



**PASCAL BIOSCIENCES INC.**

Suite 304, 4000 Mason Road, Seattle WA 98195

**Form 51-102F1**

**Management's Discussion & Analysis of Financial Condition and Results of Operations for the Three Months Ended  
February 28, 2023**

**Date: April 27, 2023**

**Management's Discussion and Analysis**

The following management's discussion and analysis (MD&A) of the financial information of Pascal Biosciences Inc. (the "Company") and results of operations should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended February 28, 2023 and the audited consolidated financial statements for the year ended November 30, 2022. These documents are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include the operating results of the Company.

This MD&A was reviewed by the Audit Committee and subsequently approved and authorized for issue by the Board of Directors on April 27, 2023. The information contained within this MD&A is current to April 27, 2023.

The Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian Dollars unless noted otherwise.

**Forward-Looking Statements**

This MD&A contains forward-looking statements within the meaning of applicable securities laws. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "believe," "expect," "plan," "may," "will," "could," "leading," "intend," estimate," or words of a similar nature are generally intended to identify forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's:

- expected future loss and accumulated deficit levels;
- projected financial position and estimated cash burn rate;
- expectations about the timing of achieving milestones and the cost of development programs;
- requirements for, and the ability to obtain future funding on favourable terms or at all;
- projections for the development of our core technologies, particularly with respect to the timely and successful completion of trials and availability of results from such studies and efficacy;
- expectations about its product's safety and efficacy;
- expectations regarding the progress and the successful and timely completion of the various stages of regulatory processes;
- ability to secure strategic partnerships with larger pharmaceutical and biotechnology companies;
- expectations regarding the acceptance of our products and technologies by the market;

- ability to retain and access appropriate staff, management and expert advisors; and
- expectations with respect to existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by the Company or to the Company in respect of such arrangements.

All forward-looking statements reflect the Company's beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on management's expectations regarding future activities, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities.

By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, known and unknown, that contribute to the possibility that the predictions, forecasts, projections or other forward-looking statements will not occur. In evaluating forward-looking statements, readers should specifically consider various factors, including the risks outlined under the heading "Risk Factors" in this MD&A. Some of these risks and assumptions include, among others:

- substantial fluctuation of losses from quarter to quarter and year to year due to numerous external risk factors, and anticipation that the Company will continue to incur significant losses in the future;
- uncertainty as to the Company's ability to raise additional funding to support operations;
- the Company's ability to generate product revenue to maintain our operations without additional funding;
- the risks associated with the development of the Company's product candidates which are at early stages of development;
- reliance on third parties to plan, conduct and monitor our pre-clinical studies and clinical trials;
- the Company's product candidates may fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or may not otherwise produce positive results;
- risks related to filing Investigational New Drug applications (INDs), to commence clinical trials and to continue clinical trials if approved;
- the risks of delays and inability to complete clinical trials due to difficulties involved in enrolling patients;
- competition from other biotechnology and pharmaceutical companies;
- the Company's reliance on the capabilities and experience of its key executives and scientists and the resulting loss of any of these individuals;
- the Company's ability to adequately protect trade secrets;
- the Company's ability to source and maintain licenses from third-party owners; and
- the risk of patent-related litigation.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements. Any forward-looking statements represent estimates only as of the date of this MD&A and should not be relied upon as representing estimates as of any subsequent date. The Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by securities legislation.

## Overview

The Company was incorporated on January 28, 2011 pursuant to the *Business Corporations Act* (British Columbia). On May 24, 2013, the Company acquired all the issued and outstanding shares of bioMmune Advanced Technologies Inc. (“BAT”), a private company (incorporated on July 5, 2012) formed to commercially exploit a number of patents and patent applications that surround three technologies. On March 27, 2017, the Company incorporated a wholly owned subsidiary in Seattle, Washington, named Pascal Biosciences US, Inc. (“Pascal (US)”). The Company is a Tier 2 Biotechnology Issuer targeting therapies for serious diseases. Pascal has been developing treatments for cancer with targeted therapies for glioblastoma and acute lymphoblastic leukaemia. In addition, the Company has been developing cannabinoid-based therapeutics for application to control cancer and COVID-19. The Company trades on the TSXV Exchange under the trading symbol “PAS”. Subsequent to the quarter ended February 28, 2023, the Company plans to de-list from the Exchange and list on the Canadian Securities Exchange (“CSE”) upon receiving approval.

Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## Overall Performance

### Research and Development

In March 2017, Pascal Biosciences (US), Inc. began operating a research and development lab in Seattle, Washington. The Company currently has one full-time employee: the interim CEO and the Chairman of the Board of Directors.

To contribute to research efforts during the coronavirus pandemic, Pascal scientists searched for compounds, including cannabinoids, that have activity against SARS-CoV-2 in cell-based assays.

On July 14, 2020, the Company announced that it has discovered certain cannabinoids that block replication of SARS-CoV-2, the coronavirus that causes COVID-19. The best cannabinoid tested had potency similar to that of remdesivir, an approved drug from Gilead that decreases recovery time for COVID-19 patients.

On September 14, 2020, the Company and SōRSE Technology Corporation (“SōRSE”) announced that they entered into a Collaborative Research Agreement (the “Agreement”) to advance Pascal’s PAS-393, an immune-stimulating cannabinoid for cancer treatment, into clinical testing. Under the Agreement, Pascal and SōRSE shared their respective technologies to optimize both the cannabinoid and its formulation, aiming ultimately to test PAS-393 in cancer patients treated with checkpoint inhibitors. This partnership leveraged SōRSE’s industry-leading formulation technology with Pascal’s proprietary cannabinoid molecule for testing in clinical trials. The Agreement was anchored by Pascal’s intellectual property which covers the use of cannabinoids in cancer patients treated with checkpoint inhibitors. SōRSE provided US \$650,000 in research funding to Pascal throughout the 15-month collaboration and paid for related research expenditures, which was applied against salaries. The relative success of this agreement caused the Company to consider an increased focus on collaborative and contract research to offset the cost of internal programs.

On September 22, 2020, the Company confirmed that certain cannabinoids block SARS-CoV-2 replication in two different assays and subsequently demonstrated the effect in two additional *in vitro* models of infection. Pascal believes it is the first to identify a cannabinoid that directly inhibits replication of the virus, and has applied for patent protection for this unique discovery. Subsequent searches of recent patent applications confirms Pascal is the first to file for this discovery. The data suggest that a Pascal-identified cannabinoid has the potential to limit the severity and progression of COVID-19.

On March 18, 2021, the Company was awarded a grant of US\$321,406 from the National Cancer Institute of the US National Institutes of Health (NIH). This two-year award has funded development of Pascal’s antibody drug for B cell Precursor Acute Lymphoblastic Leukaemia (ALL), which is the most common childhood leukaemia.

On February 11, 2023, the Company signed an asset purchase agreement (the “Agreement”) with SōRSE to acquire from SōRSE the assets comprising THC Essentials, as amended March 31, 2023, April 2, 2023 and April 26, 2023. Closing must be on or before May 31, 2023 (the “Closing Date”) and the Company’s shares must be listed on the CSE (the “Listing Date”). The purchase price of US\$1,125,000 will be paid as follows: (i) a secured promissory note of US\$500,000, bearing interest at 7.5% per annum payable 13 months from the Closing Date, (ii) an aggregate of the greater of 3,775,000 post-consolidation shares and 9.9% of the number of post-consolidation shares Pascal has issued and outstanding on the Closing Date, and (iii) US\$625,000 payable on the Closing Date. On the Closing Date, the Company will sign a promissory note and a security agreement which secures the Company assets until the US\$500,000 plus interest of 7.5% is paid. The Company received the CSE conditional listing letter on April 25, 2023. Listing is subject to the Company obtaining shareholder approval to de-listing the Company’s shares from the TSX.V and closing a reorganization (“Reorganization”) on the Listing Date and completion of all CSE listing documents. The Reorganization includes, inter alia, closing both a private placement of \$2,000,000 and the

acquisition of THC Essentials, issuing 1,246,372 shares for debt, the appointment of a new CEO and a change of directors, a name change and a share consolidation on the basis of one new share for five old shares and listing on the CSE. The consolidation will occur before the Listing Date.

During the three months ended February 28, 2023, the Company closed down its research labs and stopped its research and development activities related to cancer programs. The Company evaluated the change in their business in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and determined that it did not meet the definition of discontinued operations as it did not represent a separate major line of business.

Please refer to “*Core Technologies*” below for updates on the Company’s research and development.

#### Share Capital

On December 18, 2020, the Company granted 400,000 stock options to directors and employees of the Company. The stock options are exercisable at a price of \$0.15, for a period of five years and vest quarterly over one year. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.35%, expected dividend rate of 0%; expected volatility of 94.21% and forfeiture rate of 0%. The fair value of the options was calculated at \$42,621.

On February 8, 2021, the Company closed the first tranche of a private placement by issuing 5,600,000 Units for gross proceeds of \$560,000. Each Unit consists of one common share and one common share purchase warrant (each a “Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of closing, subject to an acceleration clause, under which the Company may exercise once the Units are free of resale restrictions and if the Company’s shares are trading at or above a volume weighted average price of \$0.40 for 10 consecutive trading days. The Warrants will expire upon 30 days from the date the Company provides notice in writing to the Warrant holders via a news release. The Company paid \$32,200 in finder’s fees related to the closing of the first tranche.

On March 17, 2021, the Company closed the second tranche of a non-brokered private placement by issuing 1,900,000 Units at a price of \$0.10 per Unit for gross proceeds of \$190,000. Each Unit consists of one common share and one common share purchase warrant (each a “Warrant”) Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of twenty-four months from the date of closing, subject to an acceleration clause, under the exercise acceleration clause, which the Company may exercise once the Units are free of resale restrictions and if the Company’s shares are trading at or above a volume weighted average price of \$0.40 for 10 consecutive trading days. The Warrants will expire upon 30 days from the date the Company provides notice in writing to the Warrant holders via a news release. The Company paid \$1,365 in finder’s fees and incurred cash share issuance costs of \$12,487 related to the closing of the second tranche. The Company allocated \$9,500 of the gross proceeds to warrants using the residual method.

On April 20, 2021, the Company granted an aggregate of 2,875,000 stock options to directors, employees and consultants, pursuant to the Company’s stock option plan and subject to the policies of the TSX Venture Exchange. The stock options are exercisable at a price of \$0.08 per share, exercisable for a period of five years and will vest quarterly over one year. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.75%, expected dividend rate of 0%; expected volatility of 94.59% and forfeiture rate of 0%. The fair value of the options was calculated at \$164,478.

On September 3, 2021, the Company granted 500,000 stock options to the Company’s former CEO. The stock options are exercisable at a price of \$0.08 per share, exercisable for a period of five years and vest immediately on grant. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 0.98%, expected dividend rate of 0%; expected volatility of 95.83% and forfeiture rate of 0%. The fair value of the options was calculated at \$31,082.

On January 4, 2022, the Company issued 500,000 common shares, with a fair value of \$46,000 to the former CEO per his employment agreement in lieu of two months’ worth of salary. The fair value of \$46,000 was recorded as shares to be issued in lieu of salary as at November 30, 2021.

On February 28, 2022, the Company granted 500,000 stock options to the former CEO, Brian Bapty. The stock options are exercisable at a price of \$0.08 per share, for a period of five years and will vest quarterly over one year. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

risk-free interest rate of 1.73%, expected dividend rate of 0%, expected volatility of 94.02%, and forfeiture rate of 0%. The fair value of the options was calculated at \$28,772.

During the three months ended February 28, 2023, 600,000 stock options, with a weighted average exercise price of \$0.12 per share expired and 5,600,000 warrants, with a weighted average exercise price of \$0.15 per share expired unexercised.

### Management

On March 22, 2021, the Company announced the resignation of a director of the Company, Dr. Karoly Nikolich and the appointment of Kevin Egan to the position of Chief Business Officer. In addition, Judi Dalling retired as CFO as at April 30, 2021.

On June 16, 2021, the Company announced the appointment of Hardy Forzley as Chief Financial Officer of the Company.

On August 31, 2021, Mr. Mark van der Horst retired as Vice President, Corporate Communications, and Kevin Egan retired as Chief Business Officer.

On September 7, 2021, the Company announced the appointment of Rob Gietl as Chief Executive Officer, President and Director. Mr. Gietl succeeded Dr. Patrick Gray, who now is Chairman of the Board of Directors.

On February 8, 2022, the Company received a Notice of Civil Claim against the Company from a former officer of the Company for damages due to a breach of contract and wrongful termination. The claim against the Company is for 500,000 common shares of the Company to be issued to the former officer, punitive damages, interest and costs. The 500,000 common shares were issued during the year ended November 30, 2022. No other amounts have been accrued in respect of this claim.

On February 28, 2022, the Company appointed Dr. Brian Bapty as its new Chief Executive Officer, President and Director and granted him 500,000 stock options. The stock options are exercisable at a price of \$0.08 per share, for a period of five years, vesting quarterly over one year.

On March 21, 2022, the Company entered into a settlement agreement with an arm's length party to settle debt of \$116,550 for \$30,000 in cash, resulting in a gain on debt settlement of \$86,550.

On November 30, 2022, Dr. Brian Bapty ceased to be Chief Executive Officer, President and Director and Dr. Patrick Gray was appointed interim Chief Executive Officer and President.

On November 30, 2022, the Company entered into a settlement agreement with an arm's length party to settle debt of \$53,136 for \$42,171 in cash, resulting in a gain on debt settlement of \$10,965.

On November 30, 2022, the Company entered into agreements with non-arm's length parties stating that Company will issue 1,204,245 common shares of the Company and \$5,000 in cash to settle debt of \$195,840. On December 30, 2022, the Company entered into an agreement with a non-arm's length party to settle debt of \$402,209 by issuing 5,027,613 common shares of the Company at a deemed price of \$0.08 per share. As at the date of this document, the Company has not issued the common shares for debt.

On January 19, 2023, the Company received a Notice of Application from a former officer, seeking damages due to a breach of contract and wrongful termination. Given the nature of the claim, it is not currently possible for the Company to predict the outcome or reasonably estimate the possible financial effect of damages in connection with the Notice of Application issued on January 19, 2023.

### Financial Position

The condensed interim consolidated statement of financial position as of February 28, 2023 indicates a cash position of \$10,411 (November 30, 2022: \$8,370). Current assets are comprised of prepaid expenses of \$4,233 (November 30, 2022: \$3,245) and accounts receivable of \$11,039 (November 30, 2022: \$7,208).

Current liabilities at February 28, 2023 total \$1,023,803 (November 30, 2022: \$851,203), comprised of accounts payable and accrued liabilities of \$723,643 (November 30, 2022: \$626,586) and short-term loan due to a related party of \$300,160 (November 30, 2022: \$224,617). Non-current liabilities at February 28, 2023 are comprised of long-term accounts payable of \$76,845 (November 30, 2022: \$111,725).

Shareholders' equity is comprised of share capital of \$13,052,100 (November 30, 2022: \$13,052,100) and reserves of \$374,705 (November 30, 2022: \$424,152).

As at February 28, 2023, the Company had a working capital deficit of \$998,120 (November 30, 2022: \$832,380).

The weighted average number of common shares outstanding, basic and diluted as at February 28, 2023 was 65,594,769 (November 30, 2022: 65,546,824).

## Core Technologies

1. **Cannabinoid-based therapeutic for glioblastoma:** Glioblastoma is an aggressive type of cancer that arises in cells called astrocytes that support nerve cells. It can occur in the brain and spinal cord. It is a devastating cancer due to limited treatment options, its high rate of recurrence and aggressive nature. Glioblastoma strikes approximately 15,000 patients each year in North America and the median survival time is only 14 months. Therapies for glioblastoma are limited to surgery, radiation, and the chemotherapeutic drug temozolomide. Pascal's PAS-403 is a cannabinoid-derived molecule that kills patient-derived glioblastoma cells. PAS-403 is a mitotic inhibitor that blocks cell division. Several mitotic inhibitors already approved for cancer treatment show substantial benefit in reducing solid tumour burden when combined with other chemotherapeutic. However, unlike PAS-403, none of these drugs cross the blood-brain barrier and therefore have no activity on glioblastoma cells. PAS-403 kills cultured glioblastoma cells from patients and is very effective in a mouse model of glioblastoma. The alkylating drug, temozolomide, is currently licenced and used as a first line treatment for glioblastoma. Since temozolomide has a different mechanism of action compared to PAS-403, the two drugs should synergize and will possibly provide a superior method of treatment. Pascal has developed a manufacturing process for PAS-403 and completed much of the preclinical pharmacology efforts required for filing an Investigational New Drug with the FDA.

2. **VpreB antibody for the treatment of B cell precursor acute lymphoblastic leukaemia (ALL) and other leukaemias and lymphomas:**

ALL is the most common childhood cancer, with the incidence peaking at approximately two to five years of age. In addition, ALL affects some older individuals with approximately 45% of ALL patients above age twenty. On an annual basis, more than 6,500 people in North America and approximately 40 cases per 1,000,000 people worldwide, present with the disease. Current treatment practices utilize harsh chemotherapy regimens. While effective in many patients, the near and long-term consequences of chemotherapy can be disabling. Therefore, there is a need for new strategies to address relapsed disease and ultimately replace chemotherapy as a frontline treatment.

ALL is caused by genetic lesions that arise during the earliest stages of B lymphocyte development. Pascal has derived and selected monoclonal antibodies against a unique target, the pre-B Cell Receptor ("Pre-BCR"), that is specifically expressed on the surface of these pre-B cells and not expressed during subsequent stages of B cell development. The pre-BCR is also present on ALL cells. Therefore, in addition to killing the leukaemia cells, Pascal's antibodies, directed against one of the components of the pre-BCR, VpreB, should only deplete the earliest stages of developing B cells, leaving more mature B cells available to combat infection by their normal role-secretion of antibodies.

Careful direct examination of large gene expression databases and exploration of the scientific literature revealed the unexpected expression of VpreB mRNA by tumour cells of subsets of acute myelogenous leukaemia (AML) and non-Hodgkin lymphoma ("NHL") patients. Experiments to screen cancer cells from panels of these patients by immunocytochemistry using the VpreB antibody have been in progress in connection with our NIH grant.

3. **Novel natural compounds that are able to increase antigen expression on the surface of tumour cells, making them more visible to the immune system.** These molecules will be useful as cancer therapeutics by enabling increased killing of cancer cells by the immune system.

Many cancer cells, including those that are metastatic, escape immune recognition and elimination after selection by immune editing whereby tumour antigens are not properly displayed on the cell surface and thus cannot be properly recognized by the immune system. These escape variants do not express sufficient Major Histocompatibility Complex I ("MHC-I") molecules and their associated tumour antigen peptides at the cell surface. Thus, these tumour cells evade recognition by host immune surveillance mechanisms, making them resistant to most immunotherapeutic approaches for elimination of cancer. In February 2014, the Company entered into an agreement with the University of British Columbia ("UBC") whereby UBC conducted research to identify compounds that increase the expression of the Transporter of

Antigen Processing (“TAP1”) protein, a part of the antigen processing pathway, critical for MHC-I expression. Several compounds that restored the presentation of tumour antigens at the cancer cell surface were identified. By developing a high-throughput screening assay applied to extracts from deep-sea sponges, the Company identified several unique molecules that induce antigen presentation in metastatic prostate and lung carcinomas.

From these extracts, new chemical structures that exhibit efficient restoration of MHC-I expression were identified. Subsequently, screening of additional extracts and purified compounds was performed, and several more active compounds were identified. One compound, curcuphenol, was initially identified as a leading candidate for immune upregulation.

Searching the chemical structure of curcuphenol against large chemical databases revealed that some structural elements of curcuphenol are found in certain cannabinoids, compounds found in extracts of the *Cannabis sativa* plant. Four hundred cannabinoids were tested for their ability to induce MHC-I expression in human cancer cell lines. Several distinct cannabinoids registered positive in this assay, with the most potent inducing MHC-I expression levels to approximately half of the levels induced by interferon gamma, a natural powerful physiologic inducer of MHC-1. Specifically, Pascal has identified a natural cannabinoid with good potency and pharmacologic properties. This cannabinoid, PAS-393, is a potential therapeutic compound that may render cancer cells more visible to immune surveillance. Such a molecule has the potential to increase cancer cell recognition, thus dramatically increasing the efficacy of checkpoint inhibitors (therapeutic monoclonal antibodies) which release the cancer killing effects of cytolytic T cells.

- 4. Cannabinoid therapeutic for treating COVID-19:** The coronavirus pandemic has triggered a massive, worldwide effort to develop effective vaccines and treatments for COVID-19. Despite the previous global focus on cancer research and treatment, the tremendous disruption of entire economies and health care systems worldwide stimulated Pascal’s scientists to direct efforts towards a cannabinoid-based treatment for COVID-19.

The decision was made to test a variety of cannabinoids for effects on the SARS-CoV-2 coronavirus since previously published data suggest that some cannabinoids have anti-viral functions. In addition, it has been shown that cannabinoids can upregulate major histocompatibility complex Type 1 (MHC-I) molecules that are expressed on the surface of tumour cells. As has been demonstrated in several infection models, this MHC upregulation also helps the immune system identify virus-infected cells. It has been observed that cannabis extracts downregulate the expression of receptors for the SARS-CoV-2 virus. Furthermore, some cannabinoids have immunomodulatory activity that can mitigate the uncontrolled inflammatory response known as a “cytokine storm” and subsequent upregulation of inflammatory proteins, which are often seen in the most severe COVID-19 patients.

Since cannabinoids have the potential to limit the severity and progression of COVID-19, selected compounds were tested in a cell-based assay. It was found that one of Pascal’s lead cannabinoids inhibits SARS-CoV-2 growth in primate cells *in vitro*. Pascal has since confirmed this SARS-CoV-2 anti-viral activity in four different laboratories, using different assay conditions and different strains of SARS-CoV-2. Significantly, the potency of the Pascal-selected cannabinoid in this assay was similar to that of remdesivir, a drug authorized by the FDA for emergency treatment of COVID-19. These initial observations illuminate the potential of cannabinoids for the treatment of COVID-19.

Our initial results suggest that cannabinoids may act upon the virus or the virus-infected host cells cell to reduce virus infectivity or viral replication. However, it is likely that the scope of the benefit to the patient will extend far beyond the direct effect on the virus-cell interaction. The capacity of certain cannabinoids to restore cancer cell recognition by the immune system has been previously demonstrated. Many viruses, as with certain cancers, render their host cells invisible to immune recognition to protect them from destruction and removal. Cannabinoids may reverse this effect. In addition, cannabinoids are known for their anti-inflammatory properties. Thus, they may benefit the patient, much like dexamethasone does, in the later phase of disease when run-away inflammation is one of the main causes of tissue injury and even death.

## Patents

Intellectual property and other proprietary rights are essential to the Company's business. The Company has filed patent applications to protect technology, inventions and improvements of inventions that are important for the development of the business.

In January 2018, the Company filed a provisional patent application, "Cannabinoids and derivatives for promoting immunogenicity of tumour and other infected cells", covering cannabinoid-like compounds that restore immune recognition of cancer cells thus increasing their subsequent destruction. The non-provisional application was filed on January 21, 2019 with co-inventors from UBC. This provisional patent has recently been returned to UBC.

Pursuant to the terms of the license agreement with the University of Washington in October 2018, the Company has retained the patent portfolio surrounding development of a cannabinoid-based product for the treatment of glioblastoma multiforme and brain metastases. The patent “Composition and methods for treating glioblastoma” filed in August 2011 by the University of Washington was granted by the United States Patent and Trademark Office in May 2015 (US Patent Number: 9,034,895) with expiry in November 2031.

In August 2018, the University of Washington filed a provisional patent titled “Modified Carbazoles Destabilize Microtubules and Kill Glioblastoma Multiforme Cells and BRAF Mutant Cancers,” covering the cannabinoid-based compounds for treatment of glioblastomas and brain metastases. In August 2019, the Company filed a non-provisional patent application for patent protection. The Company has returned these provisional patents to the University of Washington.

In July 2019, the Company filed a provisional patent titled “Composition and Methods of Targeting the Pre-B Cell Receptor for the Treatment of Leukaemias and Lymphomas. In July 2020, the Company filed a non-provisional application for patent protection. The company has abandoned this patent application.

In July 2020, the Company filed a provisional patent titled: “Method of Treating Coronavirus Infections with Cannabinoids and Derivatives”. In July 2021, the Company filed a non-provisional application for patent protection and is continuing to pursue this application.

### Results of Operations

During the three months ended February 28, 2023, the Company reported a net loss and comprehensive loss of \$132,634 (\$0.00 basic and diluted loss per share) compared to a net loss and comprehensive loss of \$135,464 (\$0.00 basic and diluted loss per share) for the three months ended February 28, 2022.

### Summary of Quarterly Results

The following table presents selected quarterly financial information of the Company for the eight most recently completed quarters of operation prepared in accordance with IFRS and expressed in Canadian Dollars.

	2023		2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
	\$	\$	\$	\$	\$	\$	\$	\$	
Revenue	-	-	-	-	-	-	-	-	
Net and comprehensive (gain) loss	132,634	201,453	94,730	48,633	135,464	402,196	241,275	286,089	
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	

Share-based payments impacts expenses and net and comprehensive loss as follows: Q1 2023: \$1,774, Q4 2022: \$4,174, Q3 2022: \$7,816, Q2 2022: \$19,972, Q1 2022: \$15,508, Q4 2021: \$25,446, Q3 2021: \$102,602 and Q2 2021: \$70,826. Losses during the most recent three quarters are significantly lower due mainly to reduced salaries and research and development expenses. During Q4 of 2021, the Company received US \$50,000 from SörSE, recorded a receivable of US \$100,000, pursuant to the collaborative research agreement, and applied these funds against salary expense. The Company recorded a bad debt expense of \$129,477 during Q4 2022 and \$50,723 during Q4 2021. The Company also recognized a gain on debt settlement of \$86,550 during Q2 2022.

The Company’s significant accounting policies are set out in Note 3 of the audited annual consolidated financial statements as at and for the year ended November 30, 2022.



## Analysis of Quarterly Results

		Three Months Ended February 28,	
	Notes	2023	2022
		\$	\$
Accounting and audit fees	a)	38,336	14,331
Administrative and general office		3,854	11,155
Amortization		-	2,728
Bank charges and interest		1,069	1,540
Consulting fees	b)	13,487	(8,561)
Salaries and benefits	c)	-	96,016
Foreign exchange		5,359	(1,986)
Insurance		712	4,779
Investor relations and marketing		6,805	(5,693)
Legal fees	d)	38,844	6,402
Research and development	e)	36,501	(1,793)
Share-based payments	f)	1,774	15,508
Transfer agent, listing and filing fees		10,722	3,181
Travel and entertainment		-	(741)
Interest income		-	(1,402)
Other income	g)	(17,585)	-
Gain on sale of equipment		(7,244)	-

- a) Accounting and audit fees:  
The increase is due to higher accounting fees incurred for work associated with the Transaction with SÖRSE and preparation of pro-forma financial statements during the three months ended February 28, 2023 as compared to lower accounting fees incurred during the three months ended February 28, 2022.
- b) Consulting fees:  
There was a reclassification from consulting fees to share issue costs during the three months ended February 28, 2022, therefore the consulting fees were lower during that period.
- c) Salaries and benefits:  
During the year ended November 30, 2022, the Company laid off most of its employees due to cash constraints, therefore there were no salaries recorded during the three months ended February 28, 2023.
- d) Legal fees:  
The increase is due to higher legal fees incurred for work associated with the Transaction with SÖRSE during the three months ended February 28, 2023 as compared to lower legal fees incurred during the three months ended February 28, 2022.
- e) Research and development:  
The increase is due to the Company incurring higher research and development costs than the funding received from the NIH grant during the three months ended February 28, 2023. In comparison, during the three months ended February 28, 2022, there was a recovery of \$1,793 of research and development due to the Company receiving more funding from the NIH grant than expenses incurred.
- f) Share-based payments:  
The decrease is due to no stock options being granted during the three months ended February 28, 2023 as compared to 500,000 stock options granted during the three months ended February 28, 2022.
- g) Other income:  
The increase is due to the Company providing consulting services related to grant applications.

## Liquidity & Capital Resources

The Company has financed its operations to date through the issuance of common shares.

	February 28, 2023	November 30, 2022
	\$	\$
Working capital deficiency	(998,120)	(832,380)
Deficit	14,501,770	14,420,357

During the three months ended February 28, 2023, net cash used in operating activities was \$80,746 (2022: \$47,579), comprised of a loss of \$132,634 (2022: \$135,464) net of amortization expense of \$nil (2022: \$2,728), share-based payments of \$1,774 (2022: \$15,508), gain on sale of equipment of \$7,244 (2022: \$nil), an increase in prepaid expenses of \$988 (2022: increase of \$13,821), an increase in accounts receivable of \$3,831 (2022: increase of \$683), and an increase in accounts payable and accrued liabilities of \$62,177 (2021: increase of \$84,153).

During the three months ended February 28, 2023, cash from investing activities was \$7,244 (2022: \$nil), comprised of proceeds from the sale of equipment.

During the three months ended February 28, 2023, cash from financing activities was \$75,543 (2022: \$60,002), comprised of proceeds from short-term loan (refer to *Share Capital* above).

During the year ended November 30, 2021, the Company was awarded a grant of US\$321,406 from the National Cancer Institute of the US National Institutes of Health (NIH), which will further augment the Company's cash position. This two-year award will fund development of Pascal's antibody drug for Acute Lymphoblastic Leukaemia (ALL). During the three months ended February 28, 2023, the Company incurred \$67,271 (US\$49,878) (2022: \$4,362/US\$3,432) in research and development expenditures against income of \$30,770 (US\$22,814) (2022: \$6,155/US\$4,843) in funding from NIH.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

## Related Party Transactions

The following is a summary of related party transactions that occurred during the three months ended February 28, 2023 and 2022:

Services provided by:	2023	2022
	\$	\$
Key management salaries/fees a)	7,500	38,966
Director and officer salaries/fees b)	-	15,132
Share-based payments	-	9,840
Benefits	-	18,163
	7,500	82,101

Related parties include:

- a) Key management salaries include amounts paid to the current CEO, former CEO and the CFO.
- b) Director and officer salaries include amounts paid to the former Vice President of Research and the former Vice President of Therapeutic Development.

Included in accounts payable and accrued liabilities is \$295,520 (November 30, 2022: \$473,595) payable to directors and officers of the Company. The amounts in accounts payable and accrued liabilities are non-interest bearing and due within 30 days. Additionally, there are loans to the Company by a director of the Company totalling \$300,160 (US \$163,053) (November 30, 2022: \$224,617 /US\$137,818). The loan is unsecured, is due on demand and bears no interest.

On November 30, 2022, the Company entered into agreements with non-arm's length parties stating that Company will issue 1,204,245 common shares of the Company and \$5,000 in cash to settle debt of \$195,840. On December 30, 2022, the Company entered into an agreement with a non-arm's length party to settle debt of \$402,209 by issuing 5,027,613 common

shares of the Company at a deemed price of \$0.08 per share. As at February 28, 2023, the Company has not issued the common shares and the full amount is recorded in accounts payable and accrued liabilities.

### Contingency

On February 8, 2022, the Company received a Notice of Civil Claim against the Company from a former officer of the Company for damages due to a breach of contract and wrongful termination. The claim against the Company is for 500,000 common shares of the Company to be issued to the former officer, punitive damages, interest and costs. The 500,000 common shares with the fair value of \$46,000 were issued during the three months ended February 28, 2022. No other amounts have been accrued in respect of this claim.

On January 19, 2023, the Company received a Notice of Application from the former officer. Given the nature of the claim, it is not currently possible for the Company to predict the outcome or reasonably estimate the possible financial effect of damages in connection with the Notice of Application issued on January 19, 2023. No amounts have been accrued in respect of this claim.

### Financial Instruments & Other Instruments

(a) Fair value

Financial instruments recognized at fair value on the consolidated statements of financial position must be classified in one of the following three fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; or

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

As at February 28, 2023 and November 30, 2022, the Company's financial instruments are comprised of cash, receivables and accounts payable and accrued liabilities. The carrying amounts reported in the consolidated statements of financial position for cash, receivables, short-term loan payable, and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these financial instruments.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company considers its exposure to credit risk to be low, as its cash is deposited with a large financial institution with a strong credit rating. During the year ended November 30, 2022, the Company recorded a provision of \$129,477 against receivables from SÖRSE.

(c) 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 approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due.

At February 28, 2023, the Company had cash and cash equivalents of \$10,411 (November 30, 2022: \$8,370) available to apply against short-term business requirements and current liabilities of \$1,023,803 (November 30, 2022: \$851,203). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of February 28, 2023. The short-term loan payable is due on demand.

(d) Currency risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not manage currency risks through hedging or other currency management tools.

As at February 28, 2023 and 2022, the Company's net exposure to foreign currency risk is as follows:

US dollars	2023	2022
	\$	\$
Cash	6,348	2,213
Accounts receivable	-	100,000
Accounts payable	(316,161)	(300,291)
Short-term loan	(100,053)	(76,818)
Net exposure to foreign currency risk	(409,866)	(274,896)
Canadian dollar equivalent	(557,786)	(349,063)

Based on the above net foreign currency exposure, and assuming all other variables remain constant, a 7% weakening or strengthening of the Canadian dollar against the US dollar would have an immaterial effect on the Company's net loss and comprehensive loss.

(e) Other price risk

Other price risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

## Risks and Uncertainties

### Overview

An investment in the Company's shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the company and its business, shareholders should carefully consider, in addition to the other information contained in this management discussion and analysis, the following risk factors. These risk factors are not a definitive list of all risk factors associated with the Company. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Investors should not rely upon forward-looking statements as a prediction of future results.

### Competition

The market for the Company's technology is highly competitive. The Company competes with other research teams who are also examining potential therapeutics with regards to cancer, viral infection, and other disorders. Many of its competitors have greater financial and operational resources and more experience in research and development than the Company. These and other companies may have developed or could in the future develop new technologies that compete with the Company's technologies or even render its technologies obsolete.

Competition in the Company's markets is primarily driven by:

- timing of technological introductions;
- ability to develop, maintain and protect proprietary products and technologies; and
- expertise of research and development team.

### Litigation to Protect Company's Intellectual Property

The Company's future success and competitive position depends in part upon its ability to maintain its intellectual property portfolio. There can be no assurance that any patents will be issued on any existing or future patent applications. Even if such patents are issued, there can be no assurance that any patents issued or licensed to the Company will not be challenged. The Company's ability to establish and maintain a competitive position may be achieved in part by prosecuting claims against others who it believes to be infringing its rights. In addition, enforcement of the Company's patents in foreign jurisdictions will depend on the legal procedures in those jurisdictions. Even if such claims are found to be invalid, the Company's involvement in intellectual property litigation could have a material adverse effect on its ability to distribute any products that are the subject of such litigation. In addition, the Company's involvement in intellectual property litigation could result

in significant expense, which could materially adversely affect the use responsibilities, whether or not such litigation is resolved in the Company's favour.

### **Clinical testing and Regulatory approval**

Since the Company's success is dependent on the successful completion of a third party pre-clinical trials, regulatory approval and introduction of its technology into the market and since the Company has completed none of the tasks at this time, the Company does not know if it will be able to complete them.

The timing of these events can vary dramatically due to factors such as delays or failures in the Company's clinical trials and the uncertainties inherent in the regulatory approval process. The Company might not be able to obtain the necessary results from its pre-clinical trials or to gain regulatory approval necessary for licensing its technology. The Company's failure to achieve these objectives will mean that an investor will not be able to recoup their investment or to receive a profit on their investment.

### **Intellectual Property**

The Company's success depends to a significant degree upon its ability to develop, maintain and protect proprietary products and technologies. The Company files patent applications in the United States, Canada, Europe, and selectively in other foreign countries as part of its strategy to protect its proprietary products and technologies. However, patents provide only limited protection of the Company's intellectual property. The assertion of patent protection involves complex legal and factual determinations and is therefore uncertain and expensive. The Company cannot provide assurances that patents will be granted with respect to any of its pending patent applications, that the scope of any of its patents will be sufficiently broad to offer meaningful protection, or that it will develop additional proprietary technologies that are patentable. The Company's current patents could be successfully challenged, invalidated or circumvented. This could result in the Company's patent rights failing to create an effective competitive barrier. Losing a significant patent or failing to get a patent to issue from a pending patent application that the Company considers significant could have a material adverse effect on its business. The laws governing the scope of patent coverage in various countries continue to evolve. The laws of some foreign countries may not protect the Company's intellectual property rights to the same extent as the laws of Canada and the United States. The Company holds patents only in selected countries. Therefore, third parties may be able to replicate technologies covered by the Company's patents in countries in which it does not have patent protection.

### **Legal Proceedings**

In the course of the Company's business, the Company may from time to time have access to confidential or proprietary information of third parties, and these parties could bring a claim against the Company asserting that it has misappropriated their technologies and had improperly incorporated such technologies into its products. Due to these factors, there remains a constant risk of intellectual property litigation affecting the Company's business. In the future, the Company may be made a party to litigation involving intellectual property matters and such actions, if determined adversely, could have a material adverse effect on the Company.

### **Dependence upon Management**

Although the Company Issuer is expected to have experienced senior management and personnel, it will be substantially dependent upon the services of a few key personnel. The loss of the services of any of these personnel could have a material adverse effect on the business of the Company. The Company may not be able to attract and retain personnel on acceptable terms given the intense competition for such personnel among high technology enterprises, including biotechnology, and healthcare companies, universities and non-profit research institutions. If it loses any of these persons, or is unable to attract and retain qualified personnel, its business, financial condition and results of operations may be materially and adversely affected.

### **Going Concern**

The ability of the Company to continue as a going concern is dependent on its ability to generate future profitable operations and to obtain additional debt or equity financing. There can be no assurance that the Company's operations will achieve profitability in the future or that the Company will be able to successfully obtain financing on commercially reasonable terms or at all.

### **Substantial Capital Requirements and Liquidity**

Substantial additional funds for the Company's research and development programs will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no

assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, or even cease its operations.

#### **Reliance on Third Parties**

The Company is relying on a third party to assist it in conducting both pre-clinical and clinical trials. If this third party does not successfully carry out their contractual duties or meet expected deadlines, the Company may not be able to obtain regulatory approval for or commercialize its technology.

#### **Unproven market**

The Company believes that there will be many different applications for its technologies and that the anticipated market for these technologies will continue to expand. However, no assurance can be given that these beliefs will be correct owing, in particular, to competition from existing technologies or new technologies and the yet to be established replication of the Company's pre-clinical results.

#### **Limited Operating History**

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends or enjoy earnings in the immediate or foreseeable future.

#### **Conflicts of Interest**

Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including research and development companies) and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest. The *Business Corporations Act*, (British Columbia) ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to an issuer, the director shall disclose his interest in such contract or agreement and shall 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.

#### **Market risk**

The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

#### **Share Price Volatility and Price Fluctuations**

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

#### **Other MD&A requirements**

##### **Information available on SEDAR**

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – [www.sedar.com](http://www.sedar.com).

##### **Disclosure by venture issuer**

An analysis of the material components of the Company's general and administrative expenses is disclosed in the condensed interim consolidated financial statements for the three months ended February 28, 2023 and 2022.

##### **Outstanding share data**

Common shares issued and outstanding as at February 28, 2023 are described in detail in Note 6 to the condensed interim consolidated financial statements for the three months ended February 28, 2023 and 2022.

As at the date of this document, the Company had the following number of securities outstanding:

<b>Number of shares Issued and outstanding</b>	<b>\$</b>	<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
65,594,769	13,052,100			
		800,000	\$0.35	August 2, 2023
		500,000	\$0.08	November 30, 2023
		400,000	\$0.15	December 18, 2025
		2,375,000	\$0.08	April 20, 2026