

# CALYX BIO-VENTURES INC.

## Management's Discussion and Analysis of Financial Condition and Results of Operations December 01, 2014

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 interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2014, and the audited consolidated financial statements for the year ended December 31, 2013 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 and nine month periods ended September 30, 2014 with the three and nine month periods ended September 30, 2013 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 SEDAR website at [www.sedar.com](http://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 interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2014 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 under the laws of British Columbia, Canada by Chromos Molecular Systems Inc. ("Chromos") as part of a corporate reorganization process in 2008.

The Company has incurred losses since inception and at September 30, 2014, has an accumulated deficit of approximately \$8.6 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 Agrisoma and is pursuing agri-pharmaceutical opportunities.

On September 24, 2014 the Company entered into definitive agreements to acquire Cannigistics Agri-Solutions Corp. ("Cannigistics"). Under the terms of the acquisition, Calyx will acquire all of the issued and outstanding shares of Cannigistics in exchange for 10,000,000 common shares of Calyx. Completion of the acquisition remains subject to the fulfillment of certain conditions precedent.

The Company's principal business office is 450-400 Burrard Street, Vancouver, BC V6C 3A6.

## INTEREST IN AGRISOMA BIOSCIENCES INC.

At December 31, 2013 the Company owned approximately 49.9% of the issued and outstanding shares of Agrisoma Biosciences Inc. ("Agrisoma"), a crop company that is commercializing a non-food energy crop used in the production of renewable oil.

Following an evaluation by an Independent Committee of Calyx's board of directors in March, 2014, it was determined that in Calyx's view, Agrisoma's business had not progressed as expected, and no options for Calyx to finance Agrisoma could be found that would be satisfactory to shareholders of Calyx. As such, on April 9, 2014 the Company entered into an agreement with Agrisoma and its other shareholders under which Calyx waived its pre-emptive rights in order to allow a third party to finance Agrisoma.

On June 30, 2014, Agrisoma completed a third party financing which reduced Calyx's interest in Agrisoma to approximately 29%.

Additionally, intellectual property ("IP") which was exclusively licensed to Agrisoma is no longer under exclusive license to Agrisoma, as the parties terminated the exclusive licensing agreement on June 30, 2014. With the IP reverting to Calyx, Calyx is currently investigating other opportunities to license and utilize its IP in other agricultural sectors.

## SELECTED ANNUAL FINANCIAL INFORMATION

### Annual Financial Data

The following is the consolidated financial data for the last three fiscal periods (in thousands of dollars, except per share amounts):

	2013	2012	2011
Revenue	\$ Nil	\$113	\$188
Net Income (loss)	\$(3,541)	\$(1,744)	\$(1,226)
Loss per common share – basic and diluted	\$(0.11)	\$(0.10)	\$(0.11)
Total Assets	\$637	\$2,610	\$638
Total Liabilities	\$163	\$200	\$544

### 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:

	2014			2013			2012	
	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ 113
Income (loss)	\$(23)	\$(147)	\$(268)	\$(1,164)	\$(847)	\$(866)	\$(664)	\$(1,379)
Basic and diluted earnings (loss) per common share	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.04)	\$(0.02)	\$(0.03)	\$(0.02)	\$(0.08)

## REVIEW OF OPERATIONS

### Revenue

Licensing and other revenues earned for three and nine months ended September 30, 2014 were \$Nil as compared to \$18,750 and \$56,250 for the three and nine months ended September 30, 2013. The earned amounts are included in revenue when the four revenue recognition criteria are met. Due to collection uncertainty, the minimum license fee from Agrisoma was not recognized as revenue during 2013, resulting in unrecorded license fees.

### General and administrative expenses

General and administrative expenses decreased \$179,979 to \$61,796 for the three months ended September 30, 2014 and decreased \$331,809 to \$422,611 for the nine months ending September 30, 2014, compared to \$754,420 for the corresponding period in the prior year.

The changes in expense categories are as follows:

	<u>Jul to Sep</u>			<u>Jan to Sep</u>		
	<u>2014</u>	<u>2013</u>	<u>change</u>	<u>2014</u>	<u>2013</u>	<u>change</u>
	\$	\$	\$	\$	\$	\$
Personnel costs	22,450	166,181	(143,731)	230,945	492,767	(261,822)
Professional & regulatory	18,042	18,285	(243)	47,709	70,973	(23,264)
Marketing	14,742	52,072	(37,330)	117,730	160,633	(42,903)
Other	6,562	5,237	1,325	26,227	30,047	(3,820)
Total	<u>61,796</u>	<u>241,775</u>	<u>(179,979)</u>	<u>422,611</u>	<u>754,420</u>	<u>(331,809)</u>

With the Company's reduced position in Agrisoma, expenses across all categories have been reduced to conserve capital.

### Results

For the three months ended September 30, 2014, the Company recorded loss and comprehensive loss of \$23,228 (\$0.00 per common share) compared to a loss and comprehensive loss of \$846,845 (\$0.02 per common share) for the prior year; for the nine months ended September 30, 2014, the Company recorded loss and comprehensive loss of \$438,629 (\$0.01 per common share) compared to a loss and comprehensive loss of \$2,376,519 (\$0.07 per common share) for the prior year. The decrease in the losses is the result of reduced general and administrative expenses, the recognition of a non-operational gain of \$42,544 resulting from the expiry of liabilities associated with certain license agreements and \$Nil losses recognized from interest in associate in 2014, whereas losses from interest in associate were \$268,539 and \$1,203,858 for the three and nine months ended September 30, 2013.

In connection with the termination of the IP licensing agreement with Agrisoma on June 30, 2014 described above, both parties waived all right to any amounts which they were or may have been entitled to from the other party under the agreement, and no payments were thus made, nor in the future will be made, by either party to the other party.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company had working capital of \$56,230 at September 30, 2014 [2013-\$749,584] and cash and cash equivalents of \$56,459 [2013-\$830,966].

The Company has incurred losses since inception and as at September 30, 2014, has an accumulated deficit of approximately \$8.6 million.

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.

Our ability to continue as a going concern is dependent on obtaining additional investment capital, the realization of assets, the achievement of successful partnership collaborations and the improvement of cash flow from operations. On September 17, 2014 we announced a non-brokered private placement of up to 6,000,000 common shares of Calyx ("Calyx Shares") at a price of \$0.05 per Calyx Share for cash proceeds of up to \$300,000.

## **RELATED PARTY TRANSACTIONS**

For the nine month period ended September 30, 2014 the Company earned \$Nil [2013-\$56,250] in licensing fees from Agrisoma for the use of certain technology; the earned amounts are included in revenue when the four revenue recognition criteria are met. Due to collection uncertainty, earned revenues were not recognized as revenue during 2013, resulting in unrecorded license fees.

During the nine month period ended September 30, 2014 the Company granted 150,000 stock options [2013-1,025,000] to key management personnel, with a fair value of \$26,550 [2013-\$189,625]. No options were issued during the three month period ended September 30, 2014 [2013-1,025,000]. Details of stock options are disclosed in Note 5 of the interim financial statements for the three and nine month periods ended September 30, 2014.

The Company incurred fees for key management personnel for the three month period ended September 30, 2014 of \$16,000 [2013-\$22,500] and for the nine month period ended September 30, 2014 of \$183,002 [2013-\$67,500]. 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 September 30, 2014 there were 38,351,892 common shares issued and outstanding, 2,835,000 common shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$0.23 per share, 1,000,189 common shares available for future grant or issuance under the stock option plan, and 9,000,000 shares issuable pursuant to share purchase warrants with a weighted average remaining contractual life of 0.34 years and exercisable at a weighted average price of \$0.35 per share.

As of the date of this MD&A, there were 38,351,892 common shares issued and outstanding, 2,835,000 common shares issuable upon the exercise of outstanding stock options and 9,000,000 shares issuable pursuant to share purchase warrants.

## **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 at September 30, 2014, had an accumulated deficit of approximately \$8.6 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 Agrisoma and is pursuing business opportunities in the agriculture and agri-pharmaceuticals sectors.

Calyx reviews its funding needs on a continual basis and has traditionally obtained funding through equity financings. Although we have identified that additional financing is required, there can be no assurance that such funds will be available on favourable terms or at all considering the current challenging capital market conditions. In the current economic climate where the capital and other financial markets are extremely difficult to access, our utmost objective is to execute initiatives that will enhance our ability to continue as a going concern. If adequate funds are not available, we may be required to:

- engage in equity financings that would be dilutive to current shareholders;
- engage in financings at a valuation that is unfavourable to us;
- delay, reduce the scope of or eliminate one or more of our operational objectives;
- obtain funds through arrangements with collaborators or others that may require us to relinquish rights to technologies;
- license rights to technologies on terms that are less favourable to us; or
- sell or monetize some or all of our assets or intellectual property on terms that are unfavourable to us.

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. Management does not believe that the result of the Company's 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 September 30, 2014, 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. The Company has 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. The Company has 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, the Company believes this risk mitigating approach provides for an effective control environment.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### **New accounting pronouncements not yet adopted**

Certain new standards, amendments to standards, and interpretations are not yet effective for the current reporting period, and therefore have not been applied in preparing the consolidated financial statements:

IFRS 9 - Financial Instruments: effective January 1, 2015

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is January 1, 2018.

The Company has not early adopted this standard and is currently assessing the impact that this standard will have on its consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval (“SEDAR”) located at [www.sedar.com](http://www.sedar.com).