Algernon Pharmaceuticals Inc.
(Formerly Breathtec Biomedical, Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six months ended February 28, 2019 and 2018

Dated April 26, 2019

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Algernon Pharmaceuticals Inc., formerly Breathtec Biomedical, Inc. ("Algernon", "Breathtec" or the "Company"), its operations, financial performance, current and future business environment and opportunities and risks. This MD&A is intended to supplement and complement the condensed interim consolidated financial statements and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for the six months ended February 28, 2019 (the "financial statements").

This MD&A is prepared as of April 26, 2019. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information. Forward-looking statements include statements regarding the outlook for the Company's future operations, plans and timing for the introduction or enhancement of its services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, and other expectations, intentions and plans that are not historical fact. The forward-looking statements in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. While management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Readers are also advised to consider such forward-looking statements in light of the risk factors and uncertainties that may affect the Company's actual results, performance, achievements or developments as described in Appendix 1.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and the Company's business may be found in the Company's other public filings which are available on the Canadian Securities Administrators' website at www.sedar.com and the Company's website at www.algernonpharmaceuticals.com.

CONFLICTS OF INTEREST

Certain directors and officers of the Company are, or may become, directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

OVERVIEW

Algernon Pharmaceuticals Inc., formerly Breathtec Biomedical, Inc., (the "Company", "Algernon", "Breathtec") is the resulting corporation following the completion, on October 26, 2015, of an agreement (the "Merger Agreement") structured as a reverse-takeover, specifically, as a triangular merger (the "Merger") under the Florida Business Corporation Act ("FBCA") among Breathtec, Breathtec Biomedical, Inc. ("Breathtec US") and Breathtec Merger Sub, Inc. ("MergerCo"), a wholly-owned subsidiary of Breathtec. Pursuant to the Merger, Breathtec US was merged with and into MergerCo with Breathtec US as the surviving corporation. The Company acquired a 100% interest in Breathtec US pursuant to and on the terms and subject to the conditions set out in the Merger Agreement resulting in Breathtec US becoming a 100% owned Florida operating subsidiary of the Company.

Breathtec was formed to propel innovative research in the area of breath analysis as a medical diagnostic tool. The principal goal of the Company was to develop and commercialize non-invasive, affordable, breath analysis devices for early detection of infections and life-threatening diseases such as cancers, liver disease, kidney failure, diabetes, asthma and tuberculosis.

On October 17, 2018, the Company consolidated its common shares on the basis of two pre-consolidation shares for 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

On October 19, 2018, the Company completed the acquisition of 100% of the issued and outstanding shares of Nash Pharmaceuticals Inc. ("Nash Pharma"), including dilutive securities of Nash Pharma, in exchange for securities of Breathtec (the "Transaction"). Nash Pharma is a clinical stage pharmaceutical development company focused on developing repurposed therapeutic drugs in the areas of non-alcoholic steatohepatitis (NASH), chronic kidney disease (CKD) and inflammatory bowel disease (IBD). Drug repurposing (also known as re-profiling, re-tasking or therapeutic switching) is the application of approved drugs and compounds to treat a different disease than what it originally developed for. Through its ongoing research programs, Nash Pharma is seeking to minimize investment and drug development risk by taking advantage of regulatory approved drugs and discovering alternative clinical uses by accelerating entry into phase II clinical trials (human).

Upon the closing of the Transaction on October 19, 2018, the Company acquired all of the issued and outstanding common shares of Nash Pharma in consideration for the issuance of 15,800,000 common shares of the Company and 14,800,000 replacement warrants, with exercise prices and expiry dates equal to the Nash Pharma warrants cancelled.

To align the corporate identity with the Company's new main strategy to be a global leader in the treatment of liver disease, chronic kidney disease and inflammatory bowel disease, on February 19, 2019, the Company changed its name to Algernon Pharmaceuticals Inc. The Company's common shares also began trading on the CSE on February 19, 2019 under the new symbol "AGN".

ACTIVITIES

The Company has been primarily focussed on working on the planning stages related to moving a number of its lead compounds into phase II clinical trials.

Research and Development

The Company has concluded the majority of its in vivo studies which resulted in positive data for a number of different disease areas and compounds;

Non-Alcoholic Steatohepatitis ("NASH")

January 21, 2018 – NP-160 and NP-135 data from this study demonstrated statistically significant improvements in several key measures relevant to the development and progression of NASH including:

- NP-160 (40 mg/kg, QID) showed a 1.25 point drop in the NAFLD/NAS score vs controls ($p<0.05$) and a 59.9% reduction ($p<0.0001$) in fibrosis area;
- NP-135 (200 mg/kg, QID) showed a 1.1 point drop in the NAFLD/NAS score vs controls ($p>0.05$) and a 84.4% reduction ($p<0.0001$) in fibrosis area; and
- Cenicriviroc (40 mg/kg, QID) both a positive control and comparator arm in the study showed a 1.5 point drop in the NAFLD/NAS score vs controls ($p<0.01$) and 54.1% ($p<0.0001$) reduction in fibrosis area compared to controls as measured by Sirius Red staining.

April 1, 2019 – NP-135 data from the biochemical analysis from the most recent NASH pre-clinical research study showed :

- Neither NP-135 or Cenicriviroc, both a positive control and comparator arm in the study, and currently in Phase III trials for NASH, showed any significant negative effect on any important metabolic markers including glucose, lipids and cholesterol;
- NP-135 (200 mg/kg, QID) showed a 34.6% ($p<0.001$) reduction in liver hydroxyproline compared to negative controls; and
- Cenicriviroc (40 mg/kg, QID) showed a 29.0% ($p<0.01$) reduction in liver hydroxyproline when compared to negative controls.

Chronic Kidney Disease ("CKD")

January 14, 2019 - Data from this study demonstrated that clinically relevant doses of NP-135 and NP-160 and NP-251 resulted in statistically significant improvements in the reduction in fibrosis in the UUO model as measured by Sirius Red staining over untreated controls:

- NP-135 (200 mg/kg) reduced fibrosis by 52.1% ($p<0.000001$). In addition, the mass of the fibrotic kidney was lower than the negative control (i.e. closer to normal, $p=0.016$);
- NP-160 (40 mg/kg) reduced fibrosis by 57.6% ($p <0.000001$). NP-160 was also previously reported to be anti-fibrotic in a mouse model of NASH;
- NP-251 (90 mg/kg) reduced fibrosis by 50.6% ($p<0.000001$) with evidence of slight synergy (54.2% reduction in fibrosis, $p<0.000001$) when a low dose (30 mg/kg, 20.8% reduction in fibrosis, $p>0.05$) was combined with the same dose of Telmisartan (3mg/kg). In addition, the mass of the fibrotic kidney was lower than the negative control ($p<0.001$);
- Telmisartan (3mg/kg), a positive control, reduced fibrosis by 32.6% ($p<0.001$); and
- Cenicriviroc (40 mg/kg) a CCR2/5 chemokine receptor antagonist with reported anti-fibrotic activity, reduced fibrosis by 31.9% ($p=0.00032$).

Irritable Bowel Disease ("IBD")

December 3, 2018 - Data from this 2,4,6-trinitrobenzene sulfonic acid (TNBS) induced *in vivo* animal study showed NP-178 and NP-120 demonstrated statistically significant improvements in multiple measurements over multiple time points relevant to Crohn's Disease including:

NP-178

- Body weight ($p<0.001$), occult positivity ($p<0.05$), colon weight ($p<0.05$), colon length ($p<0.001$) and the colon weight/length ratio ($p<0.001$);
- The drug compared very favourably to the control, 5-ASA, the current standard of care for IBD; and
- No negative side effects were observed.
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NP-120

- Body weight ($p<0.01$), colon length ($p<0.001$) and colon weight/length ratios ($p<0.01$);
- The drug compared very favourably to the control, 5-ASA, the current standard of care for IBD in both the Crohn's Disease and an earlier Ulcerative Colitis study; and
- No negative side effects were observed.

The Development of a Therapy for Idiopathic Pulmonary Fibrosis ("IPF")

IPF is a type of chronic lung disease characterized by a progressive and irreversible decline in lung function and scarring (fibrosis) of the lungs. There is no cure for IPF and there are currently no procedures or medications that can remove the scarring from the lungs.

On Feb 25, 2019 the Company announced that based on positive preliminary data from its first IPF research study, the Company has elected to conduct further research on compound NP-251 and NP-120. Both compounds are orally administered small molecules.

As fibrosis is a major underlying condition for many serious diseases, and as a result of the success of several Algernon compounds previously demonstrating anti-fibrotic activity in CKD and NASH, the Company screened a number of its lead compounds for IPF. Out of the eight compounds screened by the Company during the early research phase, NP-251and NP-120 showed the most promise.

The research plan is to advance testing of NP-251 and NP-120 in a new in vivo animal study, directly against clinically relevant doses of both Pirfenidone and Nintedanib, the currently approved treatments for IPF. Two key endpoints for the animal study will be fibrosis and lung function.

The Company also continues to advance its work on identifying the mechanisms of action for some of its lead compounds.

Product Development

FAIMS Technology

The Company has a medical device division that is focused on innovation and advances in the field of specialized mass spectrometry. It is working to advance its field asymmetric ion mobility sensor ("FAIMS") for the medical device market. FAIMS is a new form of atmospheric pressure ion separation technology. that exploits differences in ion mobility at very high electric fields to separate ions in the millisecond timescale thus allowing continuous sample introduction. Medical testing based on FAIMS technology, could allow for the miniaturization of breath testing devices enabling real-time, point of care ("POC") non-invasive and accurate clinical screening of human breath.

Research shows that human breath contains biomarkers that may be differentially expressed in people who have a specific disease conditions compared to healthy individuals. Real time, accurate POC screening of human breath could provide the medical community with a new tool to help screen and possibly diagnose a wide range of human diseases.

University of Florida Research Foundation

On June 18, 2016, the Company signed a license agreement with the University of Florida Research Foundation, a non-profit Florida corporation ("UFRF") with respect to an exclusive royalty-bearing license to certain UFRF patent rights and a non-exclusive royalty bearing license to certain UFRF know-how to enable commercial advancements in the field of infections detection (the "License - UFRF)

Pursuant to the terms of the license agreement, the License - UFRF is effective from June 18, 2016 to the later of the date that no patent right remains enforceable and ten years after the first commercial sale of a licensed product (with an option to extend for additional five-year terms).

In consideration for the License - UFRF, the Company issued to UFRF 468,162 common shares of the Company fair valued at $121,722. Starting in June 2017, an annual license maintenance fee of US$2,000 would be paid by the Company and every year thereafter until the first commercial sale. In addition, the Company will also make payments upon meeting certain development, regulatory and commercialization milestones. Upon commencement of commercial production, the Company will pay a royalty between 2% and 4% on all net sales. All shares issued to UFRF will be subject to a four-month hold period pursuant to applicable securities laws.

The Company continues to advance the development of a working prototype for its FAIMS Breathalyzer device under the direction of Dr. Richard Yost.

Business Development

The Company continues to advance in its plans to conduct a number of Phase II clinical trials for its lead compounds. In this regard, the Company is now preparing a full study protocol for a NASH, CKD and an IBD clinical trial with the next step being a request for proposal from the key CRO's the Company has been working with. Locations for the various studies have not yet been chosen.

The Company plans to present pre-clinical data on its inflammatory bowel disease ("IBD") research program for both Colitis and Crohn's disease at the upcoming Digestive Disease Week Annual Conference, held in San Diego, CA on May 18th -21st.

Medical and Scientific Advisory Board Update

Dr. Arun Sanyal

On March 21, 2019, the Company announced the appointment of Dr. Arun Sanyal, MD, a leading global expert and clinician in the area of chronic liver disease. Dr. Sanyal has developed, mediated and encouraged global liver research as a physician-scientist for 25 years. Currently, Dr. Sanyal is the Vlahcevic Chair of Medicine in the department of Internal Medicine at Virginia Commonwealth University (VCU) and Director of the KL2 program in the Center for Clinical and Translational Research at VCU.

Dr. Sanyal's medical career has spanned the spectrum of translational science in liver cirrhosis, NASH and NAFLD, with a particular focus on obesity and cardiovascular affects related to liver disease. Dr. Sanyal is a Past President of the American Association for the Study of Liver Diseases, and has chaired committees

at the National Institute of Diabetes and Digestive Kidney Diseases' NASH clinical research network and the United States National Institute of Health's hepatobiliary study section. He recently received the 2018 Distinguished Achievement Award from the American Association for the Study of Liver Diseases. The award signifies 30 years of research including 17 continuous years of National Institutes of Health funding, the development of therapeutics reducing liver disease across the globe, and countless international leadership roles and awards.

Dr. Walter Reinisch

On April 4, 2019, the Company announced that Dr. Walter Reinisch, MD, a leading global scientific expert and clinician in the area of IBD has joined the Algernon Medical and Scientific Advisory Board. Dr. Reinisch is a founding member of the European Crohn's & Colitis Organization and was assigned as honorary member after having contributed in various positions. He was active in the Scientific and Public Affairs Committee of the United European Gastroenterology and headed the Austrian IBD Study Group. Dr. Reinisch is member of the International Organization For the Study of Inflammatory Bowel Disease.

Dr. Reinisch is an expert in designing, conducting and interpreting the results of clinical trials in IBD. He envisions a customized management of IBD utilizing the innovations of translational medicine. He advocates the implementation of a "common language of inflammatory bowel disease" to improve the communication with patients and between physicians for a better care and more robust research outcomes. Dr. Reinisch has also either written or made contributions to over 250 publications on IBD and remains active in all aspects of IBD research.

Financing

On October 23, 2018, the Company closed a private placement whereby it issued 2,083,334 units at a purchase price of $0.24 per unit for gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of $0.50 for a period of two years from the closing of the private placement. In addition, 5,266 share purchase warrants were issued as Finders' warrants. Each Finders' warrant entitles the holder to purchase one share at a price of $0.50 per share until October 23, 2020.

Acquisition of Nash Pharma

On October 5, 2018, the Company and Nash Pharma entered into a Share Exchange Agreement whereby the Company would acquire 100% of the issued and outstanding shares of Nash Pharma, including its dilutive securities, in exchange for securities of Algernon. Nash Pharma is a clinical stage pharmaceutical development company focused on drug repurposing in the areas of non-alcoholic steatohepatitis (NASH), chronic kidney disease (CKD) and inflammatory bowel disease (IBD). Through its ongoing research programs, Nash Pharma has developed data that supports the advancement of up to seven drug candidates into phase II trials.

Upon the closing of the Transaction on October 19, 2018, the Company acquired all of the issued and outstanding common shares of Nash Pharma, in consideration for the issuance of 15,800,000 common shares at an exercise price of $0.24 per common share and 14,800,000 warrants ("Replacement Warrants") of the Company. Each Replacement Warrants had an exercise price and expiration date equal to the exercise price and expiration date of the Nash Pharma warrants that were cancelled. The fair value of the replacement warrants was determined using a Black-Scholes option pricing model.

For accounting purposes, the acquisition has been recorded as an asset acquisition as Nash Pharma does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

Consideration paid:		
Fair value of 15,800,000 Breathtec common shares issued	$	3,476,000
Fair value of 14,800,000 replacement warrants issued		1,380,409
Transaction costs		19,180
Total consideration paid	**$**	**4,875,589**
Net identifiable assets acquired:		
Cash		100,600
Taxes recoverable and other receivables		44,706
Prepaids		496
Intangible asset		4,862,756
Accounts payable and accrued liabilities		(132,969)
Identifiable assets acquired	**$**	**4,875,589**

As a result of the acquisition, an amount of $4,862,756 was capitalized to intangible assets.

The Company used the Black-Scholes option pricing model to determine the fair value of the 14,800,000 replacement warrants issued with the following weighted average assumptions:

Risk-free interest rate	2.25%
Expected dividend yield	0.00%
Expected stock price volatility	94.02%
Expected life in years	1.16
Forfeiture rate	0.00%

RESULTS OF OPERATIONS

Six months ended February 28, 2019 and 2018

For the six months ended February 28, 2019, the Company recorded a net loss of $935,586 compared to a net loss of $351,241 for the six months ended February 28, 2018. The increase in loss was mainly due to increases in research and development, professional fees, marketing expenses and shareholder communication expenses. The increase in net loss was partially offset by a decrease in general and administrative expenses.

Research and development expenses for the six months ended February 28, 2019 were $358,139 (six months ended February 28, 2018 - $59,037). The increase was mainly due to additional expenses incurred relating to the research and investigational studies carried on by Nash Pharma.

Professional fees, which included legal, accounting and consulting fees, incurred in the operation of the business were $343,349 (six months ended February 28, 2018 - $137,317). The increase was primarily due to increases in accounting and legal fees associated with the Transaction, share capital related activities and additional costs relating to patent searches and patentability evaluations in connection with the work conducted by Nash Pharma. The increase could also be attributed to additional consulting fees incurred by Nash Pharma.

Marketing expenses for the six months ended February 28, 2019 were $116,031 (six months ended February 28, 2018 - $nil). The increase was a result of new advertising and marketing communications campaigns carried out by the Company.

General and administrative expenses for the six months ended February 28, 2019 were $130,863 (six months ended February 28, 2018 - $178,581). The decrease was mainly due to the elimination of wages and salaries at Breathtec US as there were no longer any employees at Breathtec US.

Three months ended February 28, 2019 and 2018

For the three months ended February 28, 2019 ("Q2 2019"), the Company recorded a net loss of $444,810 compared to a net loss of $157,938 during the three months ended February 28, 2018 ("Q2 2018"). The increase in loss was mainly due to increases in research and development, professional fees, marketing expenses and general and administrative expenses.

Research and development expenses for Q2 2019 were $183,274 (Q2 2018 - $22,536). The increase was mainly due to additional expenses incurred relating to the research and investigational studies carried on by Nash Pharma.

Professional fees for Q2 2019 were $150,838 (Q2 2018 - $66,498). The increase in Q2 2019 was mainly due to additional consulting fees incurred by Nash Pharma.

Marketing expenses for Q2 2019 were $36,881 (Q2 2018 - $nil). The increase was a result of new marketing programs carried out by the Company.

Summary of Quarterly Results

The following table sets out selected quarterly information of the Company derived from financial statements prepared by management, for those periods reported to date. The Company's condensed consolidated interim financial statements are prepared in accordance with IFRS applicable to interim financial statements and are expressed in Canadian dollars.

	2019	2018	2018	2018
Quarter Ended	**Feb. 28**	**Nov. 30[5]**	**Aug.31 31[4]**	**May 31[3]**
Total revenue	$ nil	$ nil	$ nil	$ nil
Loss before other items	446,993	508,462	176,749	414,684
Net loss	448,810	493,776	174,048	412,305
Net loss per share, basic and diluted	0.01	0.01	0.00	0.00

	2018	2017	2017	2017
Quarter Ended	**Feb. 28**	**Nov. 30[2]**	**Aug. 31[1]**	**May 31**
Total revenue	$ nil	$ nil	$ nil	$ nil
Loss before other items	160,863	196,259	294,210	310,411
Net loss	157,938	193,303	291,886	753,999
Net loss per share, basic and diluted	0.00	0.00	0.01	0.01

(1) The Company had a net loss of $291,886 for the quarter ended August 31, 2017 as compared to a net loss of $753,999 for the prior quarter ended May 31, 2017. The decrease in net loss was mainly due to an impairment loss of assets of $445,886 taken in the prior quarter.

(2) The decreased net loss for the quarter ended November 30, 2017 as compared to the net loss for the quarter ended August 31, 2017 was due to additional expenses incurred mainly in professional fees and research and development expenses in the quarter ended August 31, 2017. The decrease in professional fees was due to the additional audit fees and consulting fees related to design work and development plan that were incurred in the quarter ended August 31, 2017. The decrease in research and development expenses was attributed to the additional expenses incurred in the quarter ended August 31, 2017 for a small study conducted on Zika virus samples developed under the Company's agreement with ZeptoMetrix™ Corporation.

(3) The increased net loss for the quarter ended May 31, 2018 as compared to the net loss for the quarter ended February 28, 2018 was mainly due to additional share-based payment of $235,097 relating to the granting of 1,325,000 stock options on March 1, 2018.

(4) The Company had a net loss of $174,048 for the quarter ended August 31, 2018 as compared to the net loss of $412,305 for the quarter ended May 31, 2018. The decrease in net loss was mainly due to the share-based payment of $235,097 incurred in the third quarter ended May 31, 2018.

(5) The Company had a net loss of $493,776 for the quarter ended November 30, 2018 as compared to a net loss of $174,048 for the prior quarter. The increase in net loss was primarily due to additional research and development expenses relating to the research and investigational studies carried on by Nash Pharma; additional professional fees associated with consulting fees incurred by Nash Pharma, share capital related activities and additional costs relating to patent searches and patentability evaluations in connection with the work conducted by Nash Pharma.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.
At February 28, 2019, the Company had working capital of $997,394 compared to working capital at August 31, 2018 of $1,237,660. This included cash and cash equivalents of $1,047,834 (August 31, 2018 - $1,251,058) available to meet short-term business requirements and current liabilities of $142,097 (August 31, 2018 - $57,034). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has no long-term debt.

At present, the Company has no current operating income. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties cast doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

OUTSTANDING SHARE DATA

As at February 28, 2019 and the date of this report, the Company has:

	April 26, 2019
Issued and outstanding common shares	47,344,512
Warrants outstanding	22,115,266
Stock options outstanding	1,387,500

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CONTRACTUAL COMMITMENTS

Breathtec US has an agreement (the "Agreement") with the University of Florida ("UF") whereby UF assists the Company with research and development that is extended annually. There was a no-cost extension for the period January 16, 2018 to October 14, 2018.

Subsequent to the no-cost extension that ended on October 14, 2018, the Company amended its research agreement (the "Amending Agreement") with UF, whereby UF has undertaken to advance the FAIMS V3 prototype, or future iterations, through its final stages of prototype development. The Amending Agreement is for the period October 15, 2018 to October 15, 2019 and requires the Company to make quarterly payments of US$41,469 for a total of US$165,877. For the six-month period ended February 28, 2019, the Company paid a total of US$41,469 ($55,158). Prior to the no-cost extension, for the period January 16, 2017 to January 15, 2018 the Company paid a total of US$55,608 or $71,820 at the Canadian dollar equivalent.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are considered to be those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes senior officers and directors of the Company.

Compensation to key management personnel is as follows:

Six Months Ended February 28	2019	2018
Short-term benefits [(1)]	$ -	$ 86,757
Share-based payment	-	-
	$ -	$ 86,757

Related party transactions not included in compensation to key management personnel are as follows:

Six Months Ended February 28	2019	2018
Consulting fees – other [(2)]	$ 78,000	$ 37,300
Rent [(3)]	12,000	12,000
	$ 90,000	$ 49,300

(1) Short-term benefits paid to management personnel:
- $nil to former Chief Executive Officer (February 28, 2018 - $30,126) who resigned from his position on September 19, 2017;
- $nil to Chief Technology Officer (February 28, 2018 – 56,581) who resigned from his position on June 15, 2018 and continued on as a Scientific Advisor on a consulting basis until December 31, 2018.

(2) Fees paid to companies related to management personnel:
- $54,000 (February 28, 2018 - $nil) to a company controlled by the Chief Executive Officer who took on the position with the Company on March 1, 2018;
- $24,000 (February 28, 2018 - $24,000) to a company controlled by the Chief Financial Officer;
- $nil (February 28, 2018 - $9,000) paid to company owned by a director relating to the use of work space and computer equipment;
- $nil (February 28, 2018 - $4,300) for tax services paid to a partnership where a senior officer and director is a partner.

(3) Rent:
- $12,000 (February 28, 2018 - $12,000) paid for corporate office space to a company where a senior officer and director is a principal.

Accounts payables and accrued liabilities include the following amounts due to related parties:

As at	February 28, 2019	August 31, 2018
Key management personnel – expense reimbursements	$ -	$ 2,660
Key management personnel – management fees	-	3,655
	$ -	$ 6,315

SEGMENTED DISCLOSURES

The Company has two operating segments; one being the development centre of health-related technology in the United States; the other being a Canadian clinical stage pharmaceutical development company focused on drug repurposing.

As at February 28, 2019, the Company's long-term assets are located as follows:

	Canada	United States	Total
Incorporation costs	$ -	$ 1,371	$ 1,371
License agreement	-	60,861	60,861
Intangible asset	4,870,151	-	4,870,151
	$ 4,870,151	$ 62,232	$ 4,932,383

As at August 31, 2018, the Company's long-term assets were located as follows:

	Canada	United States	Total
Incorporation costs	$ -	$ 1,371	$ 1,371
License agreement	-	73,033	73,033
Furniture and equipment	-	53,801	53,801
	$ -	$ 128,205	$ 128,205

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended August 31, 2018.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Actual outcomes could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis.

The acquisition of Nash Pharma requires management to make a judgement as to whether Nash Pharma constitutes a business combination or an asset acquisition under the definitions of IFRS 3. The assessment requires management to assess inputs, processes, and ability of Nash Pharma to produce outputs at the time of acquisition. Pursuant to the assessment, Nash Pharma was considered an asset acquisition and intangible assets were recognized.

The Company assess at each reporting date if the intangible assets have indicators of impairment. In determining whether the intangible assets are impaired, the Company assess certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.

Following initial recognition, the Company carries the value of the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense. As at February 28, 2019, the Company has not amortized the intangible assets as amortization begins when the intangible assets are available for use.

Apart from the above, there have been no material revisions to the nature and amount of changes in estimates of amounts reported in its audited consolidated financial statements for the year ended August 31, 2018.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at February 28, 2019 include cash, accounts receivable and accounts payable and accrued liabilities.

The Company classifies and measures its financial instruments as follows:

- cash and cash equivalent are classified as financial assets at FVTPL;
- accounts receivable is classified as loans and receivables;
- accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost

The carrying values of financial assets and liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The carrying amounts of financial assets and liabilities presented in the statement of financial position relate to the following measurement categories as defined in IAS 39:

		Financial Assets		**Loans and Receivables**		**Financial Liabilities**
		Fair Value Through Profit		Measured at Amortized Cost		Measured at Amortized Cost
February 28, 2019						
Cash and cash equivalents	$	1,047,834	$	-	$	-
Accounts receivable		-		35		-
Accounts payable and accrued liabilities	$	-	$	-	$	(142,097)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk exists with respect to the Company's cash and accounts receivable. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions in the US and Canada. For other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value. The Company is not exposed to significant credit risk as the balance is due from a related company that shares the same directors as the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At February 28, 2019, the Company had a working capital of $997,394.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risks. The Company is not exposed to significant market risk.

Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars). As at February 28, 2019, the Company had monetary assets of US$26,042 or $34,295 (August 31, 2018 – US $31,492 or $41,113) at the CAD equivalent and monetary liabilities of US$62,696 or $82,924 (August 31, 2018 – US $3,271 or $4,270) at the CAD equivalent.

For the period ended February 28, 2019, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US by 10% will increase or decrease other comprehensive loss by approximately $4,863 (August 31, 2018 - $3,684). The Company has not entered into any foreign currency contracts to mitigate the risk.

SUBSEQUENT EVENTS

N/A.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the consolidated financial statements, are the responsibility of Management. In the preparation of this report, 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 judgements and have been properly reflected in the accompanying financial statements.

April 26, 2019

On behalf of Management and the Board of Directors,

"Michael Sadhra"

Chief Financial Officer and Director

APPENDIX 1

RISKS RELATED TO THE BUSINESS

Limited Operating History

The Company has no present prospect of generating revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Negative Cash Flow for the Foreseeable Future

The Company has a no history of earnings or cashflow from operations. The Company does not expect to generate material revenue or achieve self-sustaining operations for several years, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Reliance on successful development of prototype breath test

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on the ability to attract the experienced management and know-how to develop new devices and to partner with larger, more established companies in the industry to successfully commercialize products. Successfully developing a breath test into a marketable device may take several years and significant financial resources, and the Company may not achieve those objectives.

In order to commercialize any products, the Company will need to conduct clinical trials, which may not succeed, and to obtain regulatory approvals which it may fail to do. The Company does not know and is unable to predict what type and how many clinical trials the U.S. Food and Drug Administration (the "FDA") will require the Company to conduct before granting approval for it to market its products. The development programs may not lead to a commercial product, either because failure to demonstrate that product candidates are safe and effective in clinical trials and cannot obtain necessary approvals from the FDA and/or similar foreign regulatory agencies or because of inadequate financial or other resources to advance product candidates through the clinical trial process for successful commercialization.

Risks Related to Laboratory Developed Tests (LDTs) and Food and Drug Administration (FDA) Approval

In the United States, the FDA regulates medical devices, including diagnostic tests, under the Federal Food, Drug and Cosmetic Act. The FDA notification and approval process requires substantial time, effort and financial resources, and the Company cannot be certain that any approvals for its products will be granted on a timely basis, if at all. In 2014, the FDA issued draft guidance on the regulation of laboratory developed tests, or LDTs, such as those being developed by the Company and the period for public comment recently ended. Because the FDA has not issued final rules on the regulation of LDTs, the

Company is unable to determine what notification and approval process the FDA may require. Foreign jurisdictions have similar government regulatory bodies and requirements that the Company must meet prior to selling products in those jurisdictions.

The Company must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are regulated by various federal, state and local governments. The health care, wellness, workers' compensation and similar companies are subject to a variety of regulatory requirements and the regulatory environment is ever changing particularly with recent legislation, the full impact of which is not yet understood as regulations have not been issued. Failure to follow applicable regulatory requirements will have a materially negative impact on the business of the Company. Furthermore, future changes in legislation can not be predicted and could irreparably harm the business of the Company.

The Company will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Even if additional financing is obtained, there is no guarantee that it could be completed on terms favourable to the Company.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Limited Market for Securities

It is proposed that the Company's common shares will be listed on the CSE, however, there can be no assurance that such listing will be obtained and even if obtained, that an active and liquid market for the common shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits will be granted.

Intellectual Property Rights

The Company could be adversely affected if it does not adequately protect its intellectual property rights. The Company regards its marks, rights, and trade secrets and other intellectual property rights as critical to its success. To protect its investments and the Company's rights in these various intellectual properties, it may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements and other contractual arrangements with its employees, clients, strategic

partners, acquisition targets and others to protect proprietary rights. There can be no assurance that the steps taken by the Company to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks and similar proprietary rights, or that the Company will be able to detect unauthorized use and take appropriate steps to enforce rights. In addition, although the Company believes that its proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against the Company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

The Company will rely on trade secrets to protect technology where it does not believe patent protection is appropriate or obtainable. Trade secrets are difficult to protect. While commercially reasonable efforts to protect trade secrets will be used, strategic partners, employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose information to competitors.

If the Company is not able to defend patents or trade secrets, then it will not be able to exclude competitors from developing or marketing competing products, and the Company may not generate enough revenue from product sales to justify the cost of development of products and to achieve or maintain profitability.

Low Barriers to Entry and Competition

There is high potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

At present, management believes that the Company has certain direct competition from Menssana Research Inc. ("Menssana") and Owlstone Nanotech Inc. ("Owlstone"). Menssana is based in New Jersey and Owlstone is based in the United Kingdom. These companies have the financial ability to compete directly with the Company.

Competitive pressures created by any one of these companies, or by the Company's competitors collectively, could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company believes that the principal competitive factors in its market are the ability to protect IP and bring the first company to deliver hand held breath testing products to the market.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Commercial success of the Company will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing its own patents and proprietary rights against others. The research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of the Company's programs. The Company is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe on their intellectual property.

While it is the practice of the Company to undertake pre-filing searches and analyses of developing technologies, it cannot guarantee that it has identified every patent or patent application that may be relevant to the research, development, or commercialization of its products. Moreover, it cannot assure that third parties will not assert valid, erroneous, or frivolous patent infringement claims.

Uninsurable Risks

The business of the Company may not be insurable or the insurance may not be purchased due to high cost. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

The market price of the Company's common shares may be subject to wide price fluctuations

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future.

Regulatory Changes

The business of the Company is subject to rapid regulatory changes. Failure to keep up with such changes may adversely affect the business of the Company. Some of the changes are the FDA's implementation of the Universal Device Identifier in October 2015 and the tracking requirements for pharmaceuticals in the United States.

The Company's prospects must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are regulated by various federal, state and local governments. The health care, wellness, workers' compensation and similar companies are subject to a variety of regulatory requirements and the regulatory environment is ever changing particularly with recent legislation, the full impact of which is not yet understood as regulations have not been issued. Failure to follow regulatory requirements will have a detrimental impact on the business. Changes in legislation cannot be predicted and could irreparably harm the business.

Risks Associated with Brand Development

The Company believes that continuing to strengthen its brand is critical to achieving widespread acceptance of the Company, particularly in light of the competitive nature of the Company's market.

Promoting and positioning its brand will depend largely on the success of the Company's marketing efforts and the ability of the Company to provide high quality services. In order to promote its brand, the Company will need to increase its marketing budget and otherwise increase its financial commitment to creating and maintaining brand loyalty among users. There can be no assurance that brand promotion activities will yield increased revenues or that any such revenues would offset the expenses incurred by the Company in building its brand. If the Company fails to promote and maintain its brand or incurs substantial expenses in an attempt to promote and maintain its brand or if the Company's existing or future strategic relationships fail to promote the Company's brand or increase brand awareness, the Company's business, results of operations and financial condition would be materially adversely affected.

Rapid Technological Change

The business of the Company is subject to rapid technological changes. Failure to keep up with such changes may adversely affect the business of the Company. The Company is subject to the risks of companies operating in the medical and healthcare business.

The market in which the Company competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. As a result, an investment in the stocks of the Company is highly speculative and is only suitable for investors who recognize the high risks involved and can afford a total loss of investment.

Risks Associated with Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

Risks Associated with International Operations

A component of the Company's strategy is to expand internationally. Expansion into the international markets will require management attention and resources. The Company has limited experience in localizing its service, and the Company believes that many of its competitors are also undertaking expansion into foreign markets. There can be no assurance that the Company will be successful in expanding into international markets. In addition to the uncertainty regarding the Company's ability to generate revenues from foreign operations and expand its international presence, there are certain risks inherent in doing business on an international basis, including, among others, regulatory requirements, legal uncertainty regarding liability, tariffs, and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, different accounting practices, problems in collecting accounts receivable, political instability, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely affect the success of the Company's international operations. To the extent the Company expands its international operations and has additional portions of its

international revenues denominated in foreign currencies, the Company could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Company's future international operations and, consequently, on the Company's business, results of operations and financial condition.

Protection and Enforcement of Intellectual Property Rights

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company has entered into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

Economic Environment

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's future sales and profitability.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's Shares on the stock exchange.

Going-Concern Risk

The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability.

Financial Risk Exposures

The Company may have financial risk exposure to varying degrees relating to the currency of each of the countries where it operates and has financial risk exposure towards digital currencies. The level of the financial risk exposure related to a currency and exchange rate fluctuations will depend on the Company's ability to hedge such risk or use another protection mechanism.

Reliance on Yost Research Group at the University of Florida

If the third parties which the Company relies on do not properly and successfully carry out their obligations to the Company, it may not be able to develop, obtain regulatory approval for, or commercialize its product candidates.

Attracting and keeping senior management and key scientific personnel

The success of the Company depends on the continued ability to attract, retain, and motivate highly qualified management, clinical, and scientific personnel and to develop and maintain important relationships with leading academic institutions, companies, and thought leaders.