# CALYX BIO-VENTURES INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### May 27, 2013

Management's discussion and analysis provides a review of the performance of Calyx Bio-Ventures Inc. (the "Company" or "Calyx") and the following information should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012 and related notes included therein, which are prepared in accordance with International Financial Reporting Standards. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. This discussion and analysis compares performance for the three months ending March 31, 2013 with the three months ending March 31, 2012 and discusses issues and risks that may impact future operations. For information identifying important factors that could cause actual results to differ materially from those anticipated, see "RISKS AND UNCERTAINTIES".

Additional information on the Company is available on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com

## Forward Looking Statements

Certain statements contained in this document constitute "forward looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by law.

The consolidated financial statements have been prepared on a going concern basis which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The ability of the Company to continue as a going concern is dependent upon obtaining ongoing financing and there can be no assurance that the Company will be able to raise any capital through any type of offering or similar financial arrangement.

## Overview

Calyx was incorporated by Chromos Molecular Systems Inc. ("Chromos") as part of a corporate reorganization process in 2008 acquiring 29% of the outstanding common shares of Agrisoma Biosciences Inc ("Agrisoma"), the loans and licenses to Agrisoma, Chromos' intellectual property, the outstanding shares of Chromos' two inactive US subsidiaries, and assuming all of Chromos' liabilities and obligations. Under the reorganization the former shareholders of Chromos received one common share of Calyx for every 10 common shares of Chromos and Chromos was wound up into CHR Investment Corporation.

The Company was incorporated under the laws of British Columbia, Canada and the principal business office is located at 450-400 Burrard Street, Vancouver, BC V6C 3A6.

## Interest in Agrisoma

In February 2008, the Company entered into a convertible promissory note agreement (the "First Note") for $500,000 with Agrisoma. Of this amount, $118,000 was funded in-kind by offsetting it against receivable amounts and the remaining $382,000 in cash. The First Note bears interest of 15% per annum and was due the earlier of: (i) June 30, 2008; (ii) the completion of a Qualified Financing by Agrisoma; (iii) the completion of a Qualified Sale of Agrisoma; or (iv) a demand for payment as a result of an Event of Default. The Company had the right, upon notice, to convert all or part of the principal and unpaid interest into common shares at a conversion price at the lesser of: (i) 75% of the price per equity security issued upon a Qualified Financing; (ii) 75% of the amount of net proceeds per share to be received by holders of common shares in connection with a Qualified Sale; (iii) $3.21 per common share; or (iv) if a Qualified Financing or a Qualified Sale has not been completed by June 30, 2008, $0.10.

In December 2008 the Company entered into a convertible, secured promissory note agreement (the "Second Note") to loan $910,178 to Agrisoma. Of this amount, $95,000 was funded in-kind by offsetting it against receivables, $576,845 on conversion of principal and accrued interest owing under the First Note and the remaining $238,333 in cash. The Second Agrisoma Note bears interest at 15% per annum and was due the earlier of: (i) June 30, 2009; (ii) a demand for earlier repayment of up to $333,333 plus accrued interest thereon if a Qualified Financing is completed and subject to the terms of an Inter-Lender Agreement; (iii) the completion of a Qualified Sale of Agrisoma; or (iv) a demand for payment as a result of an Event of Default. The Company has the right, upon notice, to convert all or part of the principal and unpaid interest into common shares at a conversion price of: (i) 75% of the price per equity security in a Qualified Financing or on a Qualified Sale of Agrisoma, if the Qualified Financing or Qualified Sale closes on or before March 31, 2009; or (ii) 60% of the price per equity security issued in a Qualified Financing or received on a Qualified Sale, if the Qualified Financing or Qualified Sale closes after March 31, 2009. In August 2010, the parties agreed that interest would no longer be accrued on the Second Note and the unpaid interest at that date totaled $252,748.

In August 2011, the Company entered into a convertible, secured promissory note agreement (the "Third Notes") to loan $1,250,000 to Agrisoma. The first $850,000 tranche occurred on execution of the agreement; the second $425,000 tranche occurred in January 2012. The Third Notes bear interest at 15% per annum and are due the earlier of: (i) March 31, 2012; (ii) the completion of a Qualified Financing by Agrisoma; (iii) the completion of a Qualified Sale of Agrisoma; or (iv) a demand for payment as a result of an Event of Default. The Company has the right, upon notice, to convert all or a part of the principal and unpaid interest into common shares at a conversion price of: (i) 65% of the price per equity security issued in a Qualified Financing or received on a Sale, if the Qualified Financing or Sale closes before March 31, 2012; or (ii) 50% of the price per equity security issued in a Qualified Financing or received on a Sale, if the Qualified Financing or Sale closes after March 31, 2012. Unpaid interest totaled $199,813.

In November 2012 the Company purchased $1,248,600 of convertible promissory notes and unpaid interest (the "Purchased Notes") and 673,638 Agrisoma common shares from a major shareholder for $2,200,000 in cash. The Purchased Notes had interest, terms and conversion features similar to the Second Note as discussed above.

In October 2012 the Company, Agrisoma and remaining major Agrisoma shareholder entered into a Note Conversion Agreement whereby on completion of the Company's purchase of the financial interest of the major shareholder noted above, all Agrisoma notes and unpaid interest would be converted into common shares.

The parties agreed to convert the notes and unpaid interest at the following amounts: Second Note at $4.30233 per common share and the Third Notes at $2.31511 per common share. Following the purchase of the financial interest of the existing shareholder as discussed above the Company had $2,411,527 of Second Notes and unpaid interest which was converted into 560,517 common shares. The Company had $1,449,813 of Third Notes and unpaid interest which was converted into 629,240 common shares. Upon conversion, the previously unpaid and unrecorded interest of $452,561 was recognized as interest income.

In December 2012 the Company purchased 301,300 common shares for $1,160,005 in cash from Agrisoma as a private placement and purchased 8,670 common shares for $19,789 in cash from a minority Agrisoma shareholder.

At December 31, 2011 the Company owned 29% of Agrisoma's common shares; the conversion of the notes and unpaid interest, the purchase of the financial interests of an existing major shareholder, the subscription to an Agrisoma private placement of common shares and purchase of the shares of a minority shareholder increased its ownership position to 50%.

The 21% increase in ownership of Agrisoma resulted in the acquisition of $3,150,125 of implicit intangibles. This amount will be amortized over twenty years, which is the term of a significant Agrisoma distribution contract.

## Selected Annual Financial Information

### Quarterly Financial Data

The following is the selected unaudited consolidated financial data for each of the last eight quarters (in thousands of dollars, except per share amounts):

For the three month periods ended:

| | 2013 | 2012 | | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|
| | Mar | Dec | Sep | Jun | Mar | Dec | Sep | Jun |
| Revenue | $ Nil | $113 | $ Nil | $ Nil | $ Nil | $ Nil | $187 | $ Nil |
| Income (loss) | $(664) | $(1,379) | $(87) | $(134) | $(144) | $(1,327) | $172 | $(32) |
| Basic and diluted earnings (loss) per common share | $(0.02) | $(0.08) | $0.00 | $(0.01) | $(0.01) | $(0.11) | $0.02 | $0.00 |

## Review of Operations

### Revenue

The Company earned but did not recognize $18,750 in licensing fees from Agrisoma; the amount will be recognized when the four revenue criteria are met. Currently the $75,000 minimum license fees received from Agrisoma is the Company's only revenue.

### General and administrative expenses

General and administrative expenses increased by $171,566 to $234,043 for the three months ended March 31, 2013. The increase is due to the Company's involvement with the ongoing development of Agrisoma's product commercialization process. Marketing costs have increased due to promotional activities such as marketing campaigns and new releases. The other expense category has decreased due to cancellation of NIH royalty $(5,000) and reduced travel during the period $(2,100).

The changes in expense categories are as follows:

| | January to March-$ | | |
|---|---|---|---|
| | 2013 | 2012 | change |
| Personnel costs | 148,648 | 15,330 | 133,318 |
| Professional fees | 12,093 | 11,532 | 561 |
| Marketing | 60,508 | 15,042 | 45,466 |
| Other | 12,794 | 20,574 | (7,780) |
| Total | 234,043 | 62,478 | 171,565 |

**Equity loss from interest in associate**

During the three months ending March 31, 2013 the Company recognized its share of Agrisoma's loss and recorded the amortization expense relating to the implicit intangibles acquired in 2012; these amounts reduced the Company's investment in associate as follows:

| | |
|---|---|
| Investment in associate-December 31, 2012 | 2,072,051 |
| Portion of Agrisoma's loss | (388,666) |
| Amortization of implicit intangibles | (39,377) |
| Total equity loss from interest in associate | (428,043) |
| Investment in associate-March 31, 2013 | 1,644,008 |

**Results**

For the three months ended March 31, 2013, the Company recorded loss and comprehensive loss of $663,976 ($0.02 per common share) compared to a loss and comprehensive loss of $144,047 ($0.01 per common share) for the prior year's period. The increased loss of $91,886 resulted from increased administrative costs and the equity loss from interest in associate as noted above. These increases have been offset by reductions in share based compensation of $77,814 and a reduction of foreign exchange losses of $1,866.

## Subsequent Events

There are no subsequent events.

## Liquidity and Capital Resources

The Company had working capital of $139,469 at March 31, 2013 [2012-$30,334] and cash and cash equivalents of $105,545 [2012-$141,141].

The ability of the Company to continue as a going concern is dependent upon obtaining ongoing financing and there can be no assurance that the Company will be able to raise any capital through any type of offering or similar financial arrangement. See discussion of Risks and Uncertainties below.

## Related Party Transactions

Revenue:
Earned amounts are included in revenue when the four revenue recognition criteria are met.

For the period January to March 2013 the Company earned but did not recognize $18,750 in licensing fees from Agrisoma; the amount will be recognized when the four revenue criteria are met. As at March 31, 2013 the unrecorded license revenue is $18,750.

Management services:
No fees for management services were incurred for the period ending March 31, 2013. During 2012 the Company incurred fees of $75,000 [2011- $ Nil] for management services to a corporation where an officer and director of the Company is a partner. All transactions are recorded at their exchange amount and incurred in the normal course of business.

## Contractual Obligations

Currently there are no contractual obligations.

## Outstanding Share Capital

As at March 31, 2013 there were 29,898,559 common shares issued and outstanding, 1,101,753 common shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of $0.28 per share and 1,888,103 common shares available for future grant or issuance under the stock option plan. At March 31, 2013 there were 8,252,334 shares issuable pursuant to share purchase warrants exercisable at a weighted average price of $0.58 per share.

A new Employee Incentive Stock Option Plan ["New Plan"] was approved at the meeting of the shareholders on March 27, 2011. Under this New Plan the number of common shares reserved for issuance is not to exceed 10% of the number of issued and outstanding common shares at the date of option granting to executive officers, directors, employees and consultants of the Company.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Risks and Uncertainties

The Company's operations involve certain risks and a degree of uncertainty. Accordingly, management and the Board of Directors continue to review the Company's strategic options. Calyx's future viability depends on its ability to access sufficient business assets to pursue continued operations for the longer term and to obtain sufficient amounts of additional funds. The Company has incurred losses since inception and as at December 31, 2012, has an accumulated deficit of approximately $5.2 million. The Company currently has cash, the REM technology, the rights to use the ACE System for gene therapy and transgenics (an exclusive technology license) and its shareholding in and licence to Agrisoma and is executing its strategic plan to focus on the development of Agrisoma.

Calyx reviews its funding options on a continual basis and intends to seek additional funding as required through equity offerings and from other sources. There can be no assurance that such funds will be available on favourable terms or at all. If sufficient funding is unavailable, the Company may not be able to execute its strategic plan and we may be forced to delay, reduce or eliminate one or more opportunities or obtain funds through arrangements on less favourable terms than we would otherwise seek. Insufficient financing may also require us to amend our strategic plan

The Company is also exposed to market risk from changes in foreign currency exchange rates. Calyx may purchase goods and services in both Canadian and United States Dollars. Foreign exchange risk is primarily managed by satisfying non-Canadian denominated expenditures with cash flows or assets denominated in the same currency. We do not believe that the result of our operations or cash flows would be affected significantly by a sudden change in foreign exchange rates.

With the exception of historical data, this report may contain statements that are forward-looking and, by their very nature, are subject to delays, risks, and other known and unknown factors, which are wholly or partly beyond management's control. Each of these factors may give rise to results that differ materially from our forecasts. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

## Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of March 31, 2013, covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurances that material items requiring disclosure are identified and reported in a timely manner.

Management has designed, established and is maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in a timely and accurate fashion in accordance with generally accepted accounting principles. We have identified certain weaknesses in our internal control over financial reporting. These weaknesses essentially arise because of the small size of the Company and its accounting resources. This gives rise to an inability to achieve a standard of segregation of accounting and related duties which would be ideal. We have mitigated the risks arising from these weaknesses, through detailed review by the directors of the financial reports. Given that the Company currently has limited operations, we believe this risk mitigating approach provides for an effective control environment.

## RECENT ACCOUNTING PRONOUNCEMENTS

**New accounting pronouncements not yet adopted**

The following pronouncements are effective for accounting periods on or after January 1, 2014; these changes are not expected to have a material impact on the Company's results:

***IAS 32 – Financial Instruments: Presentation***
*IAS 32-Financial Instruments: Presentation* has been amended to clarify certain requirements for offsetting financial assets and liabilities and addresses the meaning and application of the concepts of legally enforceable right of set off and simultaneous realization and settlement. The amendments are effective for the annual periods beginning on or after January 1, 2014.

***Amendment to IFRS 7 – Financial Instruments: Disclosure***
IFRS 7-*Financial Instruments* has been amended to require disclosures that are either permitted or required on the basis of the entity's adoption of IFRS 9 and whether the entity elects to restate prior periods under IFRS 9. The amendments are effective for the annual periods beginning on or after January 1, 2015.

***IFRS 9 – Financial Instruments: Classification and Measurement***
IFRS 9-*Financial Instruments* contains requirements for financial assets, updating IFRS 7. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of its own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.