

## **Pheromone Sciences Corp.**

January 31, 2002

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada.

#### **Overview**

Pheromone Sciences is a biotechnology and medical diagnostics device research and development Company that focuses on commercializing technologies in the field of fertility and sexuality. The Company's lead product, the PSC Fertility Monitor, is designed to provide women with a reliable, non-invasive predictive approach in identifying their fertility window when planning pregnancy. Delivered by a medical device, which is housed in a modern styled wristwatch-like device with an LCD readout, the product has completed its clinical trials and has filed the 510k for FDA approval. Work is also being carried out to research the applicability of this technology to new areas of commercial interest. During the quarter ending January 31, 2002, Pheromone Sciences remained in a research and development phase and has not yet generated revenues.

#### **Results of Operations**

The Company is in its research and development phase and, as such, has incurred losses since its inception. For the quarter ending January 31, 2002, the Company recorded a loss of \$462,240 or \$0.03 per common share vs a loss of \$160,318 or \$0.01 per common share for the quarter ended January 31, 2001.

Research and development expenses, including costs associated with pre-clinical and clinical research, product development, and regulatory affairs, were \$228,585 for the quarter. These expenditures were deferred in the prior comparable period due to the accounting policy in place at the time. The comparable amount for the quarter ended January 31, 2001 would be \$103,931 if the current accounting policy were in effect at that time.

General and administrative expenses for the quarter were \$156,247 vs \$155,395 in the prior comparable period. These include administrative salaries and fees relating to legal, audit, strategic planning, and other costs not directly related to research and development as well as the overhead costs for the office.

Marketing expenses for the quarter were \$81,839 vs \$15,596 in the prior comparable period. These are the costs associated with introducing the Company to potential investors and marketing partners.

#### **Liquidity and Capital Resources**

As at January 31, 2002, the Company had cash and short-term investments of \$1,050,388, compared to \$1,581,264 at the end of the October 2001. A private placement of \$225,500 less expenses of \$26,130 was completed in January 2002. Subscribers acquired a common share priced at \$.55 and a half warrant exercisable at \$.70 with an eighteen-month life. Short-term investments consist of Money Market funds. Cash used for operations in the quarter was \$458,440 compared to \$2,122,847 for the year ended October 31, 2000. As at January 31, 2002, the Company had no long-term obligations.

#### **Directors and Officers as of time of signing**

William A. Cochrane, Chairman of the Board

Christopher Neuman, President & CEO

Eldon Smith, Director

Benoit La Salle, Director

William Milligan, Director

Andrew E. Saxton, Director

Tazdin Esmail, Director

Pamela Wallin, Director

Jim Heppell, Director

Douglas Marett, Chief Science Officer

Larry Cooper, Chief Financial Officer