

Network Life Sciences Inc.

(formerly Network Oncology Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

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(formerly known as Network Oncology Inc.)

Management's Discussion and Analysis

For the Year Ended December 31, 2015

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the business of Network Life Sciences Inc. (the "Company") and compares its financial results for the year ended December 31, 2015 to the previous year. The MD&A should be read in conjunction with the audited consolidated financial statements ("financial statements") of the Company and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Refer to Note 3 of the December 31, 2015 financial statements for disclosure of the Company's significant accounting policies and a discussion of future accounting policy changes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars.

This MD&A contains certain statements that may constitute "forward looking statements". Forward looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Additional information relating to the Company can be located on the SEDAR website at www.sedar.com.

This MD&A is current as at May 4, 2016.

Overall Performance

Network Life Sciences Inc. (formerly Network Oncology Inc.) ("NOI", or the "Company"), was incorporated under the Business Corporations Act (British Columbia) on September 19, 2013 and operates from its registered head office located at 605 - 815 Hornby Street, Vancouver, British Columbia V6Z 2E6. The Company underwent a name change on June 17, 2015 and was previously known as Network Oncology Inc. Previous to this, the Company had its name changed from Organach Beverage Acquisition Corp. to Network Oncology Inc. on August 12, 2014. On January 16, 2015, the Company was approved for listing on the Canadian Securities Exchange and trades under the stock symbol "NOI".

The Company entered into an arrangement agreement (the "Arrangement Agreement") on October 23, 2013 with its parent company, Web Watcher Systems Ltd., to conduct a corporate restructuring by way of a statutory plan of arrangement to transfer Web Watcher's interest in a letter of intent with WULU Beverage Co. ("WULU") to the Company. As consideration for the transfer, the Company agreed to issue to the shareholders of Web Watcher the number of shares at the share record distribution date held by the shareholders and multiplied by a conversion factor. The Arrangement Agreement was approved at an annual and special meeting of shareholders of Web Watcher held on December 19, 2013. The Company obtained final approval for the arrangement from the Supreme Court of British Columbia on January 7, 2014. The Letter of Intent was cancelled by WULU on March 21, 2014.

Supply Agreement with Resolute Oncology Limited

On May 12, 2014, the Company entered into an Acquisition Agreement with Resolute Oncology Limited ("ROL") to acquire certain assets in exchange for \$50,000 in cash (paid in April 2014), issuance of 5,000,000 common shares, assuming \$177,450 (€130,000) in obligation and the payment of a 3% net sales royalty. The Acquisition Agreement also contained a condition requiring the company to seek continued fund raising as part of the private placement. On July 31, 2014, the Acquisition Agreement was amended to change the closing date to the date that the shares of the Company are approved for trading on the Canadian Stock Exchange and to increase the number of shares to be issued to 5,666,667 common shares (issued in January 2015). The fair value of the common shares issued was determined to be \$340,000, or \$0.06 per share, based on the closing trade price of the shares at the time of issuance. As at December 31, 2015, of the liabilities assumed of \$177,450, the Company still has a balance of \$165,319 (€110,000) that remains outstanding, which has been recorded in accounts payable.

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The assets acquired by the Company under the Acquisition Agreement comprised the following product license rights:

1. The non-exclusive right to use the dossier and know-how associated with Docetaxel concentrate, to obtain marketing authorizations and to sell Docetaxel based products in certain countries in Europe.
2. The non-exclusive right to use the dossier and know-how associated with Paclitaxel concentrate, to obtain marketing authorizations and to sell Paclitaxel based products in certain countries in Europe.
3. The non-exclusive right to use the dossier and know-how associated with Oxaliplatin concentrate, to obtain marketing authorizations and to sell Oxaliplatin based products in certain countries in Europe.
4. The non-exclusive and non-transferable right to use registration documentation for zoledronic acid 4 mg/5 ml vial to obtain one marketing authorization in Spain, the United Kingdom, Germany, and Italy and two marketing authorizations in France, for the purpose of selling, marketing, and distributing the Zoledronic Acid based products in the territory. The initial term of this agreement is 5 years.

During the year ended December 31, 2015, the Company incurred \$661,578 (2014 - \$nil) in development costs for the various rights in the Acquisition Agreement, of which \$431,908 remained outstanding and was included in accounts payable as at December 31, 2015 (2014 - \$nil).

Due to the uncertainty of the future economic benefits of these rights, at December 31, 2015, management determined to write down the intangible assets to \$1 in accordance to IAS 38 *Intangible Assets*. However, the Company is still liable for the remaining liabilities assumed from ROL.

Licensing Agreement with bioLytical Laboratories Inc.

On June 11, 2015, the Company entered into a twenty year license agreement with bioLytical Laboratories Inc. ("bioLytical") for an exclusive worldwide license for a rapid Ebola testing kit for consideration of US\$250,000 in cash (not paid) and 5,000,000 common shares (issued). The fair value of the common shares issued was determined to be \$1,600,000, or \$0.32 per share, based on the closing trade price of the shares at the time of issuance. The Company is also required to pay to bioLytical a royalty payment based on the net sales of the Licensed Product.

As at December 31, 2015, although the Company had issued the 5,000,000 common shares, the Company did not pay the cash consideration of US\$250,000. As a result, bioLytical exercised its right to terminate the licensing agreement on January 9, 2016. The license was fully impaired as at December 31, 2015 and the Company has no further obligation in the cash payment for this license. The Company also recognized the recovery of the obligation related to the license termination.

THREE MONTHS ENDED DECEMBER 31, 2015 ANALYSIS

The Company incurred a net loss of \$2,023,116 in the current quarter compared to a net loss of \$45,529 in the previous comparable quarter. The increase is primarily attributed to the incursion of development costs, overhead cost and stock base compensation, and the recognition of intangible asset impairment in the current period in line with the increased level of operations over the prior period.

SELECTED QUARTERLY INFORMATION

	Dec. 31 2015	Sep. 30 2015	Jun. 30 2015	Mar. 31 2015	Dec. 31 2014	Sep. 30 2014	Jun. 30 2014	Mar. 31 2014
	\$	\$	\$	\$	\$	\$	\$	\$
Financial results:								
Net income (loss)	(2,023,116)	(278,035)	(161,032)	(955,463)	(45,529)	(15,898)	(20,631)	n/a

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Basic loss per share	(0.07)	(0.01)	(0.01)	(0.05)	(182.12)	(82.52)	(82.52)	(0.00)
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TWELVE MONTHS ENDED DECEMBER 31, 2015 ANALYSIS

The Company incurred a net loss of \$3,417,646 in the current year compared to a net loss of \$85,824 in the previous comparable year. The increase is primarily attributed to the incursion of development costs, overhead costs, share-based compensation, the recognition of intangible asset impairment in the current period, in addition to an increased level of operations over the prior year from the Company's business interests.

SELECTED ANNUAL INFORMATION

	December 31, 2015	December 31, 2014	December 31, 2013
	\$	\$	\$
Statement of Comprehensive Loss			
Net loss	(3,417,646)	(85,824)	-
Earnings (loss) per share (basic and diluted)	(0.14)	(343.30)	-
Statement of Financial Position			
Total assets	738	210,156	100
Total long-term liabilities	-	-	-

Liquidity and Capital Resources

At December 31, 2015, the Company had negative working capital of \$1,016,456 (December 31, 2014 – \$10,724 including cash and cash equivalents of \$737 (December 31, 2014 - \$35,156).

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuation of the Company as a going concern is dependent on its ability to obtain necessary equity financing for its commitments.

The Company's cash resources are insufficient to meet its working capital requirements. Additional equity financing will be required to meet its obligations if the titles are transferred into the name of the Company.

On January 8, 2015 the Company completed its private placement and issued 4,166,667 units at \$0.06 per unit for proceeds of \$250,000. Each unit comprised of one common share and one common share purchase warrant exercisable at \$0.15 until January 8, 2016.

On January 8, 2015 the Company issued 12,003,082 common shares under the plan of arrangement between the Company and Web Watcher Systems Ltd. which was approved by the shareholders of Web Watcher Systems Ltd. on December 19, 2013 and the Supreme Court of British Columbia on January 7, 2014.

On January 8, 2015, the Company issued 5,666,667 common shares to ROL in accordance with the Acquisition Agreement of which 833,333 common shares were issued to officers and directors of the Company.

On June 6, 2015, the Company issued 5,000,000 common shares in accordance with the license agreement with bioLytical. The fair value of the common shares was determined at \$0.32 per share based on the closing price for a total of \$1,600,000.

On June 25, 2015, the Company consolidated its outstanding shares on the basis of one (new) post consolidation share for each three (old) pre-consolidation shares. Total shares issued and outstanding post-consolidation was 26,836,392.

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On October 8, 2015, 500,000 warrants were exercised for proceeds of \$75,000.

On July 17, 2015, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 2,100,000 common shares of the Company to certain directors, officers, employees, and consultants of the Company. The options are exercisable at a price of \$0.25 per common share for a two year term.

The Company has recognized short-term liabilities totaling \$1,017,194 (December 31, 2014 - \$45,880). During the year ended December 31, 2015, the Company received \$107,486 in short term, unsecured loans bearing an interest of 8% compared to \$nil during the year ended December 31, 2014.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its business objectives. In addition, there is no guarantee that management will be successful in securing future equity financings due to current market conditions.

FINANCIAL INSTRUMENTS**Classification of financial instruments**

	Ref.	2015	2014
		\$	\$
FVTPL financial asset	a	737	35,156
Other financial liabilities	b	1,017,194	45,880

a. Comprises cash

b. Comprises accounts payable and short-term loans

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Management of Industry and Financial Risk

The Company is engaged primarily in the sales and distribution of approved drugs and manages related industry risk issues directly. The Company may be at risk for regulatory issues and fluctuations in exchange rates.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company attempts to obtain sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements and no long-term debt obligations.

Transactions between Related Parties

During the year ended December 31, 2015, the Company incurred \$60,000 (2014 – \$NIL) of consulting fees from the Chief Financial Officer ("CFO") and Director of the Company. Included in accounts payable was \$63,000 outstanding to this Director at December 31, 2015.

During the year ended December 31, 2014, the Company incurred \$15,000 of consulting fees from the former CFO and Director of the Company. As at December 31, 2015, \$nil (December 31, 2014 - \$15,000) remains unpaid and recorded in accounts payable.

Included in accounts payable is also a payable to a director of a greater than 10% shareholder of the Company in the amount of \$40,529 (2014 - \$nil).

OUTSTANDING SHARE DATA

The following share capital data is current as of the date of this MD&A:

	Balance
Shares issued and outstanding	27,336,392
Stock options	2,100,000
Warrants	-
Fully Diluted	29,436,392

Future Cash Requirements

The Company's future capital requirements will depend on many factors, including, among others, its ability to earn cash flow from operations. Should the Company wish to pursue current and future business opportunities, additional funding will be required. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. If adequate funds are not available, the Company may not be able to meet its contractual requirements.

Critical Accounting Estimates

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates that, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are provided in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk, and volatility may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Going concern

The assessment of the Company's ability to execute its strategy effectively operating the Company involves judgement.

Acquisition of assets

The assessment of the acquisition of assets or business relating to the Acquisition Agreement involves significant judgement on the future operation of the Company.

Changes in Accounting Policies

The Company adopted the following accounting policies effective January 1, 2015:

IFRIC 21 Levies - In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy.

IAS 32 - Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

IAS 36 Impairment of Assets - In May 2013, the IASB issued amendments to IAS 36 which restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal.

ADDITIONAL INFORMATION

Additional information pertaining to the Company is available on the SEDAR website and at www.networklifesciences.com