

## **Pheromone Sciences Corp.**

April 30, 2003

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

#### **Highlights**

\*Non binding Memorandum of Understanding signed with a New York Stock Exchange company in the health care field in the USA to license the Corporation's Fertility Monitor on a worldwide basis excluding China.

\*Development of our sensing fertility technology extended to dairy cattle as work continues with Dr. Walter Johnson at the Ontario Veterinary College, University of Guelph.

\*R&D work on dairy cattle is generating strong support amongst dairy industry as a Fortune 500 company in US has provided a small research grant and CanAdapt has approved a matching grant to our current R&D efforts.

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 ( trademarked: Fertilitè™ or Fertilitè-OV™), is 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 an LCD readout, is now approved for sale in the US, Europe and Canada. The Company has initiated its own web site to sell the product and is in the process of negotiating a world wide License. Work is also being carried out to research the applicability of this technology to new areas of commercial interest. The Company presently holds patents in the US, Australia and New Zealand and various patent applications on the technology, which have been filed in the major jurisdictions of the world.

The Company has put on hold any work on its technology PSC Synchronin™, a novel human synthetic (female) pheromone until funds materialize through its other operations. The Company is still in a research and development phase although it is just starting to generate revenues from the sales of Fertilitè™. To fund its operations, the Company relies principally upon the proceeds of public and private offerings of equity securities and the resulting interest revenue generated. In the future, the Company may establish alliances with other health care companies to assist in marketing its products, as well as to provide research and development funding.

#### **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 April 30, 2003, the Company recorded a loss of \$247,319 or \$0.01 per common share vs a loss of \$467,517 or \$0.03 per common share for the quarter ended April 30, 2002.

Research and development expenses, including costs associated with pre-clinical and clinical research, product development, and regulatory affairs, were \$58,603 for the quarter versus \$140,526 for the prior comparable period.

General and administrative expenses for the quarter were \$158,236 versus \$211,462 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 \$30,454 versus \$114,202 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 April 30, 2003, the Company had cash and short-term investments of \$300,993 compared to \$341,933 at the end of the October 2001. Short-term investments consist of Money Market funds. Cash used for operations in the quarter was \$242,671 compared to \$1,722,893 for the year ended October 31, 2002. As at April 30, 2003, 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

Tazdin Esmail, Director

Benoit La Salle, Director

William Milligan, Director

Andrew E. Saxton, Director

Eldon Smith, Director

James Wooder, Director

Douglas Marett, Chief Science Officer

Larry Cooper, Chief Financial Officer