in income for the year ended January 31, 2018.

## OMIGANAN BASED TECHNOLOGIES

On September 27, 2017 the Company acquired Omiganan based technologies from BioDE. The Company's primary dermatological assets are Omiganan 1% gel (cationic peptide also known as Omigard<sup>TM</sup> and MX-226) and Omiganan for dermatological diseases (cationic peptide also known as CLS001). This technology may potentially be used for prevention of catheter-related infections (topical) and treatment of rosacea and other dermatological diseases (topical).

Two Phase III studies for Omiganan 1% gel and Phase II rosacea study for Omiganan for dermatological diseases has been completed. The technology is currently licensed by Cutanea Lifesciences Inc. ("Cutanea"). Cutanea is responsible for all development and related patent costs.

### *Licensing Agreement – Cutanea Life Sciences Inc.*

Cutanea holds the license for the exclusive worldwide rights to develop and market CLS001 (formerly known as MX-594AN) and its analogues for dermatological indications. Pursuant to the licensing agreement, the Company is eligible to receive up to approximately US\$21,700,000 in development and commercialization milestone payments, in addition to royalties on net sales, as follows:

- US\$500,000 upon the first successful completion of a Phase 3 clinical trial;
- US\$500,000 upon the first successful completion of a clinical Phase 3 clinical trial with a licensed product under a Company sponsored IND;
- US\$1,000,000 upon the first acceptance for review of a Company sponsored NDA by the FDA for a licensed product;
- Additional milestones of up to US\$9,200,000 after the product receives FDA approval and approval in the EU and Japan; and
- Sales based milestones of up to US\$10,000,000 after sales of up to USD\$700,000,000 in sales is achieved.

## OTHER ASSETS

Pursuant to the terms of an Amalgamation Agreement between BioAB Strategies Ltd and Invictus MD Strategies Ltd. ("Invictus"), Invictus transferred the existing MX-2401 antibiotic assets (lipopeptide) and related contracts to the Company in exchange of \$1. This technology may potentially be used for treatment of serious Gram positive bacterial infections (intravenous). BioHEP's directors and advisors are currently considering potential alternative initiatives regarding the MX-2401 technology.

## NOTES PAYABLE

On November 13, 2015, the Company entered into a loan agreement for a total amount of \$130,000 with 7 parties, including two directors, Global and one officer (collectively, the "Lenders"). The loan agreement provides for a term of two years and bears simple interest of 14% per annum, with interest payable per annum. For the year ended January 31, 2018, interest expense of \$17,871 (2017 - \$18,200) has been recognized in the statement of earnings. Each loan is convertible in part or in whole at the option of the Lenders at deemed price of \$0.025 per share for a total of 5,200,000 potential common shares. As additional consideration of the risk associated with the loan, the Company is obligated to issue 1,040,000 common shares to the lenders, the 1,040,000 common shares were issued on December 2, 2015.

During the year ended January 31, 2018, the Company issued 4,800,000 common shares to 6 lenders pursuant to the conversion of \$120,000 aggregate principal amount of convertible promissory notes.

## RESULTS OF OPERATIONS AND SELECTED QUARTERLY FINANCIAL DATA

### Selected annual information

The selected financial information below is derived from the Company's audited financial statements for the years ended January 31, 2018, 2017 and 2016, prepared in accordance with IFRS. The Company's significant accounting policies and new accounting policies applied in the preparation of its financial statements are outlined in note 3 to the Company's audited financial statements for the years ended January 31, 2018, 2017 and 2016.

	For the year ended January 31, 2018	For the year ended January 31, 2017	For the year ended January 31, 2016
Total Revenue	-	-	17,270
Operating expenses	65,936	39,551	76,619
Other expenses (income)	904,612	(3,229,708)	8,148
Net (Income) loss for the year	983,619	(2,949,557)	67,497
Net (Income) loss and comprehensive loss	(1,099,164)	(3,837,384)	67,497
Basic and diluted (income) loss per share	(0.19)	(0.72)	0.02

As at	January 31, 2018	January 31, 2017	January 31, 2016
Total assets	5,945,714	4,385,406	69,978
Total non-current liabilities	491,364	231,950	-
Total liabilities	509,875	617,052	139,008

There were no distributions or cash dividends in the past three years. In the year ended January 31, 2017, the Company amended the agreement with Spring Bank and received shares in exchange for the expanded rights under the license agreement. Spring Bank successfully completed an IPO and went public which allowed the Company to reliably estimate the fair value of the related marketable securities during the year ended January 31, 2018 and 2017.

**Selected quarterly financial data**

	Quarter ended	Revenue	Net income (loss)	Net income (loss) and comprehensive income (loss)	Basic and diluted earnings (loss) per common share
Q4/18	January 31, 2018	\$ -	\$ (957,464)	\$ (1,731,796)	\$ (0.12)
Q3/18	October 31, 2017	-	(21,860)	556,598	(0.01)
Q2/18	July 31, 2017	-	(15,725)	1,330,921	(0.00)
Q1/18	April 30, 2017	-	11,430	943,441	0.00
Q4/17	January 31, 2017	-	424,391	(837,352)	0.10
Q3/17	October 31, 2016	-	(10,601)	150,519	(0.00)
Q2/17	July 31, 2016	-	(19,823)	(187,737)	(0.00)
Q1/17	April 30, 2016	-	2,184,319	4,715,454	0.65

The company had increased business activity in Q1/17, and Q2/17 when the license agreement with Spring Bank was re-negotiated followed by a slight decrease in activity in Q3/17. The Company sold 37,500 shares of Spring Bank in Q4/17 and 15,000 shares of Spring Bank in Q1/18 and has invested excess cash in money market funds. Since the end of Q1/18, Spring Bank shares have increased in value from US\$9.55 per share to US\$12.38 per share as of January 31, 2018. The Company expects the increased activity to continue as it develops the strategy to manage the biotechnology assets and increased value of its investments.

The net loss during the three months ended January 31, 2018 was \$957,464 which compares to net income of \$424,391 in the same period last year. The \$1,381,855 change was primarily the result of a \$928,192 impairment in investments during the three months ended January 31, 2018 (2017 – \$nil), a \$200,938 loss on sale of investments during the three months ended January 31, 2017 where there was no such gain during the three months ended January 31, 2018 and an income tax recovery of \$5,743 during the three months ended January 31, 2018 (2017 income tax expense - \$239,628).

**For the year ended January 31, 2018, compared to year ended January 31, 2017**

During the year ended January 31, 2018, the Company had net loss of \$983,619 (net income in 2017 - \$2,949,557). During the year ended January 31, 2018, the Company had comprehensive Income of \$1,099,164 (Comprehensive income in 2017 - \$3,837,384).

Professional, audit and transfer agent fees increased by \$26,174 for the year ended January 31, 2018, from \$37,397 for the year ended January 31, 2017. This increase was due mainly to an increase on professional fees incurred in relation to the purchase of the Cutanea asset and conversion of the loan during the year.

During year ended January 31, 2018, the Company sold 15,000 Spring Bank shares for net proceeds of \$131,308 (2017 – \$387,676) with an adjusted cost base of \$74,695. A gain of \$56,613 (2017 – \$200,938) was recognized in income for the year ended January 31, 2018.

Finance costs and the accretion of notes payable were a combined expense of \$36,394 during the year ended January 31, 2018, representing an increase of \$5,390 over the comparative year. This increase is a result of the accelerated accretion due to the conversion of the notes into common shares.

During the year ended January 31, 2018, the Company recognized an unrealized fair value gain on its available-for-sale investments of \$1,650,000, as compared to an unrealized fair value gain of \$1,119,777 during the year ended January 31, 2017. This gain was offset by an increase in deferred income tax related to this gain. During the year ended January 31, 2018, the Company recognized a loss on the decline in value of the Spring Bank warrants for a total of \$928,192 as the expected life of the warrants is shorter while the market value is still lower than the warrants exercise price.

## OUTSTANDING SHARE DATA

As at May 31, 2018, there are:

- 9,448,708 (January 31, 2018 – 9,448,708) common shares outstanding; and
- Nil warrants or stock options outstanding (January 31, 2018 – Nil).

## SUBSEQUENT EVENT

The Company has evaluated its activities subsequent to January 31, 2018, and has determined that there are no material events to be reported.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's financial statements for the year ended January 31, 2018, have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At January 31, 2018, the Company had working capital of \$169,271 (January 31, 2017 – \$3,938).

The Company intends to continue to look for opportunities related to its biotech assets and expects to be able to continue to sell Spring Bank shares if operating funds are needed. There are risks relating to the Company's ability to realize the current market value of the Spring Bank shares in the event a sale of shares is forced upon the Company to fund operations (see risk and uncertainties below).

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements for the year ended January 31, 2018.

## PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

## 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.

## APPROVAL

The Company's Board of Directors has approved the Company's financial statements for the year ended January 31, 2018. The Company's Board of Directors has also approved the disclosures contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and is available on [www.sedar.com](http://www.sedar.com).

## RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company. As at January 31, 2018 and 2017, key management personnel were not paid any compensation, nor did they receive any employment benefits or other management incentives such as stock options.

During the year ended January 31, 2018, the Company incurred \$14,710 for book-keeping and administration services (2017 – \$9,079) provided by Fehr & Associates, an entity controlled by the Company's Corporate Secretary, of which \$1,677 (2017 - \$3,003) was included in accounts payable and accrued liabilities.

During the year ended January 31, 2018, the Company issued 4,800,000 shares to settle \$120,000 in convertible notes payable to related parties. Each of Bruce Schmidt, Chester Shynkaryk and Ann Fehr, directly or indirectly loaned the Company of \$5,000 as part of this arrangement. Douglas Johnson, a shareholder with greater than 10% ownership of

the Company, loaned the Company a \$60,000. The Partners Fund, an investment fund managed by Pathfinder Asset Management Limited ("Pathfinder"), loaned the Company \$40,000. A limited partnership managed by Pathfinder also loaned the Company \$5,000. Pathfinder is retained by the Company to manage the marketable securities and investments of the Company. Douglas Johnson is a director of Pathfinder and an indirect shareholder of Pathfinder.

During the year ended January 31, 2018 \$120,000 was converted into 4,800,000 shares of the Company and \$10,000 was paid in cash. As at January 31, 2018 there were \$nil (2017 - \$130,000) notes payable outstanding owed to related parties. As a result of this issuance of shares during the year ended January 31, 2018, Douglas Johnson an individual related to the Company by way of a percentage ownership, has assumed control of the Company through direct and indirect ownership of the Company's shares by controlling in effect over 50% of the Company's shares.

## RISKS AND UNCERTAINTIES

The Company is in the business of holding biotechnology assets and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies with passive investments. The Company has no ongoing revenue or income from operations. The Company has limited capital resources and has to rely upon the sale its assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely impact the Company's business, results of operations, and financial performance. The most significant risks and uncertainties faced by the Company are (in no specific order) are:

***There is expressed doubt about our ability to continue as a going concern, which may hinder our ability to achieve our objectives***

The Company's ability to realize the inherent value of its assets is dependent on the third party management of its assets successfully advancing its technologies to market through the drug development and approval processes and ultimately achieving future profitable operations, the outcome of which cannot be predicted at this time, or in the alternative being able to sell the assets for proceeds equal to their carrying value or greater.

We have no committed sources of additional capital. In the future we may need to raise additional capital through equity financings or asset sale. Additional equity financings could result in significant dilution to shareholders. Funds may not be available to us in the future on favorable terms, if at all, and we may be required to delay, reduce the scope of, or eliminate research and development efforts and the patent protection for our product candidates.

There are risks relating to the Company's ability to realize the current market value of the Spring Bank shares in the event a sale of shares is required to fund Company operations. An operational requirement to sell shares may result in a forced sale that is not based on investment analysis. In addition, low trading values may cause the Company to compromise on price to realize the necessary funds.

***We have not completed the development of any commercial products and have no revenues from the sale of products; we may not achieve profitability***

We have not completed the development of any commercial products. We do not anticipate that we will generate revenue from the sale of products in the foreseeable future.

There can be no assurance that any of our product candidates, managed by others, will meet applicable health regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, be successfully marketed or that the investment made in such product candidates will be recouped through sales or related royalties. Products that may result from our research and development programs are not expected to be commercially available for a number of years, if at all, and it will be a number of years, if ever, before we will receive revenues from commercial sales of such products. There can be no assurance that we will ever achieve profitability. As a result, an investment in our common shares involves a high degree of risk and should be considered only by those persons who can afford a total loss of their investment.

***Even if we obtain the necessary marketing approvals, our products may not gain meaningful market acceptance, and we may not become profitable***

The managers of our assets may not be able to contend successfully with competitors. The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Our current and potential competitors generally include major multinational pharmaceutical companies, biopharmaceutical firms, specialty pharmaceutical companies, universities and other research institutions.

Many of our competitors, either alone or together with their collaborators, have substantially greater financial resources and larger research, development and regulatory staffs than ours and the company who manages our assets. There can be no assurance that competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization than us and our corporate collaborators,

If product candidates fail to gain market acceptance, we may be unable to earn sufficient return on our assets to continue our business. If product candidates do not become widely accepted by physicians, patients, third-party payors and other members of the medical community, it is unlikely that we will ever become profitable.

***Our product candidates subject us to the risk of product liability claims for which we may not be able to maintain or obtain adequate insurance coverage***

Inherent in the use of our product candidates in clinical trials, as well as in the manufacturing and distribution in the future of any approved products, is the risk of financial exposure to product liability claims and adverse publicity in the event that the use of such products results in personal injury or death. There can be no assurance that we will not experience losses due to product liability claims in the future.

***Our assets under development by the manager require significant testing; Spring Bank not be able to obtain the regulatory approvals or clearances necessary to commercialize products***

We are currently not authorized to market any products in any jurisdiction. The preclinical testing and clinical trials of our product candidates and the manufacturing, labelling, sale, distribution, export or import, marketing, advertising and promotion of any new products are subject to regulation by federal, state and local governmental authorities in the United States, principally by the FDA, and by similar agencies in other countries. Any product that the manager develops must receive all relevant regulatory approvals or clearances before it may be marketed and sold in a particular country. The regulatory process, which includes extensive preclinical studies and clinical trials of each product to establish its safety and efficacy, is uncertain, can take many years and requires the expenditure of substantial resources. Data obtained from preclinical and clinical activities are susceptible to varying interpretations which could delay, limit or prevent regulatory approval or clearance. We may experience unforeseen events during, or as a result of, the testing process that could delay or prevent commercialization of our product candidates, including the following:

The clinical trials of our assets under development may not be completed on schedule and the regulatory authorities may not ultimately approve any of our product candidates for commercial sale. If we fail to adequately demonstrate the safety and efficacy of a product under development, this would delay or prevent regulatory approval of the product candidate, which could prevent us from achieving profitability.

In addition, delays or rejections may be encountered based upon changes in regulatory policy during the period of product development and/or the period of review of any application for regulatory approval or clearance for a product. Delays in obtaining regulatory approvals or clearances would adversely affect the marketing of any products derived from our assets. There can be no assurance that, even after such time and expenditures, any required regulatory approvals or clearances will be obtained for any products developed from our assets.

***Even if any of the product candidates receives regulatory approval, Spring Bank may still face development and regulatory difficulties that may delay or impair future royalties to the Company***

If the managers of our assets obtain regulatory approval for any of our product candidates, they will continue to be subject to extensive regulation by the FDA, other federal authorities, certain state agencies and regulatory authorities elsewhere. These regulations will impact many aspects of operations and the drug manufacturer's operations including manufacture, record keeping, quality control, adverse event reporting, storage, labelling, advertising, promotion, sale and distribution, export and personnel. The FDA and state agencies may conduct periodic inspections to assess compliance with these requirements. The manager of the asset will be required to conduct post-marketing

surveillance of the product. We also may be required to conduct post-marketing studies. Spring Bank's failure to comply with applicable FDA and other regulatory requirements, or the later discovery of previously unknown problems, may result in restrictions including:

- delays in commercialization;
- refusal by the FDA or other similar regulatory agencies to review pending applications or supplements to approved applications;
- product recalls or seizures;
- warning letters;
- suspension of manufacturing;
- withdrawals of previously approved marketing applications;
- fines and other civil penalties;
- injunctions, suspensions or revocations of marketing licenses;
- refusals to permit products to be imported to or exported from the United States; and
- criminal prosecutions.

Post-approval marketing laws and regulations in other jurisdictions generally provide for the same types of sanctions that may be imposed in the United States.

***Our success depends on our ability and the ability of the manager of the assets to protect our proprietary rights and operate without infringing the proprietary rights of others; we may incur significant expenses or be prevented from developing and/or commercializing products as a result of an intellectual property infringement claim***

Our success will depend in part on our ability and that of the managers of the assets to obtain and enforce patents and maintain trade secrets, both in the United States and in other countries.

Patent law relating to the scope and enforceability of claims in the fields in which we operate is still evolving. The patent positions of biotechnology and biopharmaceutical companies, including us, is highly uncertain and involves complex legal and technical questions for which legal principles are not firmly established. The degree of future protection for our proprietary rights, therefore, is highly uncertain. In this regard there can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our corporate collaborators' research, development and commercialization efforts. There can be no assurance that our or our corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent applications filed by us or one of our corporate collaborators.

Our commercial success depends significantly on our ability to operate without infringing the patents and proprietary rights of third parties, and there can be no assurance that our and our corporate collaborators' technologies and products do not or will not infringe the patents or proprietary rights of others.

There can be no assurance that third parties will not independently develop similar or alternative technologies to ours, duplicate any of our technologies or the technologies of our corporate collaborators or our licensors, or design around the patented technologies developed by us, our corporate collaborators or our licensors. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations.

Litigation may also be necessary to enforce patents issued or licensed to us or our corporate collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our corporate collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our corporate collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

*Certain of the Company's directors and officers may, from time to time, serve in similar positions with other public companies, which may put them in a conflict position from time to time.*

Certain of BioHEP's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on BioHEP's results of operations and financial condition.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

## FINANCIAL INSTRUMENTS

The Company has designated its cash as fair value through profit or loss, accounts receivable, accounts payable and accrued liabilities, and notes payable, as other financial liabilities. The Company's long-term investments are classified as available-for-sale.

### (a) Fair value

At January 31, 2018 and 2017, the carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due their short-term maturity.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

At January 31, 2018 and January 31, 2017, the Company designated its notes payables as Level 2. The investments in Spring Bank Pharmaceuticals Inc. were transferred from a level 3 designation to a Level 1 designation during the year ended January 31, 2017. The warrants are designated Level 3.

### (b) Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

#### *Credit risk:*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at January 31, 2018, the Company's exposure to credit risk is the carrying value of cash. The Company reduces its credit risk by holding its cash at a major Canadian financial institution and its money market funds are held within a notable low risk fund.

#### *Liquidity risk:*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

The Company currently does not have adequate cash to meet short-term business requirements. At January 31, 2018, the Company had cash and cash equivalents of \$172,232 (2017 - \$388,949), accounts payable and accrued liabilities of \$18,511 (2017 - \$10,886), taxes receivable of \$14,640 (2017 - payable of \$240,600) and interest payable of nil (2017 - \$22,139). All accounts payable and accrued liabilities are due within 90 days with interest and taxes due within four months.

*Market risk:*

Market risk consists of currency risk, interest rate risk and other price risk. These are discussed further below.

*Currency risk:*

Currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk.

*Interest rate risk:*

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

*Other price risk:*

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk on its investments due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. The Company has retained the services of Pathfinder Asset Management Limited, a professional asset manager, to manage price risk.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates in the preparation of the Company's financial statements the assumptions used to determine the fair value of warrants included in investments and deferred taxes. Management believes the estimates used are reasonable; however, actual results could differ materially from those estimates and, if so, would impact future results of operations and cash flows.

## **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statements for the fiscal year ended January 31, 2018. Please refer to the audited financial statements for the year ended January 31, 2018 for additional information.

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

At the date of authorization of these financial statements, the IASB and International Financial Reporting Interpretation Committee have issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods. The new and revised standards are applicable to the Company. Please refer to the financial statements for additional information.

## FORWARD-LOOKING INFORMATION OR STATEMENTS AND CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in currency exchange rates; uncertainty of estimates of capital and operating costs; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of May 31, 2018, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and find additional value in the biotechnology assets held.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Vancouver, BC

May 31, 2018