

BIOMARK DIAGNOSTICS INC.

Quarterly Report
December 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date of Report: February 27, 2017

The following management's discussion and analysis ("MD&A") should be read together with the condensed consolidated interim financial statements and accompanying notes for the quarter ended December 31, 2016, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A includes certain statements that may be deemed "forward-looking statements". Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

1.2 Highlights

Announcements and Highlights during the quarter:

- Several meetings were held in Vancouver organized by BC Trade and Investment Office for pre-selected BC based companies to meet and explore collaboration with major diagnostic and health care companies. Discussion and dialogue is still ongoing and progress development is being shared with interested parties.
- Lung cancer fingerprint customized assays were developed and revalidated at The Metabolomics Innovation Center (TMIC). In addition, a test software algorithm was generated that will be supported through further development initiatives.
- Gene expression and proteomic analysis on select tissue samples was postponed to February 2017 due to availability of analytical equipment. The tissues were obtained from Manitoba Tumor Bank and Dr. Horacio Bach at UBC was to conduct the analysis.
- Preliminary result of breast cancer fingerprint from The Metabolomics Innovation Center (TMIC) was issued at the end of December 2016. Review of robustness and application of the markers is underway along with an expanded sample study. The samples are from the breast cancer clinical trial group. The company intends to file provisional patents following the results of the expanded sample study which is anticipated to be completed by April 2017.
- A dedicated regional diagnostic lab service company was provided with all standard operating protocols for BioMark's assays for review and validation in regards to commercial application. Technical lab teams from all parties interacted as needed during the process.
- The company received approval from University of Manitoba on December 19th, 2016 for a patient follow study regarding healthy Canadian patient group that exhibited elevated level of the targeted enzyme SSAT1. The purpose of the study is to understand whether the study group was asymptomatic. This could be a critical discovery for the company and for submission to Health Canada.

- Expression of Interest (EOI) proposal for review with an association based in Manitoba for multiyear co-founding program slated for 2017 was drafted. The proposal will be submitted in late January 2017.
- BioMark submitted a joint application with Saint Boniface Research Centre following a call for proposal by Diagnostics Services Manitoba for research and innovation on December 9th, 2016. There will be two major grants of \$60,000 and four small research grant of \$15,000 each offered over a two-year research project. Winners are expected to be announced in April 2017.
- Two major private funding parties were identified and are still conducting due diligence.

1.3 Overall Performance

Nature of Business and Overall Performance

BioMark Diagnostics Inc. was incorporated under the Business Corporation Act of British Columbia on June 19, 2014. The head office of the Company is 165-10551 Shellbridge Way, Richmond, British Columbia, V6X 2W8.

Background

We are a Canadian based company that has purchased all the assets related to, and will continue to develop, an advanced stage cancer diagnostic business. Our cancer diagnostics technology was initially licensed from the University of Manitoba in Canada in 2006 by Bux Group and was subsequently assigned to BioMark Technologies Inc (“BTI”), with whom we completed an asset purchase agreement on September 29, 2014, described in detail below under “Significant Acquisitions and Dispositions”. The diagnostic technology has developed to date into a metabolomics-based diagnostic assay that allows for cancer detection, monitoring and prognosis for treatment.

We are currently focused on bringing our cancer diagnostic kits and detection system up to commercialization standards and we hope to commence export once clinical trials and regulatory acceptance are obtained from Health Canada and other applicable regulatory agencies. Phase 3 clinical trial approval was granted by Health Canada in July, 2012, and the trials commenced at Saint Boniface Research Centre in October, 2013, and expanded to one additional site in Bangladesh. The Phase 3 study focus is on breast, prostate, lung and gastrointestinal cancers. We hope that the multi-site study will aid in accelerating trial completion by mid-2016.

On September 29, 2014, Biomark Cancer Systems Inc. (“BCS”), completed an Asset Purchase Agreement with BTI to purchase the rights, title and interest in and to BTI’s advanced stage cancer diagnostic business (the “**Diagnostic Business**”) including all related research, technologies and products, and the corresponding intellectual property rights and moral rights thereto.

Pursuant to the Asset Purchase Agreement, we obtained numerous assets relating to the Diagnostic Business. These include: five patents relating to the cancer diagnostic technology, registered or applied for in jurisdictions around the world; all of the diagnostic products, such as assays, kits, technology and detection systems, and any prototypes thereof; a real property lease for office premises; all of the tangible property; all of the know-how; all of the books and records, including all research, clinical studies and trial data, patient lists, plans, manuals and applications; a number of material contracts relating to the Diagnostic Business; all inventory allocated or assigned to the Diagnostic Business as of the closing of the Asset Purchase Agreement; the internationally registered BioMark™ trademarks to which BTI held transfer rights prior to the closing of the Asset Purchase Agreement; the intellectual property rights relating to several governmental and university partnerships; and all governmental approvals required for the lawful operation of the Diagnostic Business, to the extent transferable to BCS under the applicable laws.

BCS assumed some limited liabilities pursuant to the Asset Purchase Agreement relating to the transferred contracts and property lease, as well as to the operation and conduct of the Diagnostic Business after the closing of the Asset Purchase Agreement. BCS also assumed liability for BTI's accounts payable arising out of, relating to or incurred in connection with the Diagnostic Business as they stood at signing, and up to the closing of the Asset Purchase Agreement.

As a result of the Asset Purchase Agreement, to ensure continued involvement of persons possessed of scientific knowledge relating to the Diagnostic Business, BCS entered into several contractor agreements with key individuals involved with the research, technology and development of the Diagnostic Business.

BioMark Diagnostics is developing proprietary, non-invasive, and accurate cancer diagnostic solutions to help detect, monitor and assess treatment for cancer early and cost effectively. The platform technology is also designed to be used for measuring response to treatment and potentially for serial monitoring for cancer survivors. For more information please visit the company website at: www.biomarkdiagnostics.com

1.4 Results of Operations

As a result the parties who controlled the Diagnostic Business before the Asset Purchase Agreement and the Arrangement continued to control BioMark Diagnostics Inc., including the Diagnostic Business, after the Asset Purchase Agreement and the Arrangement.

The Company has generated no revenues for the nine months ended December 31, 2016 and has a negative operating cash outflows in the amount of \$198,573 for the nine month period ended December 31, 2016. The Company has recorded a net loss of \$111,757 for the three months ended December 31, 2016.

For the three month ended December 31, 2016, corporate and professional service fees was \$95,659 compared to the prior year of \$80,141. The increase of \$15,518 due to increased third-party consulting services and operational activities of the Company. The Corporate and professional service fees include any consulting services and related expenses.

The Company has no payroll and engages on the basis of consulting services as needed compared to the previous year. The major expenses are related to lab tests, additional R&D, regulatory and clinical trial costs.

For the three month ended December 31, 2016, office and miscellaneous costs decreased by \$22,004 compared to the previous year due to cancellation of office lease in Surrey.

Research and other expenses for December 31, 2016 was lower compared to the prior year December 31, 2015 due to clinical trial activities being concentrated during that period last year. This quarter, more of the research activities on additional trials is planned for the later part in early 2017. For the three months ended December 31, 2016 research and development costs were \$567 (December 31, 2015 - \$110,009).

Regulatory and further clinical trial costs may be needed based on the results obtained from the Bangladesh and Canadian trials. Both the regulatory and trial added costs for the SSAT Amantadine cancer detection assay is estimated at \$400,000. The results of this initiative will provide the foundation for regulatory submission to Health Canada which sets the base for an eventual market introduction. There is no assurance that such financing will be available or that the Issuer will have the capital to complete this proposed development and commercialization.

The Issuer was able to complete the trial on estimated 218 patients, developed an internal standard, shipped the biological samples to a GLP site that analyzed the urine samples and forwarded the material to regulatory specialist for the SSAT Amantadine cancer detection. In addition the Issuer conducted

revalidation and reconfirmation studies on its metabolite fingerprint assays with The Metabolomics Innovation Centre (TMIC) that is still ongoing. Costs associated with the assay validation and next phase development associated with these fingerprints are estimated at \$300,000. These costs are generally related to sample acquisition, kit optimization and analysis costs.

The Issuer's clinical development studies and regulatory considerations are subject to risks and uncertainties that may significantly impact its expense estimates and development schedules, including:

- the scope, rate of progress and cost of the development of both these detection assays
- uncertainties as to future results of the efficacy of the tests;
- the issuers ability to enroll subjects in clinical trials for current and future studies;
- the Issuer's ability to raise additional capital; and
- the expense and timing of the receipt of regulatory approvals.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the most recently completed quarter. There are no quarterly results to report prior to June 30, 2014 as the Company was incorporated on June 19, 2014.

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Expenses	111,757	150,306	215,534	700,749
Net Loss	(111,757)	(150,306)	(215,534)	(696,339)
Loss per Share	(0.002)	(0.003)	(0.004)	(0.014)

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	\$	\$	\$	\$
Total Revenue	-	4,410	-	-
Expenses	260,892	236,597	209,292	824,516
Net Loss	(260,892)	(232,187)	(209,292)	(824,516)
Loss per Share	(0.005)	(0.005)	(0.007)	(0.10)

1.6 Liquidity

The Company has total assets of \$14,160 as at December 31, 2016 consisting of cash, amounts receivable and prepaid expenses and has a negative working capital of \$836,999.

At December 31, 2016, the Company had cash and cash equivalents of \$2,065 (December 31, 2015 – \$3,962) and a working capital deficit of \$836,999 (December 31, 2015 – \$509,043). Working capital is defined as current assets less current liabilities. Cash and cash equivalents decreased by \$12,067 between the period ended December 31, 2016 and March 31, 2016 due to the Company incurring operating expenses during the period.

Cash utilized in operating activities during the nine months ended December 31, 2016 was (\$198,573) (December 31, 2015 – (\$192,963)). This difference between December 31, 2016 and December 31, 2015 was an overall decrease in operating expenses.

Total liabilities increased by \$263,113 for the December 31, 2016 when compared to the total liabilities at March 31, 2016. The Company's cash inflows from financing activities comprised proceeds from common share issuances and cash share subscriptions received during the nine months ended December 31, 2016 totaling \$186,506.

At December 31, 2016, share capital was \$3,297,797 comprising 54,436,543 issued and outstanding Common Shares (December 31, 2015 – \$2,520,762 comprising 49,403,416 issued and outstanding Common Shares). Contributed surplus at December 31, 2016 is \$613,268 (March 31, 2016 – \$604,896) the increase is the result of the share based payments for the period.

As a result of the net loss for the period ending December 31, 2016 of \$477,597 (December 31, 2015 – (\$702,371)) the deficit at December 31, 2016 increased to \$4,770,955 from \$4,293,358 as at March 31, 2016.

At present, the Company's operations do not generate cash inflows and its financial success after March 31, 2016 is dependent on management's ability to continue to obtain sufficient funding to sustain operations through the development stage and to successfully bring the Company's technologies to the point that they may be out licensed so that the Company achieves profitable operations. The research and development process can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's future research and development and to cover administrative and overhead expenses in the coming years the Company may raise money through equity sales. Many factors influence the Company's ability to raise funds, including the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of research activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. Should those risks fully materialize, it may not be able to raise adequate funds to continue its operations.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on funding through future equity issuances and through short term borrowing in order to finance ongoing operations. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all. See subsequent event for additional information.

1.7 Share Capital

As at December 31, 2016, the Company had 54,436,543 common shares issued and outstanding.

1.8 Share Purchase Warrants

As at December 31, 2016, the Company had 1,908,564 shareholder warrants issued and outstanding. On March 15, 2016, the Company completed a Non-Brokered Private Placement at a price of \$0.15 per unit for proceeds of \$408,954, resulting in the issuance of 2,726,360 common shares and 1,363,180 warrants. On June 24, 2016, the Company completed a Non-Brokered Private Placement at a price of \$0.15 per unit for proceeds of \$163,615, resulting in the issuance of 1,090,767 common shares and 545,384 warrants. Each warrant will entitle the holder to purchase an additional common share at an exercise price of \$0.30 per share for a period of 12 months following the issuance of the warrants.

1.9 Stock Options

The Company has reserved 4,490,000 common shares under its 2014 Amended Stock Option Plan. The plan provides for the granting of options to directors, employees and consultants. Stock options granted generally have varying expiry terms of up to five years and vesting periods determined at the discretion of the directors.

During the nine months period ended December 31, 2016, there was no stock options granted to directors, consultants and employees. As at December 31, 2016, the Company had outstanding 4,490,000 stock options with a weighted average remaining contractual life of 2.83 years and with a weighted average exercise price of \$0.25 per share.

1.10 Capital Resources

The Company does not have any other commitments for material capital expenditures.

1.11 Off Balance Sheet Arrangements

There is no off-balance sheet arrangements to which the Company is committed.

1.12 Transactions with Related Parties

During the period ended December 31, 2016, the Company entered into the following transactions with related parties:

- a) For the period ended December 31, 2016, directors and officers of the company provided consulting services to the company of \$213,200. These charges are included in corporate and professional services and wages.
- b) For the period ended December 31, 2016, the Company recognized \$8,372 of share-based compensation for stock option held by directors and officers. This amount is included in share-based compensation expense.
- c) On May 14, 2014, the Company also entered a General Service Agreement (the “Service Agreement”) with BioMark Technologies Inc., Both Biomark Diagnostics and Biomark Technologies are managed by the CEO of the Company. According to the Service Agreement, the Company engaged Biomark Technologies to provide important services that include continuation of research and development, establishing a framework quality management system, IP refinement and filing, establish protocols with key investigators, linking platforms that Biomark Diagnostics can leverage, engage in territorial business development from relationships that Biomark Technologies developed over the years, supplier validation and review, operating capital and other related functions (the “Services”). Biomark Technologies uses subcontractors to perform some of its services. The Company will pay management fees equivalent to cost plus a 25% administration fee to Biomark Technologies and payable upon completion of the Services. For the period ended December 31, 2016, the Company paid \$42,578 to Biomark Technologies as administration fees. BTI holds approximately 75% of the common shares of the Company as at December 31, 2016. The CEO owns more than 10% interest in the Company. The term of this Agreement will remain in full force and effect indefinitely until terminated as provided in the Agreement. In the event that either party wishes to terminate this Agreement, that each party will be required to provide 30 days' notice to the other party.
- d) On May 14, 2014, the Company entered into an Independent Contractor Agreement (the “Agreement”) with the CEO of the Company. According to the Agreement, the CEO will

provide consulting services to the Company for one year with a compensation of \$240,000 per year plus benefits. In addition, the CEO will be paid a cash bonus equivalent to 30% of the annual salary at the end of each year if the trading price of the Company shares increased by more than 30% from the trading price at the beginning of the year. For the purpose of this calculation, the starting trading price is \$0.25 per share. The CEO will also be granted stock options for 1,000,000 shares at a price of \$0.25 per share (granted). Finally, if the Company's market capitalization exceeds \$200 million USD, the CEO will be paid an additional cash bonus of \$500,000. The terms of the CEO agreement is on year to year basis unless terminated accordance to the terms and conditions set forth in the agreement. According to the Agreement, the Company engaged CEO service to provide important services that include develop and direct the corporate strategy, resource allocation, review acquisitions or partnerships, drive or generate revenue growth, hire and retain staff as necessary, support in capital raise rounds, manage past relationships and build business and collaborations

1.13 Fourth Quarter

N/A

1.14 Subsequent events

Subsequent to December 31, 2016:

- On February 21, 2017, the Company announced that it has been successful in the first round of Genome Canada's Genomic Applications Partnership Program (GAPP) Expression Of Interest submission. BioMark has now been invited to proceed to the Project Pitch Stage that will include a review committee of independent experts.

1.15 Critical Accounting Estimates

Critical Estimates and Assumptions

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

The most significant judgments in applying the Company's financial statements is the classification of financial instruments and the going concern assumption.

1.16 Changes in Accounting Policies

Accounting standards issued but not yet applied

The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the financial statements upon adoption of this new and revised accounting pronouncement.

- IFRS 9 – *Financial Instruments* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39.

1.17 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable and due to related parties.

The Company's financial instruments are exposed to the following risks:

Credit risk

The Company is exposed to credit risk with respect to its amounts receivable. To reduce the credit risk of the amounts receivable, the Company regularly reviews the collectability. Currently there is no indication that the amounts will not be fully recoverable.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company intends to meet its current obligations in the following year with funds to be raised through private placements, shares for debt, loans and related party loans.

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

1.18 Other MD&A Requirements

- A. For more information about the Company, see www.sedar.com. The Company has not filed an AIF Annual Information Form.
- B. Information required in the following section of National Instrument 51-102, if applicable:
 - i) Section 5.3 – *Additional Disclosure for Venture Issuers without Significant*

Revenue

An analysis of material components of the Company's general and administrative expenses is disclosed in the Statement of Comprehensive Loss forming part of the Financial Statements for the period ended December 31, 2016 to which this MD&A relates.

ii) Section 5.4 - *Disclosure of Outstanding Share Data*

a. Authorized:

Unlimited common shares without par value

b. Common Shares Issued:

	<u>Number</u>	<u>Amount</u>
Balance, December 31, 2016	<u>54,436,543</u>	<u>\$ 3,297,797</u>

As at December 31, 2016, there were 12,000,000 common shares held in escrow.

c. Stock options:

As at the date of the MDA, there are 4,490,000 stock options outstanding to acquire up to 4,490,000 common shares at \$0.25 per share exercisable until October 31, 2019. As at December 31, 2016, all the options were vested and exercisable.

(iii) Section 5.7 – Additional Disclosure for Reporting Issuers with Significant Equity Investees.

Not applicable.

C. Disclosure required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings.*

Not applicable.

Risk Factors

The Company is focused on more select market introduction and development of all its product lines while instituting cost control of product development. The failure to generate future sales in the Company's main products could have a significant and adverse affect on the Company.

Additionally, the Company is engaging in prototype development, conducting additional clinical research related to technology positioning, protocol development and regulatory submissions. Negative clinical trials along with regulatory non approval or delays could adversely affect sales, product commercialization and could have a major impact on the Company.

BioMark's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Company. BioMark does not anticipate having key person insurance in effect for management. However, the Company will institute an insurance policy that provides directors and officers a minimum of \$2 million liability coverage in the coming quarters. The contributions of these individuals to the immediate operations of BioMark are of central importance. In addition, there can be no assurance that BioMark will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

The Company has incurred a net loss for the period ended December 31, 2016 of \$477,597 and has a deficit of \$4,770,955 as at December 31, 2016. Management is continuing efforts to attract additional equity and capital investors and implement cost control measures to maintain adequate levels of working capital. Nevertheless, there can be no assurance provided with respect to the successful outcome of these ongoing actions. If the Company is unable to obtain additional financing on reasonable terms, the Company may be required to curtail or reduce its operations to continue as a going concern.

In addition, the Company's limited working capital could affect the Company's ability to seize upon opportunities requiring investment, or to reinvest in its products in a timely manner.