



ALDA Pharmaceuticals Corp.

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Form 51-102FI Management's Discussion & Analysis for the year ended June 30, 2005

October 28, 2005

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”)

FOR THE YEAR ENDED JUNE 30, 2005

1.1 Date

This Management Discussion and Analysis (“MD&A”) for the years ended June 30, 2005, 2004 and 2003, is dated October 28, 2005 and should be read in conjunction with the consolidated financial statements. All financial information is expressed in Canadian dollars and is prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In many cases, financial results for the year ended June 30, 2003 were zero because the company was a Capital Pool Company (“CPC”) and had no operations during that fiscal year.

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 Pharmaceuticals Corp. 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 ASEAN member countries and through the worldwide web to consumers internationally.

During the year ended June 30, 2005, cash decreased by \$154,448 compared to the year ended June 30, 2004. The decrease was due to cash expenditures of \$404,716 for operations offset by net proceeds of \$250,870 from the sale of shares. Current assets for the year ended June 30, 2005 were \$168,413 compared to \$445,709 for the year ended June 30, 2004. Current liabilities were \$29,865 for the year ended June 30, 2005 compared to \$30,542 for the year ended June 30, 2004.

1.3 Selected Annual Information

Year ended	June 2005	June 2004	June 2003
Revenue*	240,998	116,946	4,933
Net loss	796,301	731,479	53,479
Loss per share	0.06	0.08	0.02
Diluted loss per share	0.06	0.08	0.02
Assets	300,893	830,764	286,544
Long term liabilities	0	0	0

*Sales plus Interest Income

1.4 Results of Operations

Sales

For the year ended June 30, 2005, sales were \$239,271 compared to \$111,363 for the seven and one-half month period from November 14, 2003, after completion of the Qualifying Transaction to June 30, 2004, and zero for the year ended June 30, 2003 prior to completion of the Qualifying Transaction. The sales generated in 2004 and 2005 were from the sale of the company's surface disinfectant, T³6[®] Disinfectant, through its distributors to the first responders, dental and beauty markets.

Cost of sales

The cost of sales for the year ended June 30, 2005 was \$150,075 compared to \$122,842 for the seven and one-half month period from November 14, 2003, after completion of the Qualifying Transaction to June 30, 2004, and zero for the 2003 fiscal year. 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 is due to the extra costs associated with starting up the operations of the company.

Gross Profit (Loss)

In 2005, a gross profit of \$89,196 was attained compared to a loss of \$11, 479 for the seven and one-half month period from November 14, 2003, after completion of the Qualifying Transaction to June 30, 2004, and zero in 2003. The improvement in gross margin was due to lower warehousing and inventory maintenance costs and one-time expenses incurred in 2004.

Advertising and promotion

Advertising and promotion costs for the year ended June 30, 2005 were \$27,685 compared to \$26,456 for the year ended June 30, 2004 and zero in 2003. Costs in this category include advertising in selected trade journals, printing costs for corporate brochures and other materials prepared for the purposes of promoting the company's lead product, T³6[®] Disinfectant, and sales commissions.

Consulting

Consulting fees for the year ended June 30, 2005 were \$210,561 compared to \$224,622 for the year ended June 30, 2004 and \$12,000 for 2003. This includes remuneration of the executives of the company for services provided through their consulting companies as follows.

- \$70,000 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.
- \$64,000 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.
- \$70,000 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.

The remaining consulting fees were paid to regulatory consultants in the US who were working on registration of the T³6[®] Disinfectant with the Environmental Protection Agency in the US. The work is now being undertaken by Dr W.F. McCoy, Chief Technical Officer of Phigenics, Inc. and a director of ALDA.

Investor relations

On January 7, 2004, contracts for investor relations were established with Freeform Communications Inc. and Dan Byrne doing business as E-Vestor Relations. During the remaining 6 months of the 2004 fiscal year after these contracts were in place, Freeform Communications received \$25,688 and E-Vestor received \$29,419. Other investor relations expenses during the 2004 fiscal year were \$3,931 to Canada Newswire for the dissemination of news releases. During the full 12 months 2005 fiscal year, Freeform Communications received \$41,000, E-Vestor received \$40,000 and Canada Newswire received \$5,466 for the dissemination of news releases. The remaining expenses in this category reflect stock-based compensation of \$2,532 for 2004 and \$4,312 for 2005. During the 2003 fiscal year, investor relations expenses were zero.

Legal and accounting fees

Legal and accounting fees were \$57,833 for the year ended June 30, 2005 compared to \$45,763 for the year ended June 30, 2004 and \$13,086 for the year ended June 30, 2003. Accounting fees consist primarily of the cost of the audits for the three years. Legal fees in 2005 included costs for preparing materials for the 2004 AGM, closing of a private placement by way of an Offering Memorandum, preparing the agreement between ALDA and JohnsonDiversey, Inc. that settled the trademark dispute as announced in a press release dated May 30, 2005 and continuing legal action seeking damages from a

competitor as announced in a news release issued by the company on June 30, 2004. 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.

Product registration

Product registration costs of \$38,280 in the fiscal year ended June 30, 2004 increased to \$54,293 for the year ended June 30, 2005. 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. Also included are the costs of laboratory testing and intellectual property protection. These activities increased during the latest fiscal year. Product registration costs were zero in the fiscal year ended 2003.

Wages and benefits

Wages and benefits were \$97,389 for the year ended June 30, 2005 compared to \$45,660 for the year ended June 30, 2004 and zero for the year ended June 30, 2003. The wages were paid for accounting and administrative assistance and to sales and marketing staff. The wages for 2005 represent a full fiscal year while the wages for 2004 represent only half of that since no employees were hired until half way through the 2004 fiscal year. There were no employees in 2003.

Loss from operations

The loss from operations was \$553,028 for the year ended June 30, 2005 compared to \$548,062 for the year ended June 30, 2004 and \$58,412 for the year ended June 30, 2003. The greater losses for the years ended June 30, 2004 and 2005 were 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. During the 2005 fiscal year, sales of T³6[®] Disinfectant increased by more than 100% while expenses increased by approximately 20%. Management remains committed to investments in product development, foreign registrations and intellectual property protection. New product introductions, such as the T³6[®] Disinfectant Cleaner announced in a news release issued by the company on May 17, 2005, are imminent and foreign registrations are progressing.

Other income (Loss)

Interest income for the year ended June 30, 2005 was bank interest of \$1,727 paid on deposits compared to \$5,583 for the year ended June 30, 2004. For the year ended June 30, 2003, interest income of \$4,933 was paid by 513947 BC Ltd. (formerly ALDA Pharmaceuticals Inc., the private company acquired the company), for loans advanced to it prior to the completion of the Qualifying Transaction.

The write-down of intangible assets of \$179,000 and \$245,000 in the fiscal years ended June 30, 2004 and 2005, respectively, resulted from a devaluation of the assets purchased by the company for its

Qualifying Transaction. Originally estimated at \$540,000, the intangible asset was written down to \$361,000 in 2004 and to \$116,000 in 2005. The devaluation reduces only the intangible assets or goodwill of the company and sets up a future tax loss that can be carried forward.

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, 2005 was \$796,301 or 6 cents basic and diluted loss per share compared to \$731,479 or 8 cents basic and diluted loss per share for 2004 and \$53,479 or 2 cents basic and diluted loss per share for 2003. Losses 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 the Offering Memorandum issued on February 15, 2005 are provided below. The financing was closed on March 15, 2005.

Purpose	Proposed use of funds	Estimated use of funds to date	Variance to date
Net proceeds of the Financing	\$250,000	\$248,813	(\$1,187) ⁽¹⁾
New Products Research and Development	\$53,000	\$21,293	\$31,707
U.S. securities fees and expenses	\$50,000	\$12,250	\$37,750
Sales and Marketing	\$25,000	\$18,944	\$6,056
Patenting	\$77,000	\$32,843	\$44,157
Licensing Activities	\$20,000	\$7,500	\$12,500
New Product Inventory	\$25,000	\$5,000	\$20,000

¹ The negative variance of \$1,187 in the net proceeds of the Financing was due higher fees offset by lower legal and accounting costs.

1.5 Summary of Quarterly Results.

Quarter ended	Jun/05	Mar/05	Dec/04	Sep/04	Jun/04	Mar/04	Dec/03	Sep/03
Revenue	75,210	46,645	54,748	64,395	41,838	56,404	18,704	0
Net loss	370,908	134,638	150,040	140,715	405,643	192,391	122,781	10,664
Loss/share	0.03	0.01	0.01	0.01	0.05	0.02	0.02	0.01
Diluted Loss/share	0.03	0.01	0.01	0.01	0.05	0.02	0.02	0.01
Total assets	300,893	678,887	565,527	687,826	830,764	1,202,626	1,379,939	427,717

There were no revenues for the quarter ended September, 2003 because the company had not completed its Qualifying Transaction. Revenues for the quarter ended December 31, 2003 were

due to sales of T³6[®] Disinfectant for the last 6 weeks of the quarter after completion of the Qualifying Transaction. Revenues for the quarter ended March 31, 2004 and thereafter were greater still because full quarters are represented. Seasonality was observed during the first year. Sales for the quarter ended June 30, 2004 were lower than those for the quarter ended March 31, 2004. Sales were higher again in the fall and declined during the last quarter of the 2004 calendar year due to the holiday season. The sales for the period ending March 31, 2005 were actually higher than shown because a refund originating from product sold in January 2004 was deducted from sales in January, 2005. Sales for the quarter ended June 30, 2005 show a significant increase.

The net losses increased significantly in the quarters ending December 31, 2003 through June 30, 2004 due to the transition of the company from a CPC to a manufacturing and distribution business. The loss observed during the quarter ended June 30, 2004 was increased by a write-down of \$179,000 of the intangible assets purchased for the Qualifying Transaction. Losses have stabilized since the end of June, 2004 as the company invests in patenting, research and development, distribution arrangements and product registrations, with the exception of an additional write-down of \$245,000 in June, 2005 of the intangible assets purchased for the Qualifying Transaction.

Assets increased during the quarter ended December 31, 2003 was due to the Financing associated with the Qualifying Transaction. The decline in assets from the quarter ended December 31, 2003 to the quarter ended December 31, 2004 was due to the funds being invested in marketing, product development, intellectual property protections and the other requirements of an operating company that is introducing a new technology and products to the market. The increase in assets observed for the quarter ended March 31, 2005 was due to the closing of a brokered private place for \$300,000 on March 15, 2005. The subsequent decline in assets during the quarter ended June 30, 2005 reflects additional investments in the company's operations, technology and patenting and the \$245,000 write-down of the intangible assets.

1.6 Liquidity

Although the company's revenues are increasing from the sale of its lead product, Viralex[™], sales are still occurring only in Canada. Approvals have been obtained for Viralex[™] in the European Union and Malaysia, other approvals are pending in Asia, a submission to the Environmental Protection Agency in the US is in progress 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 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[®]. It is expected that the company will need to undertake further financings.

1.7 Capital resources

The company has no commitments for capital expenditures. As of March 31, 2005, the company had 6,200,000 outstanding Warrants priced at \$0.30 and 900,000 Warrants priced at \$0.20, all of

which were to expire on May 14, 2005. 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. On March 16, 2005, the company closed a private placement of 3,000,000 Units at \$0.10 consisting of one Common Share and one Warrant priced at \$0.20 and expiring on November 15, 2006. As a result, as of June 30, 2005, the company had 6,000,000 outstanding Warrants priced at \$0.235 which expire on November 13, 2005 and 3,220,500 outstanding Warrants priced at \$0.20 which expire on September 15, 2006. There are 237,647 Options priced at \$0.17 that expire on July 31, 2006, 752,353 Options priced at \$0.20 that expire on January 27, 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.

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, 2005, certain transactions with related parties are detailed in Section 1.4, "Results of Operations" under the paragraph entitled "Consulting".

Rent of \$25,265 was paid to a tenant of a building owned by Duft Enterprises Corp., a company controlled by Terrance G. Owen, President & CEO.

1.10 Fourth Quarter, 2005

During the for the quarter ended June 30, 2005, revenues increased by 78% to \$74,684 compared to \$41,838 for the same quarter in the previous year. After deducting the write-down of intangible assets that was booked in the fourth quarters of 2004 and 2005 from expenses, operational expenses for the quarter ended June 30, 2005 were \$125,908 compared to \$226,050 for the same quarter ended June 30, 2004, a decline of 44%. The decline in expenses was due to the settling of extraordinary legal issues that had arisen during the 2004 fiscal year, getting through the startup phase of operations and establishing appropriate cost control measures. Other than these matters, there were no other material changes.

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, 2004, 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 9(d). During the year ended June 30, 2005, 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, 2004, whereby compensation cost is measured at fair value at the date of grant and is expensed over the vesting period.

Effective July 1, 2004, 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, 2004.

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

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 October 15, 2005:

Security	Number
Each class and series of voting or equity securities for which there are securities outstanding: Common Shares	15,784,404
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 Warrants Convertible Debentures	1,290,000 9,220,500 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	10,510,500

1.16 Subsequent Events to June 30, 2005

There have been no material changes since June 30, 2005.