

Pheromone Sciences Corp.

July 31, 2004

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 focused on commercialization of technologies in the field of fertility and sexuality. The Company's lead product, the PSC Fertility Monitor, was designed to provide women with a reliable, non-invasive predictive approach in identifying their fertility window when planning pregnancy. The product, which is housed in a modern styled wristwatch-like device with a LCD readout, is approved for sale in the US., Europe and Canada.

On May 6, 2004 the company announced the signing of a definitive agreement for the sale of its proprietary technology, the Fertilite-OV™ fertility monitor and accompanying technology and patents, to HEALTHWATCHSYSTEMS, INC. This transaction has closed and further details of the transaction are contained in the Financial Statement Note Number 13.

Pheromone Sciences Corp received its ISO 13465 approval in August 2004.

Given the sale of the company's primary asset, management is currently reviewing several strategic options for the company, which have been identified by the management team.

Results of Operations

The Company has been in its research and development phase and, as such, has incurred losses since its inception. For the quarter ending July 31, 2004, the Company recorded a loss of \$96,942 or \$0.005 per common share vs a loss of \$85,456 or \$0.005 per common share for the quarter ended July 31, 2003. The first nine months results are a loss of \$441,597 or \$0.02 per common share compared to a loss of \$613,069 or \$0.03 per common share for the nine months ended July 31, 2003.

Research and development expenses for the quarter were severely curtailed. The focus of the effort has been involved in discussions with several companies located in North America and Europe, who had showed an interest in our company. As noted above, at the bottom of the Overview section, the company signed on May 6, 2004, a definitive agreement for the sale of its proprietary technology to HEALTHWATCHSYSTEMS, INC. There is additional information on this important transaction in Note 13 of the Financial Statements.

General and administrative expenses for the quarter were \$123,438 vs \$100,789 in the prior comparable period. For the nine month period for the current year the expenses were \$304,533 compared to the first nine month of last year were \$403,035. These include administrative costs 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 first nine months of this fiscal year were significantly reduced at \$82,273 compared to last year's comparable period of \$140,571.

Liquidity and Capital Resources

As at July 31, 2004, the Company had cash and short-term investments of \$62,425, compared to \$128,996 at the end of the October 2003. Subsequent to the end of the quarter, on August 31, 2004, the company signed an agreement for the sale of its proprietary technology. Details of this transaction are in

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (CONTINUED)

Note 13 of the Financial Statements. Short-term investments consist of Money Market funds. Cash used for operations in the quarter were \$77,391 compared to \$40,462 for the quarter ended July 31, 2003. For the nine months ended July 31, 2004 the company's use of Cash for operation was \$387,788 compared to \$583,847 for the first nine months of last fiscal year. As at July 31, 2004, 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

G. R. (Bob) McGregor, Director

William Milligan, Director

Andrew E. Saxton, Director

Eldon Smith, Director

Douglas Marett, Chief Science Officer

Florian Meyer, Chief Financial Officer