



**WPD Pharmaceuticals Inc.  
(formerly Westcot Ventures Corp.)**

**Management's Discussion & Analysis**

**For the Six Months Ended June 30, 2020 and 2019**

**(Expressed in Canadian Dollars)**

# WPD Pharmaceuticals Inc.

(Formerly Westcot Ventures Corp.)

Management's Discussion & Analysis

For the Six Months Ended June 30, 2020 and 2019 prepared as at October 13, 2020

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This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial results of WPD Pharmaceuticals Inc. ("WPD" or the "Company") for the six months ended June 30, 2020.

Except for historical information, this MD&A includes forward-looking statements which are subject to risks and uncertainties. See – "*Cautionary Note Regarding Forward-Looking Information*". Actual results may differ materially from those in such forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect results, changes in assumptions or changes in other factors affecting such statements.

The following discussion is Management's assessment and analysis of the results of operations and financial conditions of the Company and should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto for the year ended December 31, 2019 and the Company's unaudited condensed consolidated interim financial statements and related notes thereto for the six months ended June 30, 2020 both of which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## **Lack of meaningful comparability**

On December 20, 2019, the Company underwent a reverse take-over transaction (the "RTO") as set out in Note 4 of the Company's consolidated audited financial statements for the year ended December 31, 2019. The RTO resulted in numerous highly material changes to the Company's business, including changing its name from Westcot Ventures Corp. to WPD Pharmaceuticals Inc. and acquiring all the shares of WPD Pharmaceuticals Sp. z o.o. ("WPD Poland") a privately held biotechnology research and development company.

As a consequence of the RTO, WPD Poland became a wholly owned subsidiary of the Company. The principal activities of WPD Poland are in biotechnology research and development. The expenses and cash flows of WPD Poland for periods prior to December 20, 2019, as set out in the Statements of Loss and Comprehensive Loss, and Statements of Cash Flows, for periods ending in year end 2018 are for WPD Poland on a standalone basis. The statements dated December 31, 2019 essentially represent WPD Poland until the date of the RTO in late December 2019, and for the consolidated entity for the dates from December 20, 2019 onward in respect of the RTO.

Accordingly, management does not believe users of this document are likely to derive much useful information or insight in any analysis of changes from the 2018 period to the 2019 period.

## **Narrative Description of the Business**

WPD is a biotechnology research and development company with a focus on oncology and infectious diseases, namely research and development of medicinal products involving biological compounds and small molecules. It operates its business primarily through WPD Poland, a subsidiary of and the operating branch of the Company.

WPD has 10 novel drug candidates with 4 that are in clinical development stage. These drug candidates were researched at institutions including Mayo Clinic and Emory University. WPD currently has ongoing collaborations with Wake Forest University, MD Anderson Cancer Institute and leading hospitals, scientific institutes and academic centers in Poland. WPD has entered into license agreements with Wake Forest University Health Sciences and sublicense agreements with Moleculin Biotech Inc. ("Moleculin") and CNS Pharmaceuticals, Inc. ("CNS Pharmaceuticals"), respectively, each of which grant WPD an exclusive, royalty-bearing sublicense in certain territories to certain technologies of or licensed to the licensor. Such agreements provide WPD with certain research, development, manufacturing and sales rights, among other things. The sublicense territory from CNS Pharmaceuticals and Moleculin includes 30 and 29 countries, respectively, in Europe, Asia, including Russia.

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The Company's business objective is the pursuit of regulatory approvals to sell medicines to the public. To accomplish this objective, the Company intends to:

- (a) continue drug trials and research;
- (b) scale up its manufacturing process to be ready for GMP manufacturing; and
- (c) partner with an established pharmaceutical company to develop or license out and distribute our products.

The above objective may change at any time depending on market conditions. There is no certainty that the Company's business objective will be achieved on the terms anticipated or at all. See "*Risk Factors*".

To accomplish the foregoing business objectives, the Company will target the following milestones:

- (a) *in vitro* and animal trials; and
- (b) clinical and human trials.

The above milestones may change at any time depending on market conditions and are subject to various risks associated with conducting clinical trials, receiving regulatory approval and acquiring additional funding, as applicable, on terms acceptable to the Company. See – "*Risk Factors*".

### ***Principal Products or Services***

#### **WPD101**

WPD101 is a biologic compound developed by WPD under the Wake Forest License Agreement. It is composed of recombinant proteins conjugated with bacterial toxins preferentially targeting GBM-specific receptors. After internalization of the protein-receptor complex, cancer cells are eliminated due to the bacteria-toxins-induced cytotoxic effects, thereby limiting tumor growth. WPD101 is currently in clinical development in animals and its consistent anticancer properties are demonstrated and validated in dogs. Overall, results of these studies indicate the significant potential of WPD101 demonstrating the same effective treatment of GBM in humans. Phase 1 of clinical trial is expected to begin in 2021.

Using the same molecular target, WPD101 is also planned to be tested in Uveal Melanoma, a rare but deadly cancer of the eye, rapidly progressing to the liver.

#### ***WPD101 Program***

The WPD101 research and development program under agreement with the NCRD of Poland is planned to continue until 2023. Current research is focused on scaling-up manufacturing preparation for production in large scale, leading to production of the compound according to Good Manufacture Practice ("**GMP**") for Phase 1 clinical trial purposes. Phase 1 of clinical trials is planned to begin in 2021.

The grant funds, currently committed together with the portion of expenditures required by the grants to be contributed by WPD from other sources, will enable the completion of the research program, including production of the biologically active compound in a GMP facility with all the necessary quality standards and pre-clinical development using animal models. The development program of the WPD101 will include up-scaling of the active compound production, which is expected to be completed in 2021, as well as Phase 1 clinical trials, which is expected to be completed during 2022-2023.

#### **Berubicin**

Berubicin is a new anthracycline proposed for the treatment of glioblastoma multiforme (GBM), an aggressive and incurable form of brain cancer. CNS holds a worldwide exclusive license to the Berubicin chemical compound and has acquired all data and know-how from Reata Pharmaceuticals, Inc. related to a completed Phase 1 clinical trial with Berubicin in malignant brain tumors, which Reata conducted in 2006. In this trial, 44% of patients experienced a statistically significant improvement in clinical benefit. This 44% disease control rate was based on 11 patients (out of 25 evaluable patients) with stable disease, plus responders. One patient experienced a durable complete

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response and remains cancer-free as of February 20, 2020. These Phase 1 results represent a limited patient sample size and, while promising, are not a guarantee that similar results will be achieved in subsequent trials. Phase 2 of the clinical trial is expected to begin at the end of 2020 or beginning of 2021. WPD also plans to continue development of Berubicin in the pediatric population (first-in-children Phase 1 clinical trial).

A clinical trial for adults and a Phase 1 clinical trial for children is planned for Berubicin. In Phase 2 trials, WPD plans to evaluate the candidate drug's effectiveness in about 50 adult patients with GBM, and examine the possible short-term side effects (adverse events) and risks associated with the drug. WPD will verify whether the drug acts in accordance with the expected molecular mechanism, and whether the drug improves the GBM condition. Researchers will analyze optimal dose strength and schedules for using the drug. If the results of the Phase 2 trial are positive, the drug will move on to Phase 3 trials. All Phase 2 clinical trials must be reviewed and approved by an independent ethics committee and either the EMA or the local country's authorized medical agency. Successful completion of Phase 2 allows for commencement of Phase 3. At the Phase 3 stage, there may be additional interest from third parties to sub-license some of the technology developed.

After Phase 3 clinical trials prove successful, the company can apply to the EMA for marketing authorization, which means the company can sell the product to the medical industry. However, it is most common and likely that the company will partner with an established pharmaceutical company to carry out the sale and distribution of the product.

WPD plans to apply if possible with an established pharmaceutical company to the EMA to dispense with the requirements of Phase 3 clinical trials and apply directly to market to the medical industry after Phase 2 clinical trials because of the large unmet medical needs of certain oncology patients, especially glioblastoma.

### *Berubicin Program*

The grant funds, currently committed together with the portion of expenditures required by the grants to be contributed by WPD from other sources, will enable the completion of the Berubicin research program, including production of the biologically active compound in a GMP facility. The Berubicin research program will include the following breakdown of anticipated costs:

- (i) direct costs, including all necessary salaries to employees, necessary reagents, chemicals, analytes, many disposable and reusable materials, research and analytical equipment;
- (ii) costs of rental of specialist research equipment and infrastructure for conducting pre-clinical research (*in vitro* studies); and
- (iii) external service, including active compound manufacturing according to GMP and contract research services.

The Berubicin development program is focused on clinical studies performance. It will include the following breakdown of anticipated costs:

- (i) direct costs including all necessary salaries to employees and costs of contracts with clinical sites and materials and equipment necessary for clinical trial performance; and
- (ii) vendors, including investigational product manufacturing in dedicated GMP facility and cost of drug release for clinical trial, according to standards and regulations, Contract Research Organization (“CRO”) service with clinical trial monitoring, pharmacovigilance and biostatistics and analysis of pharmacokinetics.

The Berubicin research program includes pre-clinical tests to determine the prospective use of this molecule with other anticancer compounds. Research includes *in vitro* and *in vivo* studies.

### **Annamycin**

Annamycin is a next generation anthracycline that is licensed to WPD from Moleculin and is being developed with an initial focus on acute myeloid leukemia (“AML”). A common problem with leading AML induction therapy drugs is their cardiotoxicity and multidrug resistance induction.

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The term cardiotoxic refers to drugs that can cause severe, permanent and sometimes fatal damage to the heart. Multidrug Resistance (“MDR”) refers to mechanisms by which many cancers develop resistance to chemotherapy drugs and is a major factor in the failure of many forms of chemotherapy. MDR mechanisms affects a variety of blood cancers and solid tumors, including breast, ovarian, lung, and lower gastrointestinal tract cancers. Tumors usually consist of mixed populations of malignant cells, some of which are drug-sensitive while others are drug-resistant. Chemotherapy eliminates drug-sensitive cells but leaves behind a higher proportion of drug-resistant cells. As the tumor begins to grow again, chemotherapy may fail because the remaining tumor cells are now able to recognize the chemotherapy and actively expel drugs out of the cells, thus rendering the tumor resistant to the therapy. As MDR begins to counteract chemotherapy drugs, it can require higher doses to eliminate tumor cells, yet the unwanted side effects of the drugs, like cardiotoxicity, ultimately prevent increases in dosing.

Annamycin has little to no cardiotoxicity, avoids multidrug resistance, has been shown to be more potent in AML cell lines. Moreover, Annamycin has shown activity in patients who failed standard of care. Its unique design prevents it from being recognized by the MDR mechanisms that typically defeat the currently approved anthracyclines, allowing it a better opportunity to accumulate to therapeutic levels without dangerous increases in dosing.

The first line treatment of cancerous AML cells is called “7+3 induction therapy,” a 50+ year old treatment that we estimate is effective for only about 20% of the AML population patients. In order to achieve remission and become eligible for a curative bone marrow transplant, the patient must post very positive results from the first-line (induction phase) therapy, which requires destruction of 95% of the leukemia cells. On average, around 80% of all AML patients will fail to respond to or will relapse from this induction therapy. Annamycin is seeking approval as a second line treatment for these 80% of patients.

In a proof-of-concept Phase I/II clinical trial, Annamycin was given to patients who had failed an average of five previous induction therapy attempts and 37% of those patients cleared enough of their leukemic cells to qualify for a bone marrow transplant. WPD's goal is to repeat this performance in a larger clinical trial, which management believes could warrant new drug approval.

### *Development*

WPD's licensor, Moleculin, is conducting Phase I/II clinical trials, both in the U.S. and EU. Both the U.S. trial (MB-104) and the EU trial (MC-105) have begun treating patients. The Phase I portion of the U.S. trial for Annamycin has been completed. The Company has indicated to the FDA that it will close out the U.S. trial and shift focus to the Poland trial to complete establishment of the RP2D or maximum tolerated dose (“MTD”). Management believes a repeat of prior results should afford Annamycin an accelerated approval pathway as a second line induction therapy for relapsed or refractory AML (R/RAML).

### **WPD1066**

WP1066, licensed to WPD from Moleculin, represents a new class of drugs, which are called “Immune/Transcription Modulators.” It is currently being developed to treat glioblastoma and melanoma brain metastases.

WP1066 has a dual mechanism of action as a first-in-class drug to both directly inhibit tumor signaling (p-STAT3, HIF-1 $\alpha$ , c-Myc) while also stimulating patient immune response (Tregs). In other words, WP1066 has demonstrated the ability to directly induce apoptosis (tumor cell death) but also the ability to stimulate an immune response to tumors allowing T-cells to attack tumor cells. Another important characteristic of WP1066 is its ability to cross the blood-brain barrier, which could make it a good candidate for potentially treating brain tumors and other malignancies of the central nervous system (CNS), including CNS metastasis.

WP1066 affects tumors both directly and indirectly by modulating transcription factors resulting in direct tumor cytotoxicity while also stimulating a natural immune response by reducing Regulatory T-cells (Tregs).

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Unique dual action (direct cytotoxic effect on tumor cells and separately boosting the natural immune system to attack tumors) make WP1066 and its analogs well suited candidates to treat effectively a wide range of tumors and to serve as a critical element in creating effective drug combination therapies, for example with products based on Wake Forest license, for targeting some of the most unresponsive cancers.

### *Development*

WP1066 is currently being studied via an investigator-initiated IND with MD Anderson Cancer Center in a dose escalation Phase I clinical trial in patients with brain tumor or melanoma metastasis to the brain. It is presently in the third cohort of dose escalation evaluating safety and activity with planned surgical expansion to be able to assess tumor tissue directly after administration of WP1066 at the "MTD" for direct confirmation of target inhibition. Additionally, oral administration (due to lack of solubility) is demonstrating bioavailability in patients.

Recruiting has begun and the first patient has been enrolled in the Emory University Phase I clinical trial of WP1066 for the treatment of brain tumors in children. The study is being conducted at the Aflac Cancer and Blood Disorders Center of Children's Healthcare of Atlanta.

Apart from brain tumors, AML is often associated with a high up regulation of p-STAT3. Because WP1066 is a potent inhibitor of p-STAT3 a subsequent initiation of clinical studies in AML patients is planned in 2019-20.

### *Operations*

WPD occupies approximately 100 square meters of laboratory and office space in Warsaw, Poland and Wrocław, Poland, and also has access to shared labs at both the University of Warsaw Biological and Chemical Research Centre and Wrocław Technology Park. WPD has 19 employees, 10 of whom are involved in research and 9 of whom are involved in other aspect of operations, including quality, project management, medical documentation, grant writing and administration.

WPD is party to a lease agreement with Wrocław Technology Park (WPT) dated March 12, 2018 for laboratory infrastructure (the "**WPT Lease Agreement**"). Pursuant to the WPT Lease Agreement, WPD has leased a laboratory room for \$41,304 per year (underlying currency of the contract is PLN), plus operating costs, which will be co-financed by WPD's grants for a term of two years.

WPD is conducting research and development using its own resources including researchers, laboratory technicians, pre-clinical and clinical trials managers. It also subcontracts out research and development. This part includes such activities as pre-clinical trials performance on animal models that needs special infrastructure, CRO services, in laboratory pharmacokinetics analysis that meets the standards of Good Laboratory Practice ("**GLP**"), manufacturing of active pharmaceutical ingredients ("**API**") and investigational products dedicated for clinical trials, that need to be produced according to GMP standards and quality control defined by national and European regulations.

Development of WPD101 includes production of the active compound in laboratory/small scale and development of methods for quality control. Subcontracting includes manufacturing of the API and IP for the purpose of clinical trials by the specified manufacturer, that meets the standards of GMP.

Development of Beribicin includes testing of the active compound by WPD in laboratory/small scale. Subcontracting includes manufacturing of the API and IP for the purpose of clinical trial by specified manufacturers that meets the standards of GMP.

WPD's operations in Poland are conducted in Polish, but much of WPD's business is done with or in other countries, in which case English becomes the primary language used. Transactions in Poland use the Polish Zloty, but WPD uses the Euro or the United States dollar for most of its most important transactions, including licenses, collaborations, sublicenses, research grant applications, marketing and most other functions. WPD's licensors include Moleculin and CNS Pharma, which are both NASDAQ-listed US companies, and WFUHS, a major U.S.

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university. Such licensors work with WPD and conduct precise scientific research to ensure that drug candidates are developed to a standard that would be acceptable to the US Food and Drug Administration and the European EMA. WPD's clinical trial standards are comparable to those of large, global drug production companies.

## **Summary**

The final products that may come from WPD's research and development are years away from commercialization. It is likely that WPD will partner with large pharmaceutical companies to develop and sell its products worldwide should these products prove to be successful. In the meantime, WPD is raising awareness of compounds and its brand in both the oncology and pharmaceutical industries and is working on possible partnerships with established pharmaceutical companies.

WPD is developing products for the global market but, it is worth considering that according to EU Commission data for Poland, where WPD's research base is located, Poland is one of the top five countries in Europe in terms of highest incidence and mortality rates of brain and CNS cancer (source: <https://ecis.jrc.ec.europa.eu>). Poland is also one of main hubs for clinical research in the Central European region and Europe and regulations for clinical trials are harmonized on the EU level.

## **Operational Update**

On January 8, 2020 Wake Forest received confirmation that the European national phase validation has been completed for the patent on Antibodies against human and canine IL-13ra2 (European Patent No. 2970492). In addition, Wake Forest was granted a European patent for EphA3 and Multi-Valent Targeting of Tumors (European Patent No. 3068797). On February 6, 2020, Wake Forest received a notice of allowance from the United States Patent and Trademark Office ("USPTO") patent for antibodies against human and canine il-13ra2 (under application number 15/835,566).

In August 2019, WPD acquired exclusive sublicenses for two drug candidates from Moleculin. The territory covered by the patents includes 29 countries in Europe and Asia, including Russia. The licensed drug candidates, WP1122 and WP1732 were developed at a leading comprehensive cancer center located in Houston, TX. Both drug candidates are considered promising potential therapies for treating highly resistant tumors, including pancreatic cancer. WP1732 appears capable of a disproportionately high accumulation in the pancreas, making it a promising candidate for treating pancreatic cancer. WP1122 is capable of inhibiting glycolysis, a main process by which cancer cells utilize glucose into adenosine triphosphate, an organic compound and hydrotrope that provides energy to living cells, facilitating growth of the cancer cell,. In particular, pancreatic cancer and GBM are known to be highly glycolytic tumors.

In February 2020, through CNS, Berubicin received positive feedback from the U.S. Food and Drug Administration ("FDA") for its Pre-IND (Investigational New Drug) meeting proposal to use Berubicin in Phase 2 clinical trials. In collaboration with CNS, WPD will be initiating the Phase 2 clinical trial in the second half of this year. Concurrently, WPD is planning the upcoming Phase I clinical trial at Children's Memorial Health Institute, the largest pediatric hospital in Poland. The Company believes this Phase I trial of Berubicin at Children's Memorial represents the first ever investigation of an anthracycline and topoisomerase II inhibitor in pediatric brain tumors. On April 24, 2020, WPD licensed partner, CNS filed an application with the U.S. FDA under the Orphan Drug Act to receive Orphan Drug Designation for Berubicin.

On April 30, 2020, WPD in collaboration with CNS, has identified several leading medical institutions in Poland to conduct its Berubicin Phase 2 clinical trial in adults with glioblastoma multiforme ("GBM"), an aggressive and incurable form of brain cancer. The US Phase 2 trial Sponsor will be CNS and the Polish Phase 2 trial Sponsor will be WPD, a Polish corporation founded by Professor Waldemar Priebe, founder of both WPD and CNS. The Company expects to initiate both its Phase 2 US and Polish trial of Berubicin in adults with GBM during the second half of 2020.

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WPD101 is currently in preclinical development and its consistent anticancer properties are demonstrated and validated in dogs with spontaneous GBM closely resembling human GBM. Overall, results of these studies indicate the significant potential of WPD101 for human GBM therapy. Phase I clinical trials are expected to begin in the next 12 months.

On April 23, 2020, WPD's license partner, Moleculin, completed an open label, single arm US Phase 1 trial on its Annamycin drug candidate. The Phase 1 trial met its objective of demonstrating the safety of Annamycin. Annamycin is intended for use in treating relapsed or refractory acute myeloid leukemia ("AML"). WPD has licensed rights to a portfolio of drug candidates, including Annamycin, from Moleculin.

The US Phase 1 trial shows the safety of Annamycin in a phase I trial setting when delivered to patients at or below the lifetime maximum anthracycline dose established by the FDA. The primary safety signal was the absence of cardiotoxicity (potential damage to the heart), a serious and often treatment-limiting issue prevalent with currently approved anthracyclines. This was determined by echocardiograms, as well as cardiac health biomarkers, principally blood troponin levels, which are considered an indicator of potential long-term heart damage. The data showed no cardiotoxicity in any of the 6 patients evaluated in the US Phase 1 trial. Additionally, there were no unexpected serious adverse events and no dose limiting toxicities at any dose tested.

Although the primary objective of the Phase 1 trial was to evaluate safety, the study also gathered data to support a preliminary assessment of the product's potential efficacy. Among other things, the study recorded complete response (CR), partial response (PR), event-free survival, overall survival (Kaplan-Meier), and time to and duration of remission/response. Based on these criteria, possible efficacy was seen in 2 of the US patients, even though the drug was dosed at what was expected to be sub-therapeutic levels. The evidence of efficacy consisted of 1 patient who achieved a "morphologically leukemia-free state," which the protocol defined as a CR with incomplete recovery of platelets or neutrophils (CRi), and another patient who had a substantial remission of leukemia cutis (a somewhat rare leukemia symptom), from diffuse to 3 small lesions.

On April 29, 2020, the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products (the "URPL"), authorized Moleculin to accelerate the Phase 1 dose escalation portion of its clinical trial of Annamycin for the treatment of AML. The URPL has allowed an amendment to the Annamycin clinical trial protocol, which among other things, includes an increase in the dose escalation increment between cohorts from 30 mg/m<sup>2</sup> to 60 mg/m<sup>2</sup>. The clinical trial is currently recruiting suitable patients for the 240 mg/m<sup>2</sup> cohort, so this amendment allows the next cohort to increase to 300 mg/m<sup>2</sup>, assuming all requirements for safety are met with the 240 mg/m<sup>2</sup> cohort.

On May 21, 2020, Wake Forest received a patent from the United States Patent and Trademark Office ("USPTO") for a patent titled "EphA3 and Multi-Valent Targeting of Tumors" (under application number 15/958,608). The patent is exclusively licensed to WPD, and the patent relates to the WPD101 drug candidate, used in the therapy of GBM.

On June 26, 2020, WPD took part in a non-clinical Scientific Advice meeting with MHRA (Medicines & Healthcare products Regulatory Agency) in the United Kingdom presenting the results of the research and development work from its in-house production, preliminary preclinical results on mice and the further WPD101a development plan.

On July 23, 2020, WPD received a scientific advice letter from MHRA in response to the meeting. The agency confirmed the Company's preclinical development plan.

On August 17, 2020, WPD announced that it has entered into a collaborative agreement with Dermin Sp. z o.o., a Polish biotech research company. WPD previously held the rights to the compound WP1122 under sublicense in 29 countries mostly in Europe and Asia, and under the collaborative agreement has now added Poland, except for the WP1122 rights to treat gliomas in Poland. Under the collaborative agreement, WPD is not required to pay Dermin or grant a royalty for the rights transferred, but is required to provide Dermin with all its research data, if any, which Dermin may use for the further development of WP1122 in GBM.



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Two rounds of independent studies have confirmed the antiviral activity of WP1122 against Covid-19 (see 2 separate WPD news releases dated April 9, 2020 and a WPD news release dated July 22, 2020). In addition, Dermin is also transferring to WPD its current research supply of the compound WP1122, which WPD considers may be sufficient for 3 to 6 months' worth of non-GMP testing once testing begins, expected in Q4 2020.

WPD has not conducted its own independent confirmation testing of WP1122 and is relying solely on the information of other parties in providing information on WP1122 to WPD's shareholders. WPD is not making any express or implied claims that WP1122 has the ability to eliminate, cure or contain the Covid-19 (or SARS-2 Coronavirus) at this time. WPD does not have a bio-safety level 3 (SBL-3) laboratory, needed to conduct research on viruses. It outsources its research and development to contract research organizations which have the required level of safety protocols and equipment.

On September 9, 2020 WPD announced that it has engaged world-renowned Contract Research Organization ("CRO"), Worldwide Clinical Trials ("WCT") to coordinate and supervise startup of Phase 1 and 2 clinical trials on its Berubicin drug candidate.

WCT is a global CRO providing full-service drug development services to the pharmaceutical and biotechnology industries from Early Phase and Bioanalytical Sciences through Phase II and III trials to peri-approval studies. WCT offers clients expertise in neuroscience, cardiovascular, inflammation, rare disease, oncology and other therapeutic areas. They manage clinical trials across nearly 60 countries in North America, Latin America, Europe, Asia Pacific and Middle East.

WCT will provide research services, implementation of start-up activities, organization and development for clinical trials being conducted by WPD in adult and pediatric populations with Glioblastoma, according to international standards of good clinical practice (ICH GCP) and other applicable regulatory requirements. These requirements include safety management, pharmacovigilance and data management. WCT will also support WPD's application for orphan drug designation, which if successful, has filing fee savings and other benefits. 60% of the program budget will be refunded by a grant already awarded to WPD by The National Center for Research and Development based in Poland under the European Union's Smart Growth Operational Program.

On September 16, 2020, WPD announced that it has received a prepayment of approximately \$705,000 (2,000,000 PLN) and approval for reimbursement of approximately \$175,000 (500,000 PLN) from the Polish National Center for Research and Development ("NCRD") granted by the European Union, under the Smart Growth Operational Program 2014-2020, for the further development of WPD101, the Company's drug candidate targeting glioblastoma ("GBM") which includes Phase I clinical studies.

On October 05, 2020, WPD announced that it has received another prepayment of approximately \$705,000 (2,000,000 PLN) and is waiting for approval of reimbursement from the Polish National Center for Research and Development ("NCRD") for the further development of Berubicin, the Company's drug candidate targeting glioblastoma ("GBM") which includes two clinical studies, planned to be implemented under the project: "New approach to glioblastoma treatment addressing the critical unmet medical need", granted by the European Union, under the Smart Growth Operational Program 2014-2020. The NCRD has approved WPD's application of the prepayment from the total approximately C\$7.4 million (22,000,000 PLN) grant for WPD's development of Berubicin.

The Company also announced that it has received from the Polish Government's Covid-19 assistance program \$106,626 (PLN 307,800). The funds are provided to help fight the effects of Covid-19 on employment and business activities, and is partially a grant and partially a loan, depending on what level of activity and employment the Company maintains over the next 12 months. The funds are being paid to the Company's wholly owned Polish subsidiary, WPD Pharmaceuticals Sp. z o.o.

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## Summary of Quarterly Information

Below is selected financial information from continuing operations for the most recent eight quarters. The quarterly results presented in the table below were prepared in accordance with IFRS.

Quarter ended	Comprehensive Loss \$	Loss per share \$
June 30, 2020	2,256,844	0.02
March 31, 2020	2,235,671	0.02
December 31, 2019	10,436,882	3.40
September 30, 2019	792,547	8,067
June 30, 2019	216,496	2,165
March 31, 2019	135,584	1,455
December 31, 2018	327,979	3,279
September 30, 2018	491,678	4,899

## Results of Operations

### **Lack of meaningful comparability**

On December 20, 2019, the Company underwent a reverse take-over transaction (the "RTO") as set out in Note 4 of the Company's consolidated audited financial statements for the year ended December 31, 2019. Accordingly, Management does not believe users of this document are likely to derive much useful information or insight in any analysis of changes from the 2018 period to the 2019 period. See – "*Lack of meaningful comparability*" above. As a result, the Company has not included analysis on results of operations for the three and six months ended June 30, 2019.

### **Three months ended June 30, 2020**

During the three months ended June 30, 2020, the Company reported a comprehensive loss of \$2,256,844 which was primarily attributable to marketing and advertising expense, salaries and share-based payments expense.

For the three months ended June 30, 2020, the Company incurred marketing and advertising expense of \$265,813 which was mainly due to expenses related to increasing the Company's profile on social media and investor forums.

For the three months ended June 30, 2020, the Company incurred salaries expense of \$190,587 which was mainly due to an increase in staff due to increased research and development activities.

For the three months ended June 30, 2020, the Company incurred share-based payments expense of \$1,627,420 which is related to the vesting of options granted in 2020.

### **Six months ended June 30, 2020**

During the six months ended June 30, 2020, the Company reported a comprehensive loss of \$4,492,515 which was primarily attributable to consultant expense, lab fees, services and supplies, marketing and advertising expense, professional fees, salaries and share-based payments expense.

For the six months ended June 30, 2020, the Company incurred consultant expense of \$591,625 which was mainly due to costs related to going public.

For the six months ended June 30, 2020, the Company incurred lab fees, services and supplies expense of \$174,076 which was mainly due to increased research and development activities.

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For the six months ended June 30, 2020, the Company incurred marketing and advertising expense of \$320,645 which was mainly due to expenses related to increasing the Company's profile on social media and investor forums.

For the six months ended June 30, 2020, the Company incurred professional fees of \$131,334 which was mainly due to legal fees and corporate services associated with public companies.

For the six months ended June 30, 2020, the Company incurred salaries expense of \$332,387 which was mainly due to an increase in staff due to increased research and development activities.

For the six months ended June 30, 2020, the Company incurred share-based payments expense of \$3,140,508 which is related to the vesting of options granted in 2020.

### Liquidity and Capital Resources

The Company has financed its operations to date through the issuance of common shares and debt. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at June 30, 2020, the Company had working capital of \$1,659,638 (December 31, 2019 – \$2,319,360) inclusive of cash of \$1,990,401 (December 31, 2019 – \$2,951,338).

Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

### Summary of Outstanding Share Data

As at June 30, 2020 and the date of this report, the Company had 113,438,244 common shares issued and outstanding as well as 7,975,000 stock options outstanding with an exercise price ranging from \$0.86 to \$1.23 and 2,357,142 warrants outstanding.

### Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Key management compensation for the six months ended June 30, 2020 and 2019 was as follows:

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	For the six months ended	
	June 30, 2020	June 30, 2019
Management fees (CEO – Mariusz Olejniczak)	\$ 56,176	\$ -
Management fees (Director – Liam Corcoran)	27,000	-
Consulting fees (CFO – Christopher Cherry - paid to Cherry Consulting Ltd.)	21,000	-
Director fees (Teresa Rzepczyk)	9,000	-
Share-based payments	2,406,400	-
	<hr/>	<hr/>
	\$ 2,519,576	\$ -

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### Accounting Policies

The preparation of this MD&A is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2019. For

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further information, see note 3 of the Company's audited annual consolidated financial statements for the year ended December 31, 2019.

## **Financial Instruments and Other Instruments**

### **Fair Value of Financial Instruments**

The Company's financial instruments consist of cash, receivables and accounts payables. The carrying values of cash, receivables and accounts payable approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

### **Financial Instruments Risk**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

#### **(i) Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

#### **(ii) 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 objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

#### **(iii) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans payable and debentures is based on a fixed rate, and as such, the Company is not exposed to significant interest rate risk.

#### **(iv) Tax Risk**

The Company is subject to various taxes including, but not limited to the following: income tax; goods and services tax; sales tax; land transfer tax; and payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

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## **(v) Foreign Exchange Risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to currency risk.

## **Capital Management**

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is subject to externally imposed capital requirements.

## **Additional Information**

Additional information relating to WPD Pharmaceuticals Inc. can be accessed under the Company's public filings found at [www.sedar.com](http://www.sedar.com).

## **Risk Factors - General**

### **COVID-19 Risk**

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID- 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods

### **Limited Operating History**

WPD was incorporated in August of 2017 and has yet to generate any material amount of revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

### **Liquidity and Future Financing Risk**

The Company will likely operate at a loss until its business becomes established and it will require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations and expansion plans will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing. Moreover, future activities may require the Company to alter its capitalization significantly and, if additional financing is raised by issuance of additional shares of the Company from treasury, control may

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change and shareholders will suffer dilution. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition and results of operations.

### **Risk Factors - Related to the Company's Business and Operations**

We are developing our drugs to treat patients who are extremely or terminally ill, and patient deaths that occur in our clinical trials could negatively impact our business even if such deaths are not shown to be related to our drugs.

We will require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if not so available, may require us to delay, limit, reduce or cease our operations.

We have recently commenced drug development, have a limited operating history and we expect a number of factors to cause our operating results to fluctuate on an annual basis, which may make it difficult to predict our future performance.

We have never been profitable, we have no products approved for commercial sale, and to date we have not generated any revenue from product sales. As a result, our ability to reduce our losses and reach profitability is unproven, and we may never achieve or sustain profitability.

There are limited suppliers for active pharmaceutical ingredients ("API") used in our drug candidates. Problems with the third parties that manufacture the API used in our drug candidates may delay our clinical trials or subject us to liability.

We cannot be certain that any of our drug candidates will receive regulatory approval, and without regulatory approval we will not be able to market our drugs.

Delays in the commencement, enrolment and completion of clinical trials could result in increased costs to us and delay or limit our ability to obtain regulatory approval for any of our product candidates.

Any product candidate we advance through clinical trials may not have favourable results in later clinical trials or receive regulatory approval.

Our product candidates may have undesirable side effects that may delay or prevent marketing approval, or, if approval is received, require them to be taken off the market, require them to include safety warnings or otherwise limit their sales.

If regulatory authorities do not find the manufacturing facilities of our future contract manufacturers acceptable for commercial production, we may not be able to commercialize any of our product candidates.

We have no sales, marketing or distribution experience and we will have to invest significant resources to develop those capabilities or enter into acceptable third-party sales and marketing arrangements.

We may not be successful in establishing and maintaining development and commercialization collaborations, which could adversely affect our ability to develop certain of our product candidates and our financial condition and operating results.

We face competition from other biotechnology and pharmaceutical companies and our operating results will suffer if we fail to compete effectively.

The intellectual property rights we have licensed from other organizations are subject to the rights of others.

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We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.

If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.

We will need to expand our operations and increase the size of our company, and we may experience difficulties in managing growth.

We may not be able to manage our business effectively if we are unable to attract and retain key personnel and consultants.

We do not expect that our insurance policies will cover all of our business exposures thus leaving us exposed to significant uninsured liabilities.

We may incur penalties if we fail to comply with healthcare regulations.

We may not be able to recover from any catastrophic event affecting our suppliers.

We may be materially adversely affected in the event of cyber-based attacks, network security breaches, service interruptions, or data corruption.

Our Quality Control Systems may not prevent products of poor quality from being sold by us, exposing us to liability for harm or damages caused.

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

The Company is subject to various taxes including, but not limited to the following: income tax; goods and services tax; sales tax; land transfer tax; and payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged.

### **Internal Controls**

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company Shares. Management of the Company will ensure the accounting cycle, payroll administration, operational activities, and financial reporting controls to assess internal control risks and to ensure proper internal control is in place. One of the deficiencies in internal control is the lack of segregation of accounting duties due to the limited size of WPD. However, the threat of this deficiency is considered immaterial as management has taken effective measures to mitigate this weakness. The CEO will continue to reside in Poland and the CFO will reside in Canada, helping to ensure no collusion and making the CFO personally subject to Canadian regulation.

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The potential risk that flows from the identified deficiencies and weaknesses is the risk of potential fraud. However, the risk of fraud is considered low as management has taken measures as stated above to mitigate the potential risk of fraud. Management anticipates taking the following measures to mitigate this weakness: (i) all purchase and payment, including payroll, must be authorized by management; (ii) all capital expenditures must be preapproved by the Board; (iii) all source documents in Polish or any other language other than English must be translated and scanned for accounting entries and recordkeeping purposes; (iv) and almost all of the Company's cash will be deposited with a Canadian bank in Vancouver, Canada. Bank statements of WPD will be reviewed by the CFO of the Company regularly.

Management will continue to monitor the operations of WPD, evaluate the internal controls, and develop measures in the future to mitigate any potential risks and weaknesses.

### **Conflicts of Interest**

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including other pharmaceutical or biotechnological companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCBCA provides that in the event that a director or senior officer has a material interest in a contract or proposed contract or agreement that is material to an issuer, the director or senior officer must disclose his interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

### **Forward Looking Statements**

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" or "forward-looking information" (collectively referred to hereafter as "**forward looking statements**") about the Company.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, the Company's proposed business objectives and plans relating to biotechnology research and development of medicinal products involving biological compounds and small molecules. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of the Company and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. See "*Risk Factors*".