



# **GeneTether Therapeutics Inc.**

## ***Management's Discussion and Analysis***

For the three months ended March 31, 2024

Date of Report: May 29, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") of results of operations and financial conditions has been prepared as of May 29, 2024, and should be read in conjunction with the unaudited consolidated financial statements of GeneTether Therapeutics Inc. ("**GeneTether**" or together with its wholly-owned subsidiary GeneTether Inc., the "**Company**", "**we**", "**our**", "**us**" and similar expressions) for the three months ended March 31, 2024 and 2023.

All financial information in this MD&A and interim condensed consolidated financial statements of GeneTether for the three months ended March 31, 2024 were prepared in accordance with International Financial Reporting Standards ("**IFRS**") and all dollar amounts are expressed in United States dollars unless otherwise noted.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "outlook", "prospects", "strategy", "intends", "believes", or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information contained in this MD&A and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct.

The forward-looking information in this MD&A represents our expectations as of the date of this report. The Company does not, and will not, have any policies to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

Forward-looking information in this MD&A includes, but is not limited to, information relating to:

- expectations concerning expenses;
- our plans to seek a strategic alternative focused on maximizing shareholder value;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements, and needs for additional financing;
- management forecasts, including with respect to working capital requirements over the ensuing 12 months; and
- the impact of laws and regulations and potential changes to laws and regulations;

We have based the forward-looking information largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations.

Such expectations, estimates, assumptions, and projections, many of which are beyond our control, include, but are not limited to: (i) the Company's ability to obtain regulatory approvals; (ii) general business and economic conditions; (iii) the Company's ability to successfully source a strategic asset or partner; (iv) the availability of financing on reasonable terms; (v) the Company's ability to attract and retain skilled staff; (vi) market competition; (vii) the products and technology offered by the Company's competitors; and (viii) the Company's ability to protect patents and proprietary rights, including with respect to the GeneTether™ platform.

In evaluating forward-looking information, investors should specifically consider various factors, including risks related to the following facts:

- We have incurred operating losses since our inception and anticipate that we will incur significant continued losses for the foreseeable future. To the extent we undertake any new R&D efforts, we will need to raise additional funding to fund those efforts, and such funding may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate any new R&D efforts or other operations.
- We do not expect to generate positive cash flow from operations for the foreseeable future due to our continued status as an R&D company with no revenues. It is expected that negative cash flow from operations will continue until such time, if ever, that we generate revenue from any products, licenses, or other sources that exceed our expenses.
- Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. There is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.
- We cannot give any assurance that we will identify a suitable strategic alternative, or that we will be able to complete a transaction should a suitable strategic alternative be identified.
- Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection for licensed patents, licensed pending patent applications and potential future patent applications and patents could be reduced or eliminated for non-compliance with these requirements.
- Any claims or lawsuits relating to infringement of intellectual property rights brought by or against us will be costly and time consuming and may adversely affect our business, financial condition, and results of operations.
- Our executive officers, directors, principal shareholders, and their affiliates represent beneficial ownership, in the aggregate, of approximately 77.5% of our outstanding Common Shares and will, acting together, be able to exercise significant control over the Company, which will limit the ability of our other shareholders to influence corporate matters, could delay or prevent a change in corporate control, and may adversely affect the market price of our Common Shares.

This list of factors should not be construed as exhaustive. All subsequent forward-looking information attributable to our Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein.

## COMPANY OVERVIEW

GeneTether has historically been an innovative genetic medicines company focused on creating best-in-class gene editing therapies. GeneTether has a wholly-owned subsidiary, GeneTether Inc. (“**GT Inc.**”), which was incorporated in Delaware on February 12, 2018, with the initial capitalization occurring on March 30, 2018. GeneTether’s registered and records office is located at 301-166 Ellis Street, Kelowna, British Columbia, Canada.

The Common Shares commenced trading on the Canadian Securities Exchange under the symbol “GTTX” on March 30, 2022.

On February 8, 2023, the Company announced that, following a comprehensive review of its business in the context of ongoing weakness in the global capital markets, including the status of its programs and available resources, the Company intends to significantly reduce the development of its GeneTether™ platform technology and conduct a review of strategic alternatives focused on maximizing shareholder value. A special committee of the Board of Directors was formed to lead this initiative.

On October 20, 2023, the Company announced, as part of its shareholder update, that it has reviewed and conducted due diligence on a significant number of assets that could potentially be advanced with its current resources. While the Company has not yet identified a candidate that meets its requirements for an acquisition, it continues its diligent pursuit of a strategic transaction while maintaining a minimal burn rate, the vast majority of which is made up of insurance premiums.

## SELECTED FINANCIAL INFORMATION

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Research and development expenses	11,212	14,389
General and administrative expenses	147,885	197,353
Net Loss	(144,222)	(211,742)
Basic and diluted loss per share	(0.00)	(0.00)
Total Assets	1,254,158	1,689,452
Total Liabilities	54,864	98,099

From the date of GeneTether’s inception to the date of this MD&A, the Company has not earned any revenue and does not expect to generate revenues in the near future.

Excluding non-cash share-based compensation expense, net loss for three months ended March 31, 2024 and March 31, 2023, was \$140,925 and \$247,018 respectively. The decrease of \$106,093 is primarily due to:

- Decrease in research and development expenses by approximately \$83,000 following the Company announcement in February 2023 to scale back development of the GeneTether™ platform technology and explore strategic alternatives that will optimize shareholder value;
- Decrease in general and administrative expenses by approximately \$15,000 primarily consisting of decreases in directors’ and officers’ insurance premiums of \$17,500, investor relations and filings fees of approximately \$21,000, and legal and professional fees by approximately \$2,000 to preserve cash. This is offset by approximately \$26,000 increase in consulting fees related to business development as the Company continues to explore strategic alternatives.
- An increase of approximately \$7,000 in interest earned from our liquid cash accounts.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2024

### Research and Development (“R&D”) Expenses

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Consulting fees	6,000	49,311
Patent and IP	4,673	3,189
Research contracts and laboratory expenses	-	25,078
Laboratory rent and insurance	-	16,000
Share-based compensation	-	(80,115)
Other research and development	539	926
	<b>11,212</b>	<b>14,389</b>

R&D expenses are comprised primarily of consulting fees and patent fees.

Internal costs primarily consist of consulting fees paid to independent consultants in conducting activities for the Company’s R&D programs. External costs include costs associated intellectual property licenses; and other costs associated with our research and development programs, including laboratory materials and supplies.

Excluding share-based compensation recovery of \$80,115 for the three months ended March 31, 2023, R&D expenses decreased by \$83,292. The decrease is primarily a result of overall decreased R&D activity with the Company’s announcement to search for strategic alternatives. The decrease is due to the following:

- decrease of approximately \$43,000 in consulting fees
- decrease of approximately \$25,000 in research contracts and laboratory expenses
- decrease of \$16,000 in laboratory rent and insurance
- offset by a slight increase of approximately \$1,500 in patent and IP expenses

## General and Administrative (“G&A”) Expenses

	Three months ended March 31, 2024	Three months ended March 31, 2023
	\$	\$
Consulting fees	70,312	44,340
Investor relations and filing fees	5,612	27,003
Legal and professional fees	15,422	17,780
Share-based compensation	3,297	37,433
Other general and administrative	53,241	70,797
	<b>147,885</b>	<b>197,353</b>

G&A expenses are comprised primarily of consulting, accounting, corporate legal and professional fees.

Excluding non-cash share-based compensation expense of \$3,297 and \$37,433 for the three months ended March 31, 2024 and March 31, 2023, respectively, G&A expenses decreased by \$15,332 primarily due to the ongoing efforts of the Company to preserve cash, while in search of strategic alternatives:

- decrease of approximately \$17,500 in directors' and officers' insurance
- decrease of approximately \$21,000 in investor relations and filings
- decrease of approximately \$2,500 in legal and professional fees
- offset by an increase in consulting fees of approximately \$25,000 due to reinstatement of the Chairman of the Board's director fees following reduction of the CEO's cash compensation to zero in Q3 2024 and the Chairman's assumption of the ongoing lead role in sourcing and evaluating potential strategic transactions beginning in Q1 2023.

The decrease in G&A share-based compensation of \$34,136 during the three months ended March 31, 2024, compared to March 31, 2023, was due to the graded-vesting nature for share-based compensation expense under IFRS.

## SUMMARY OF QUARTERLY FINANCIAL RESULTS

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2024	2023	2023	2023	2023	2022	2022	2022
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses</b>								
Research and development	11,212	155,912	10,976	14,935	14,389	155,297	134,287	128,806
General and administrative	147,885	183,315	32,233	138,164	197,353	227,523	266,068	327,869
<b>Total operating expenses</b>	<b>159,097</b>	<b>339,227</b>	<b>43,209</b>	<b>153,099</b>	<b>211,742</b>	<b>382,820</b>	<b>400,355</b>	<b>456,675</b>
<b>Net loss</b>	<b>(144,222)</b>	<b>(316,220)</b>	<b>(27,580)</b>	<b>(140,221)</b>	<b>(204,338)</b>	<b>(377,472)</b>	<b>(401,492)</b>	<b>(456,626)</b>
Net loss per share, basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)

Beginning Q1 2023, R&D expenses decreased significantly mainly due the Company decision to scale back development of the GeneTether™ platform technology and explore strategic alternatives that will optimize shareholder value. Excluding approximately \$141,000 of non-cash share-based compensation expense recognized due to the cancellation of unvested stock-options to two consultants of the Company, Q4 2023 R&D expenses were \$13,977.

A significant portion of G&A expenses is comprised of non-cash shared-based compensation expense. Beginning Q3 2022, overall G&A expenses began to decrease due to the Company's disciplined cash preservation approach given the state of the global capital markets, including reduction in Director and Officer fees beginning in Q1 2023. Excluding non-cash share-based compensation expense related to vesting of outstanding stock options and cancellation of the CEO's unvested stock options, Q3 and Q4 2023 G&A expenses were \$88,414 and \$80,761, respectively. Beginning Q1 2024, the Company increased business development consulting and board fees to support the ongoing search for strategic alternatives.

## LIQUIDITY, CAPITAL RESOURCES AND FINANCING

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders by continuing to make investments in our future that are commensurate with the level of operating risk we intend to assume. We determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

The interim condensed consolidated financial statements and this MD&A have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The consolidated financial statements and this MD&A do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

We currently do not earn any revenues and are therefore considered to be in the research and development stage. To the extent any further research and development activities are undertaken, and as required, the Company will continue to finance its operations through the sale of equity and will pursue non-dilutive funding sources that may be available to the Company in the future.

As at March 31, 2024, the Company had cash of \$1,252,662 compared to \$1,363,577 as at December 31, 2023.

Management has forecast that the Company will have sufficient working capital to operate for the ensuing 12 months. While the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that such financing, if obtained, will be on terms acceptable to the Company, to meet future operational needs which may result in the delay, reduction, or discontinuation of ongoing programs.

The following table presents a summary of the Company's cash flows for the three months ended March 31, 2024 and 2023:

	<b>2024</b>	2023
	<b>\$</b>	<b>\$</b>
Net cash provided by (used in):		
Operating activities	(78,666)	(98,501)
Investing activities	-	-
Financing activities	-	-
Effect of foreign exchange on cash	(32,249)	(18,688)
Net increase (decrease) in cash	<b>(110,915)</b>	<b>(117,190)</b>

#### *Cash Flows Used in Operating Activities*

Cash flows used in operating activities for the three months ended March 31, 2024, were \$78,666 compared to \$98,501 for the three months ended March 31, 2023. The Company's uses of cash for operating activities primarily consisted of consulting fees, as well as legal and professional fees, offset by interest income earned on our liquid cash savings accounts.

#### **CONTRACTUAL OBLIGATIONS**

The Company has no material contractual arrangements as at the date of this report.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

#### **RELATED PARTY TRANSACTIONS**

Key management personnel compensation during the three months ended March 31, 2024, and 2023 consisted of the following:

	<b>2024</b>	2023
	<b>\$</b>	<b>\$</b>
Share-based compensation	<b>3,171</b>	43,086
Other (consulting fees, fees paid to related parties)	<b>65,472</b>	56,340
<b>Total</b>	<b>68,643</b>	99,426

Following reduction of the CEO's cash compensation to zero in Q3 2024 and the Chairman of the Board's assumption of the ongoing lead role in sourcing and evaluating potential strategic transactions beginning in Q1 2023, the Board authorized reinstatement of the Chairman's director fees at a rate of \$16,667 per month beginning January 1, 2024. The Chairman's director fees are included in "Other" related party transactions for the three months ended March 31, 2024.



## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are exposed to certain risks as summarized below.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

As at March 31, 2024, the Company does not have any material contractual maturities and the Company's liabilities consist of current accounts payable.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no outstanding debt and is not exposed to interest rate risk.

### Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. The Company is exposed to currency risk from the consulting fees as well as the purchase of goods and services primarily in the United States and cash and cash equivalent balances held in foreign currencies. Fluctuations in the U.S. dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in approximately \$81,000 increase or decrease in loss and comprehensive loss for the period ended March 31, 2024.

The U.S. dollar equivalent of Canadian dollar denominated items are as follows:

	<b>March 31, 2024</b>
	\$
Cash	1,203,964
Accounts payable and accrued liabilities	(30,885)
<b>Total</b>	<b>1,173,079</b>

### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company was not exposed to other price risks as at March 31, 2024.

## **Fair values**

The carrying values of cash, notes payable and trade and other payables approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the interim condensed consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash is measured using Level 1 inputs.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The material accounting policy information of the Company is described in notes 2 and 3 of the annual consolidated financial statements for the year-ended December 31, 2023, available on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca))

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Critical judgments in applying the Company's accounting policies are detailed in the annual consolidated financial statements, filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).

## OUTSTANDING SHARE DATA

As at the date of this report, the Company has the following securities outstanding:

Common shares	38,744,674
Stock options	7,563,902
Warrants	8,144,720

For a detailed summary of the outstanding securities exercisable, or exchangeable for voting or equity securities of GeneTether as at March 31, 2024, refer to notes in the unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2024.

Additional information relating to the Company, including the Company's final prospectus dated March 21, 2022 ("**Final Prospectus**"), is available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## RISKS AND UNCERTAINTIES

An investment in the Common Shares of GeneTether involves a high degree of risk and should be considered speculative. An investment in the Common Shares should only be undertaken by those persons who can afford the total loss of their investment. Investors should carefully consider the risks and uncertainties set forth under the heading "Risk Factors" found in the Final Prospectus, a copy of which is available under the Company's profile on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca), as well as other information described elsewhere in this MD&A. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any such risks occur, our business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our Common Shares could decline. We operate in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of our control.