



ALDA Pharmaceuticals Corp.

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Form 51-102F1

Management's Discussion & Analysis

for the year ended June 30, 2006

October 27, 2006

The statements contained in this report that are not purely historical are forward-looking statements. "Forward looking statements" include statements regarding our expectations, hopes, intentions or strategies regarding the future. Forward looking statements include: statements regarding future products or products or product development; statements regarding future selling, general and administrative costs and research and development spending; and our product development strategy; statements regarding future capital expenditures and financing requirements; and similar forward looking statements. It is important to note that our actual results could differ materially from those in such forward-looking statements.

ALDA PHARMACEUTICALS CORP.
MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
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1.1 Date

This Management Discussion and Analysis (“MD&A”) is dated October 27, 2006 and should be read in conjunction with the consolidated financial statements of ALDA Pharmaceuticals Corp. (“ALDA” or the “Company”) for the financial year ended June 30, 2006. All financial information is expressed in Canadian dollars and is prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

1.2 Overall Performance

On November 13, 2003, ALDA Pharmaceuticals Corp., formerly Duft Biotech Capital Ltd., completed the acquisition of the assets of 513947 BC Ltd. formerly ALDA Pharmaceuticals Inc. (“the Qualifying Transaction”) and a \$1.2 Million financing arranged by Canaccord Capital Corporation (“the Financing”).

ALDA has developed a family of wide spectrum, non-toxic, non-corrosive, biodegradable infection control products based on its patent pending T³6[®] technology. The emergence of SARS, Norwalk Virus and new strains of influenza have created a market demand for a highly effective, non-toxic and environmentally friendly disinfectant. ALDA’s first product, T³6[®] Disinfectant has been tested on over 50 infectious bacteria, viruses and fungi. T³6[®] Disinfectant kills on contact and is virtually 100% effective in destroying all of them, including HIV, Polio, Legionella and the Norwalk-like virus, within a 3-minute period and Tuberculosis within 5 minutes. T³6[®] Disinfectant has been approved by Health Canada for use as a hospital grade, surface disinfectant and by the Canadian Food Inspection Agency (CFIA). T³6[®] Disinfectant is available through distributors in Canada, the EU and the worldwide web to consumers internationally. The ability to kill Polio and TB means that T³6[®] Disinfectant is also acknowledged to be effective against all bacteria and virus including Avian Flu, SARS, Norwalk Virus, HIV, *Legionella* and Hepatitis.

The market for disinfectant products is competitive. Competitors are already well established in the market for disinfectant products. The introduction of a new product into an existing market can be met with aggressive marketing, price cutting and distribution impediments by competitors. To obtain market share, the Company must penetrate a market with established competitors and to obtain sufficient recognition to be able to displace existing disinfectant products. Substantial funds will have to be spent on marketing and education. Competitors may be developing new technologies and new products that will offer significant improvements over existing products, including those offered by the Company.

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1.2 Overall Performance (continued)

Market knowledge of the ALDA name is limited. ALDA will need to devote considerable resources to educate new markets about the Company products it offers. In establishing new markets, the Company will be competing with companies that are potentially already entrenched in such markets or that may be better funded than the Company. ALDA also faces significant costs and risks associated with the protection and exploitation of its intellectual property. Competitors with significantly more resources may have an advantage over the Company in terms of the establishment, protection and exploitation of patents and other intellectual property. All of these factors are material to the Company and its business.

1.3 Selected Annual Information

Year Ended On	June 30, 2006	June 30, 2005	June 30, 2004
Revenue ⁽¹⁾	\$225,311	\$240,998	\$116,946
Net Loss	\$378,301	\$796,301	\$731,479
Loss Per Share	\$ 0.02	\$ 0.06	\$ 0.08
Diluted Loss Per Share	\$ 0.02	\$ 0.06	\$ 0.08
Total Assets	\$216,872	\$300,893	\$830,764
Long-Term Liabilities	\$ 0	\$ 0	\$ 0

⁽¹⁾Sales plus Interest Income

During the year ended June 30, 2006, cash decreased by \$43,183 to \$28,480 compared to \$71,633 at the year ended June 30, 2005. The operating losses of \$380,026 were offset by two completed rounds of financing. Current assets declined by \$75,740 from \$168,413 on June 30, 2005 to \$92,673 on June 30, 2006. This 45% reduction in current assets was due to a \$43,183 decrease in cash, a \$3,049 decrease in receivables, a \$9,132 decrease in prepaid expenses and a \$12,388 decrease in inventory as a result of sales. Current liabilities, consisting of accounts payable and accruals, were increased by \$29,639 from \$29,865 to \$59,504 on June 30, 2006.

1.4 Results of Operations

Sales

For the year ended June 30, 2006 sales were \$223,586 compared to \$239,271 for the year ended on June 30, 2005 and \$111,363 for the seven and one-half month period from November 14, 2003, after completion of the Qualifying Transaction, to June 30, 2004. Sales were generated in 2005 and 2006 were from the sale of the company’s surface disinfectant, T³6[®] Disinfectant, through its distributors to the first responders, dental and beauty markets. In 2006, the Company also introduced T³6[®] Hand Sanitizer which is also being sold through the same distributors.



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Cost of sales

The cost of sales for the year ended June 30, 2006 was \$142,379 compared to \$150,075 for the year ended on June 30, 2005 and \$122,842 for the seven and one-half month period from November 14, 2003, after completion of the Qualifying Transaction, to June 30, 2004. Cost of sales includes the direct costs of the inventory sold during the period plus warehousing costs and handling charges. The higher relative cost of sales observed in the 2004 fiscal year was due to the extra costs associated with starting up the operations of the company.

Gross Profit (Loss)

In 2006, a gross profit of \$81,207 was attained, which was in line with the gross profit of \$89,196 or 37% in 2005. A loss of \$11,479 was encountered for the seven and one-half month period from November 14, 2003, after completion of the Qualifying Transaction, to June 30, 2004.

Advertising and promotion

Advertising and promotion costs for the year ended June 30, 2006 were \$12,169 compared to \$27,685 for the year ended June 30, 2005 and \$26,456 in 2004. Costs in this category were reduced significantly as the Company did not allocate as much advertising as in the 2005 and 2004 fiscal years. Instead of promoting the name of T³6[®] Disinfectant in selected trade journals, the Company chose to offer and send samples to selected distributors and customers.

Consulting

Consulting fees for the year ended June 30, 2006 were \$183,218 compared to of \$210,561 and \$224,622, respectively for the years ended June 30, 2005 and 2004. The remuneration of the executives of the company for services provided through their consulting companies was as follows.

- \$60,000 to 503213 BC Ltd., a company controlled by Dr. Terrance G. Owen, President & CEO, for services related to directing the technical aspects of research and development, product testing, domestic and international product registrations and intellectual property protection; negotiating and establishing international marketing agreements; assisting with domestic and international sales and marketing strategies, marketing materials, internet marketing and investor relations activities; directing the company’s legal and accounting professionals; advising officers and directors of company matters and ensuring that the regulatory requirements of the company are fulfilled.

- \$60,000 to 612480 BC Ltd., a company controlled by Peter Chen CFO, for advising on the financial aspects of research and development, product testing, domestic and international product registrations and intellectual property protection; negotiating and establishing international marketing agreements; assisting with domestic and international sales and marketing strategies, marketing materials, internet marketing and investor relations activities; directing the company’s legal and accounting professionals; advising officers and directors of company matters and ensuring that the regulatory requirements of the company are fulfilled.

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Consulting (continued)

- \$60,000 to 680806 BC Ltd., a company controlled by Dr. Allan Shapiro for advising on and assisting with research and development, marketing and sales, product testing, domestic and international product registrations and intellectual property protection and attending conferences, conducting seminars and training sessions and providing presentations at conferences.

Investor relations

The investor relations activities amounted to \$52,808 for the year ended June 30, 2006 of which \$20,300 went to Freeform Communications Inc. Since January 7, 2004, the date the first investor relations contracts were established, Freeform Communications Inc., received \$41,000 for the full 12 months of the 2005 fiscal year and \$25,688 for the 6 months of the 2004 fiscal year. E-Vestor Relations received \$14,906 for the services provided from June 30, 2005 to December 16, 2005. During 2005 fiscal year and 2004 fiscal year, E-Vestor received \$29,419 and \$40,000 respectively. \$1,156 was booked as a non-cash expense for stock options granted to E-Vestor. On November 17, 2005, the company engaged the services of Insight Financial Marketing Network Inc. to provide investor relations services. \$15,000 was paid to Insight Financial Marketing Network Inc. during the 2006 year. Other investor relations expenses incurred during the 2006 fiscal year were \$2,190.24 and \$412.00 for the dissemination of news releases provided by Canada Newswire and CCN Matthews respectively.

Legal and accounting fees

Legal and accounting fees were \$63,178 for the year ended June 30, 2006 compared to \$57,833 and \$45,763 for the year ended June 30, 2005 and 2004 respectively. Accounting fees primarily consisted of the cost of the year-end audits and for reviewing the quarterly statements. Legal fees in 2006 included costs for closing of private placements, the completion of legal action against a competitor as announced by the company in a news release dated September 5, 2006, preparing a 20F filing and preparing legal documents for the technology licensing agreement between ALDA and Sirona Therapeutics Corp, the subsidiary of ALDA. The major legal expense incurred in 2005 fiscal year was the settlement of the trademark dispute in between ALDA as announced in a press release dated May 30, 2005. In the 2004 fiscal year, legal costs were incurred for closing the Qualifying Transaction, the Financing associated with the Qualifying Transaction, required regulatory filings and litigation involving a competitor as announced in new releases issued by the company on May 14, 2004 and June 30, 2005.

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Product registration

Total costs incurred in this category for the year ended June 30, 2006 was \$18,377, compared to \$54,293 and \$38,280 in the fiscal year ended June 30, 2005 and 2004 respectively. Costs in this category include the fees paid to the regulatory consultants in Canada and the US to pursue the registration of the company’s products in the United Kingdom and the United States. Costs spent on laboratory testing and intellectual property protection are also included in this category.

Wages and benefits

Wages and benefits were \$75,903 for the year ended June 30, 2006 compared to \$97,389 for the year ended June 30, 2005 and \$45,660 for the year ended June 30, 2004. The wages were paid for accounting and administrative assistance and to sales and marketing staff. The wages for 2004 represent roughly half of that since no employees were hired until half way through the 2004 fiscal year.

Loss from operations

The loss from operations was \$417,409 for the year ended June 30, 2006 compared to \$553,028 for the year ended June 30, 2005 and \$548,062 for the year ended June 30, 2004. Having tighter cost control systems in place in the 2006 fiscal year, ALDA successfully reduced the loss by 24% compared to 2005 fiscal year. The greater losses for the years ended June 30, 2004 and 2005 were mainly due to the costs associated with taking over the business acquired through the Qualifying Transaction. Many initiatives were taken to establish a basis for further growth of the company, including expanding the patent portfolio of the company, protecting the trademarks, seeking expert advice on product regulatory issues, undertaking laboratory tests of T³⁶® Disinfectant against new micro-organisms, preparing marketing materials, evaluating manufacturing requirements, undertaking inventory production, seeking out new distributors and customers and other actions expressly intended to increase sales of the company. The losses are also associated with significant one-time costs associated with completion of the Qualifying Transaction the Financing. Comparing to the 2005 fiscal year, 2006 fiscal year sales of T³⁶® Disinfectant decreased somewhat due to less marketing and promotion while expenses decreased by approximately 22%. Management remains committed to launch new products, such as the T³⁶® Disinfectant Cleaner CONCENTRATE, in the foreseeable future as announced in a news release on May 17, 2005. The pursuit of the new products requires the Company to invest continuously in product development, foreign registrations and intellectual property protection.

Other income (Loss)

Interest income earned from the deposits for the year ended June 30, 2006 was \$1,725 compared to \$1,727 and \$5,583 in the same periods in 2005 and 2004, respectively.

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Other income/loss (continued)

As of June 30, 2006, the intangible asset of the Company was \$116,000. No impairment loss has been recognized for the 2006 year as the management of the Company anticipated that the net recoverable amount of the intangible asset exceeds the carrying value; the anticipation was based on the revised calculation of the future cash flows. Originally estimated at \$540,000, the intangible asset was written down to \$361,000 in 2004 and to \$116,000 in 2005 due to the devaluation of the assets purchased by the company for its Qualifying Transaction. The devaluation reduces only the intangible assets of the company and sets up a future tax asset that can be carried forward.

During the 2005 fiscal year, the Company entered into a settlement agreement with the claimant, whereby the Company agreed to terminate the use, and application for registration of, the trademark “Viralex”. The settlement agreement required the Company to liquidate its inventory of goods bearing the trademark within twelve months from the date of the agreement in all advertising and other promotional means. In connection with the settlement of the trademark depute, a gain of \$37,383 (\$30,000 US), previously held by the Company’s lawyer, was recognized the Company and reported in the Statement of Operations and Deficit as a gain on legal settlement for the 2006 year. The “Loss on legal settlement” in 2004 was for \$10,000 paid to a competitor for damaging statements published on the web site of a manufacturer’s representative engaged by ALDA to work with the company’s distributors. As a result, the relationship with the manufacturer’s representative was terminated. The information was previously disclosed in a news release published by the company on May 14, 2004.

Loss for the year

The loss for the year ended June 30, 2006 was reduced by 52% to \$378,301; a loss of 2 cents basic and diluted per share comparing to the loss of \$796,301, a loss of 6 cents per basic and diluted share for the year ended June 30, 2005 and a loss of \$731,479 for the year ended June 30, 2004, a loss of 8 cents per basic and diluted share. The substantial losses in 2005 and 2004 included write-down of the intangible assets acquired through the Qualifying Transaction of \$179,000 for 2004 and \$245,000 for 2005. Losses for 2004 also included a payment of a \$10,000 legal settlement with a competitor.

Use of proceeds

The estimated use of proceeds from the private placement as described in a news release issued on November 17, 2005 is provided below. The financing was closed on December 22, 2005.

Purpose	Proposed use of funds	Estimated use of funds to date	Variance to date
Net proceeds of the Financing	\$195,800	\$50,405	\$145,395
New Product Introductions	\$155,800	\$ 39,405	\$116,395
U.S. securities fees and expenses	\$40,000	\$11,000	\$29,000



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1.5 Summary of Quarterly Results.

Quarter ended	Jun/06	Mar/06	Dec/05	Sep/05	Jun/05	Mar/05	Dec/04	Sep/04
Revenue	58,736	48,035	61,446	57,094	75,210	46,645	54,748	64,395
Net loss	67,371	118,084	137,213	55,633	370,908	134,638	150,040	140,715
Loss/share	0.00	0.01	0.01	0.00	0.03	0.01	0.01	0.01
Diluted Loss/share	0.00	0.01	0.01	0.00	0.03	0.01	0.01	0.01
Total assets	216,872	207,800	312,192	237,141	300,893	678,887	565,527	687,826

The revenues generated from the sale of T³6[®] Disinfectant have been relatively consistent while a reduction in operating expenses has been realized. Resources spent in patenting, research and development, and product registrations have declined as these tasks have been largely completed or are in the registration or review process. The greater loss recognized in 2005 fiscal year was mainly due to an impairment loss of \$245,000 on intangible assets. Since the arrangement of the Qualifying Transaction, the intangible assets were written down to \$116,000 from the initial value of \$540,000. With the revised cash flow projection provided by the management of the Company, the estimated net recoverable value of the intangible asset exceeded its carrying value; therefore, no further impairment loss was recognized for the fiscal year 2006.

Due to the one time impairment loss of \$245,000 in June 30, 2005, total assets of the Company were reduced. Total assets were increased over the quarters as the Company received external funding from the private placements. All resources were invested in marketing, product development, intellectual property protection and the other requirements of an operating company that is introducing a new technology and products to the market.

1.6 Liquidity

Although the company generates revenues from the sale of its lead product, T³6[®] Disinfectant, sales are still occurring only in Canada. Approvals have been obtained for T³6[®] Disinfectant in the European Union and Malaysia, other approvals are pending in Asia and a distributor in China is seeking approval there. The company now has trained staff in place to undertake sales and marketing initiatives in Canada and internationally as opportunities arise. The company is also focused on developing, testing, patenting, and introducing new products to the market and seeking licenses or partners for certain applications of the T³6[®] technology. The first new product to be introduced is T³6[®] Disinfectant Cleaner CONCENTRATE as announced by the company in a news release dated May 17, 2005. Management is also evaluating the possibility of acquiring technologies that are complementary to T³6[®] and launching similar type of products lines in the subsequent future. It is expected that the company will need to undertake further financings.

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1.7 Capital resources

Over the year, the Company raised a total of \$250,800 by selling a total of 5,016,000 Units of the Company's at a price of \$0.05 per Unit. Each Unit consisted of one Common Share of the Company and one Warrant that entitles the holder to purchase one common share at a price of \$0.10 per share for a period of 12 months following the closing date. Financing costs of \$12,315 were incurred in the connection of the private placements. The net gross proceeds of \$238,485 were to be used for working capital, a 20F filing in the US and new product introductions. As of June 30, 2006, the Company had 20,800,404 outstanding common shares of the Company. Six million warrants priced at \$0.235 expired during the 2006 fiscal year, leaving a total of 8,236,500 outstanding warrants exercisable at an exercise price range of \$0.10 to \$0.20 before the date of expiration. On April 14, 2005, the company proposed to revise the price of the \$0.30 Warrants to \$0.20 and extend the expiry date to November 13, 2005. On May 4, 2005, the company announced that the TSX Venture Exchange had permitted the extension of 6,000,000 of the Warrants and would allow these Warrants to be re-priced to \$0.235. The TSX Venture Exchange did not allow 200,000 Warrants priced at \$0.30 or 900,000 Warrants priced at \$0.20, held by Canaccord Capital Corporation as compensation for the Financing, to be extended and these Warrants expired on May 14, 2005. All amended warrants relating to the reduction in exercise price expired unexercised. There are 237,647 Options priced at \$0.17 that expire on July 31, 2006, 100,000 Options priced at \$0.20 that expire on August 1, 2006, 100,000 Options priced at \$0.20 that expire on December 22, 2006, 20,000 options priced at \$0.20 that expire on February 28, 2007 and 80,000 priced at \$0.20 that expire on April 4, 2007.

There is no guarantee that the Company will derive any proceeds from the exercise of outstanding warrants and there is no assurance that additional funding will be available to the Company to fulfill its business objectives. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Many of the Company products still require further development and laboratory testing in order to obtain required regulatory approvals. A lack of funds will impair the ability of the Company to complete such tests. A lack of funds will also impair the Company's ability to establish marketing and sales plans once the products have been approved for sale. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various activities and may be unable to continue in operation. ALDA may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

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1.8 Off-Balance Sheet Arrangements

The company is not aware of any off-balance sheet transactions requiring disclosure.

1.9 Transactions with Related Parties

For the year ended June 30, 2006, certain transactions with related parties are detailed in Section 1.4, “Results of Operations” under the paragraph entitled “Consulting”.

Rent of \$30,912 was paid to Duft Enterprises Corp., a company controlled by Terrance G. Owen, President & CEO.

1.10 Fourth Quarter, 2006

For the quarter ended June 30, 2006, revenues were \$58,736 compared to \$75,210 for the same quarter in the previous year during which sales were higher than average.

After completing the startup phase of operations and establishing appropriate cost control measures, the operating expenses incurred by the Company over the fourth quarter ended June 30, 2006 were reduced to \$89,572 compared to \$159,293 for the same quarter in the previous year. No further impairment loss on intangible assets was recognized in the fourth quarter of 2006.

During the fourth quarter ended June 30, 2006, there were no extraordinary events that affected the company. Sales for the quarter were close to the average sales recorded per quarter for the last two years. A private placement for \$55,000 was completed on June 27, 2006. There were no significant year-end adjustments except that approximately \$12,000 was reallocated from accrued liabilities and legal expenses to share issuance costs.

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1.11 Proposed transactions

The company is not aware of any proposed transactions requiring disclosure.

1.12 Critical Accounting Estimates

The company is a venture issuer and is not required to provide critical accounting estimates.

1.13 Changes in Accounting Policies Including Initial Adoption

Effective July 1, 2001, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Accounting Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments ("CICA 3870"). The new recommendations were applied prospectively to all stock-based payments to employees and non-employees granted on or after July 1, 2001. Under CICA 3870, prior to July 1, 2003, the Company was not required to record compensation expense for stock-based compensation awards granted to employees, except for employee awards that were direct awards of stock, called for settlement in cash or other assets, or were stock appreciation rights that called for settlement by the issuance of equity instruments. Consequently the adoption of the standard had no impact on the figures presented other than the pro forma disclosure contained in Note 8(d). During the year ended June 30, 2004, CICA 3870 was amended to require the use of the fair value-based method to account for stock options granted to employees. In accordance with the revised recommendations, the Company has prospectively applied the fair value-based method to all stock options granted to employees on or after July 1, 2003, whereby compensation cost is measured at fair value at the date of grant and is expensed over the vesting period.

Effective July 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook, Section 3063, Impairment of long-lived assets ("CICA 3063"). The new recommendations were applied prospectively to all long-lived assets held for use by the Company after July 1, 2003.

The financial statements include a note providing reconciliation to United States Generally Accepted Accounting Standards ("GAAS").

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1.14 Financial Instruments

The Company's financial instruments consist of cash and equivalents, receivables, note receivable, accounts payable and accrued liabilities, and loan payable. The fair value of these instruments approximates their carrying values except where otherwise noted. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risk arising from these financial instruments except where otherwise noted.

1.15 Other MD&A Requirements

(a) Additional Information

Additional information relating to the Company can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) database at www.sedar.com.

(b) Disclosure of Outstanding Share Data

The following table summarizes our outstanding share capital as at June 30, 2006:

Security	Number
Each class and series of voting or equity securities for which there are securities outstanding: Common Shares	20,800,404
Each class and series of securities for which there are securities outstanding if the securities are convertible into, or exercisable or exchangeable for, voting or equity securities	
Stock Options	537,647
Warrants	8,236,500
Convertible Debentures	0
Each class and series of voting or equity securities that are issuable on the conversion, exercise or exchange of outstanding securities above	
Common Shares	8,774,147

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1.16 Subsequent Events to June 30, 2006

- (a) The Company announced in a news release dated September 13, 2006 that a non-brokered private placement of 1,430,000 units of the Company had been completed at a price of \$0.05 per unit, for gross proceeds of \$71,500. Each unit consists of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.10 per share for a period of 12 months from the date of issuance of the warrants.
- (b) Subsequent to June 30, 2006, options to acquire 237,647 common shares of the Company at a price of \$0.17 per share and options to acquire 100,000 common shares of the Company at a price of \$0.20 per share expired unexercised.
- (c) The Company announced in a news release dated August 4, 2006 that options to acquire 1,580,000 common shares of the Company at a price of \$0.10 per share, exercisable for a period of two years, were granted to certain directors, employees and consultants of the Company, subject to regulatory approval. Options to acquire 300,000 common shares of the Company at a price of \$0.10 per share, exercisable for a period of five years subject to certain vesting provisions, were granted to a consultant of the Company, subject to regulatory approval.
- (d) During the 2005 year, the Company commenced legal action against the competitor described in Note 10(a), unrelated to the settlement, with respect to certain alleged defamatory statements made by the competitor after the settlement was completed. The claim was settled effective July 12, 2006, by an agreement under which the Company was to receive an amount of \$15,000 from the competitor. The Company announced in a news release dated September 5, 2006 that the settlement amount had been paid. The proceeds of the settlement, net of associated costs, will be recognized in the Statement of Operations for the 2007 year.