



RAKOVINA THERAPEUTICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021**

November 23, 2021

RAKOVINA THERAPEUTICS INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

The following management's discussion and analysis ("MD&A") for the three and nine months ended September 30, 2021 should be read in conjunction with the unaudited interim condensed consolidated financial statements of Rakovina Therapeutics Inc. for the three and nine months ended September 30, 2021 and the annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2020 (the "Annual Financial Statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Our IFRS accounting policies are set out in note 2 of the unaudited interim condensed consolidated financial statements and all dollar amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is dated November 23, 2021

FORWARD-LOOKING STATEMENTS

Certain statements and information in this MD&A contain forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "predict", "project", "potential", "ongoing", "could", "would", "seek", "target" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- the initiation, timing, cost, progress and success of our research and development programs;
- our ability to safely dose, re-dose, formulate and develop drug candidates;
- our ability and our current and potential future partners' ability to advance product candidates into, and successfully complete, clinical trials;
- the expected therapeutic benefits, effectiveness and safety of our product candidates, including our belief that our approach may reduce the risk, time and cost of developing therapeutics by avoiding some of the uncertainty associated with certain research and pre-clinical stages of drug development;
- our ability to obtain funding for our operations, including funding for research and commercial activities;
- our ability to obtain marketing approval for any of our products and to achieve profitability;
- our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- our ability to enter into agreements or partnerships with pharmaceutical or biotechnology companies that have sales and marketing capabilities, which will enable us to increase our returns from our product candidates or to further accelerate development of our product candidates;
- the manufacturing capacity of third-party manufacturers for our product candidates;
- the implementation of our business model and strategic plans;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our expectations regarding federal, provincial and foreign regulatory requirements;
- the timing of, and our ability and our collaborator's ability, and the costs of obtaining and maintaining, regulatory approvals in the United States, Canada and other jurisdictions for our product candidates;
- the rate and degree of market acceptance and clinical utility of our future products, if any;
- our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- our ability to engage and retain the consultants or employees required to grow our business;
- the compensation that is expected to be paid to consultants or employees of the Company;
- our future financial performance and projected expenditures;
- developments relating to our competitors and our industry, including the success of competing therapies that are or become available;
- our expectations regarding the kt-2000 series, kt-3000 series and kt-4000 series candidates;
- our expectations regarding the size and growth of the cancer therapeutics and PARP-inhibitor markets; and
- estimates of our expenses, future revenue, capital requirements and our needs for additional financing.

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Such forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Rakovina Therapeutics Inc. as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance, achievements, prospects or opportunities to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) assumptions regarding general business and economic conditions; (iv) assumptions regarding the cost and timing of each study; (v) that the Company's current positive relationships with third parties will be maintained; (vi) the availability of financing on reasonable terms; (vii) the Company's ability to attract and retain skilled consultants; (viii) assumptions regarding market competition; (ix) the products and technology offered by the Company's competitors and (x) the Company's ability to protect patents and proprietary rights.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined herein under the heading "*Risk Factors*". Should one or more of these risks or uncertainties, or a risk that is not currently known to us, materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

COMPANY OVERVIEW

Rakovina Therapeutics Inc. ("Rakovina" or the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on May 6, 2019 under the name "Vincero Capital Corp." Prior to completing its qualifying transaction on March 25, 2021, the Company listed its shares on February 7, 2020 on the TSX Venture Exchange ("TSX-V") as a capital pool company ("CPC") (as defined in the TSX-V Policy 2.4 – *Capital Pool Companies*). As a capital pool company, the Company had no assets other than cash and did not carry on any operations.

On March 25, 2021, the Company announced that, pursuant to a business combination agreement dated August 28, 2020, as amended from time to time (the "Business Combination Agreement"), between the Company and NewGen Therapeutics, Inc. ("NewGen"), the Company had completed its qualifying transaction (the "Qualifying Transaction" or "QT"). The Qualifying Transaction was effected by way of a "three-cornered" amalgamation, in which: (a) a subsidiary of NewGen (the "Subco") was to amalgamate with a wholly-owned subsidiary of the Company ("Vincero Subco") to form an amalgamated company ("Amalco"); (b) all issued and outstanding shares of the Subco were exchanged for shares of the Company on a 1:1 basis; (c) all issued and outstanding warrants of the Subco were replaced by warrants of the Company on the same terms; and (d) Amalco became a wholly-owned subsidiary of the Company under the name "Rakovina Research Ltd.". The Qualifying Transaction was a reverse-takeover of the Company and upon completion thereof, the Company changed its name to "Rakovina Therapeutics Inc.". On April 1, 2021, following the completion of the Qualifying Transaction, the common shares of the Company (the "Common Shares") resumed trading on the TSX-V under the symbol "RKV". The Company's first financial year-end subsequent to the completion of the Qualifying Transaction is December 31, 2021. A Notice of Change in Corporate Structure was filed by the Company on March 31, 2021. For more information on the Qualifying Transaction, please refer to the filing statement of the Company dated March 17, 2021 available under the Company's profile at www.sedar.com.

Following completion of the Qualifying Transaction, the Company continued to conduct the biotechnology business previously conducted by Subco until March 23, 2021, when Subco and a subsidiary of the Company were amalgamated, with Amalco being the successor entity. The Company's head office and registered and records office is located at 2201 - 8 Smithe Mews, Vancouver, British Columbia V6B 0A5.

The Company, through its wholly owned subsidiary Rakovina Research Ltd., is principally engaged in the development of new cancer treatments based on novel DNA-damage response inhibitor ("DDRi") technologies. The Company's initial research activities are focused around the kt-2000 series of PARP inhibitors which were acquired by Rakovina from NewGen Therapeutics Inc. as part of the QT. The Company has also been granted an exclusive option to the kt-3000 and kt-4000 series which are additional DDRi technologies with novel and unique attributes.

The Company is currently conducting research at the University of British Columbia ("UBC") pursuant to a research collaboration agreement signed with the university (the "UBC Collaboration Agreement"). The UBC Collaboration Agreement provides us with access to a world class research infrastructure at the Jack Bell Research Center and Robert Ho Research Center in Vancouver, British Columbia including capabilities in molecular pathology, cell imaging,

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mass spectrometry, protein production and biophysics as well as a vivarium for the conduct of *in vivo* pharmacology and toxicology research. In addition, an associated clinical trial unit has capability and experience in running Phase 1 thru Phase 3 human clinical trials in the cancer field. The research is led by the Company's president, Mads Daugaard, who is also a professor at UBC. The Company's goal is to advance one or more drug candidates into human clinical trials and obtain marketing approval for new cancer therapeutics from Health Canada, the United States Food and Drug Administration and similar international regulatory agencies.

kt-2000 Series

The kt-2000 series candidates are a patented class of next-generation oral targeted small molecule inhibitors of poly (ADP-ribose) polymerase (PARP). Based on research completed to date, the kt-2000 series lead candidates demonstrate potency comparable to FDA approved PARP-inhibitors and potent anti-cancer activity in preclinical animal models. The lead candidates are being optimized around potential differentiating factors and competitive advantages, including the ability to cross the blood brain barrier in order to treat tumors that have metastasized to, or originate in, the brain. We believe that the established data demonstrates kt-2000 series drug candidates have the potential to improve treatment outcomes and patient quality of life. Research and development activity over the next 12 months will focus on investigation and optimization of multiple lead candidates from the kt-2000 series in *in vivo* models and pilot toxicology and pharmacology studies through research conducted in collaboration with UBC under the terms of the Collaborative Research Agreement.

kt-3000 Series

The kt-3000 Series drug candidates are a patented rationally designed class of small-molecule drug candidates that we believe have the potential overcome treatment resistance by selectively downregulating acquired mechanisms of resistance while enhancing PARP inhibitor activity. Established *in vitro* data demonstrates selective inhibition of multiple targets at similar potency to FDA-approved single-agent therapies. By targeting dual mechanisms in a single molecule, we believe that kt-3000 series drug candidates have the potential to overcome clinical resistance that arises in response to PARP inhibitor treatment. Research and development activity over the next 12 months will evaluate multiple novel drug candidates from the kt-3000 series in *in vitro* to make an early assessment of their commercial potential with the aim to identify one or more potential lead candidates for evaluation in *in vivo* models and pilot toxicology and pharmacology studies. This research will be conducted in collaboration with UBC under the terms of the Collaborative Research Agreement.

kt-4000 Series

The kt-4000 drug candidates are a patented rationally designed class of small-molecule drug candidates that have been engineered to cause targeted DNA-damage to a tumor cell's DNA while simultaneously inhibiting the tumor's DNA damage response. kt-4000 series DDR inhibitors molecular structure includes a potent moiety which to cause targeted breaks in a tumor cell's DNA strands while also inhibiting DNA-damage repair mechanisms leading to cancer cell death. Established *in vitro* data demonstrates both DNA-damaging and DDR-inhibiting functionality. We believe that kt-4000 series drug candidates have the potential to expand the general utility of DDR-inhibitors to treat tumors that have become, or are inherently resistant to DDR-inhibiting therapeutics. During the next 12 months the Company expects to evaluate multiple novel drug candidates from the kt-4000 series in *in vitro* to make an early assessment of their commercial potential with the aim to identify one or more potential lead candidates for evaluation in *in vivo* models and pilot toxicology and pharmacology studies. This research will be conducted in collaboration with UBC under the terms of the Collaborative Research Agreement.

In general, milestones in lead-optimization and drug discovery research include establishing superiority of kt-2000, kt-3000 and kt-4000 series compounds benchmarked against select FDA-approved anti-cancer therapeutics in relevant *in vitro* and *in vivo* models and confirming preclinical safety, biodistribution and pharmacokinetic profiles within acceptable parameters for medicines in the oncology field. The superiority of kt-2000, kt-3000 and kt-4000 series drug candidates may be established based upon improved efficacy in treatment-resistant tumors and tumors of the central nervous system, improved safety or improved pharmacokinetics and biodistribution compared to FDA-approved PARP inhibitors and other FDA-approved cancer therapeutics.

The primary goal of the lead optimization research program will be realized by selecting one or more lead clinical candidates from the kt-2000, kt-3000 and/or kt-4000 series by achieving the following milestones:

1. identification of one or more lead drug candidates that meet the proprietary benchmark target product profile; and
2. demonstration of an acceptable safety, biodistribution and pharmacokinetic profile to support advancement of a lead drug candidate to pivotal toxicology studies and human clinical trials.

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Lead-optimization research conducted in collaboration with UBC will evaluate kt-2000, kt-3000 and kt-4000 series drug candidates against a proprietary benchmark target product profile established to demonstrate potential superiority to FDA-approved products to address significant unmet medical needs in the treatment of cancer. Lead-optimization research conducted in collaboration with UBC will be led by Dr. Mads Daugaard the President and Chief Scientific Officer of the Company. Medicinal chemistry activities will be overseen by Dr. Wang Shen at his laboratories in Shanghai, China and California, USA.

ACHIEVEMENTS & HIGHLIGHTS

The following are the achievements and highlights for the quarter ending September 30, 2021, and through to the date hereof:

- On March 25, 2021, the Company completed its QT in accordance with the policies of the TSX Venture exchange which included a non-brokered private placement financing (the "Financing") for gross proceeds of \$4,565,900.
- During the second quarter of 2021 we hired a dedicated research staff pursuant to the UBC Collaboration Agreement and commenced lead optimization research activities with our product candidates.
- Rakovina Therapeutics researchers are conducting *in vitro* analysis kt-2000, kt-3000, and kt-4000 series compounds in high-throughput assays, benchmarked against FDA-approved cancer therapies. We have also established a cancer cell line repository representing a range DNA-repair proficient and deficient cancers and commenced testing with all compound series.
- We have established a recombinant protein production capacity that will be used to determine compound-target interaction kinetics, as well as detailed structural information on compound-protein complexes to support future investigational new drug (IND) filings.
- We have obtained animal ethics approval to allow for systemic testing of our drug candidates in murine tumor models within our laboratories at the University of British Columbia and have initiated pre-clinical *in vivo* studies with our drug candidates.
- On April 8, 2021 we received notice of allowance for new patent claims covering our kt-2000 series drug candidates in Canada and the European Union and on October 7, 2021 we received notice of allowance for new patent claims covering our kt-2000 series in the United States.
- We have presented pre-clinical research results with our kt-3000 drug candidates peer reviewed scientific meetings including the JCA-AACR Precision Medicine International Conference (Sept 2021); the AACR-NCI-EORTC Virtual International Conference on Molecular Targets and Cancer Therapeutics (Oct. 2021) and the Canadian Cancer Research Alliance (Nov. 2021). These data demonstrate that the kt-3000 series exhibit strong inhibition of both poly (ADP-ribose) polymerase (PARP) and histone deacetylase (HDAC) in a single molecule and that kt-3000 series drug candidates maintain potency against BRCA-wild type cell lines *in vitro* where a benchmark FDA-approved PARP inhibitor exhibits significantly reduced activity.
- On November 16, 2021 we announced that Rakovina Therapeutics had been selected to join a three year US\$975,000 (CDN\$1,297,000) research program funded by the St. Baldrick's Foundation Martha's BEST Grant for All, which is aimed at developing new treatments for Ewing sarcoma, an aggressive bone and soft tissue cancer in children and young adults. We will supply test compounds and support the project with technical personnel. Funding from the St. Baldrick's Foundation will support pre-clinical IND-enabling research conducted at the University of British Columbia over the next 12 months.

SELECTED FINANCIAL INFORMATION

The selected statements of net loss and comprehensive loss data for the periods presented and the selected statement of financial position data as of the dates presented are derived from the unaudited interim condensed consolidated financial statements. The selected historical financial data below should be read in conjunction with the financial statements and related notes and the sections titled "Components of Operations Overview" and "Results of Operations" appearing elsewhere in this report.

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	As at September 30, 2021	As at December 31, 2020
	\$	\$
Statements of financial position data:		
Cash and cash equivalents	3,260,154	7
Working capital	3,485,934	(12)
Intangible assets	5,722,398	-
Total assets	9,397,318	8
Total liabilities	188,986	20
Deficit	(4,769,799)	(13)
Total equity	9,208,332	(12)
	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	\$	\$
Statements of net loss and comprehensive loss data:		
Research and development	509,995	1,028,640
General and administrative	229,281	693,984
Listing costs and transaction fees	-	3,051,607
Finance income	2,836	5,703
Foreign exchange loss	(912)	(1,258)
Net loss and comprehensive loss	(737,352)	(4,769,786)
Basic and diluted loss per share	(0.01)	(0.10)
Weighted average shares outstanding	69,808,000	48,252,608

RESULTS OF OPERATIONS**Research and development expenses**

	Three months ended September 30, 2021	Nine months ended September 30, 2021
	\$	\$
Contract research (Collaborative Research Agreement)	152,250	304,500
Amortization	135,139	277,602
Consulting	91,271	198,422
Share based payments	89,960	179,920
Patent and legal fees	41,385	68,196
	509,995	1,028,640

Working Capital of \$3,485,934 is higher than our cash balance due to prepayment of certain research and development expenses, primarily associated with the UBC Collaboration Agreement. The Company expects that its working capital will enable it to fund its operating requirements for at least the next 12 months.

Contract research per the Collaborative Research Agreement expenses of \$152,250 and \$304,500 for the three and nine months ended September 30, 2021, respectively, relate to the fees paid to the University of British Columbia pursuant to the Company's Collaborative Research Agreement with the University. Fees are paid upfront every six months and commenced upon the closing of the QT transaction in March 2021. The \$152,250 expensed during the quarter resulted in a corresponding reduction to prepaid expenses.

Amortization expense of \$135,139 and \$277,602 for the three and nine months ended September 30, 2021, respectively, relate to the amortization of the intangible asset acquired by the Company concurrent with the QT. The Company is amortizing the value of the acquired patent on a straight-line basis over the patent's remaining useful life of 11 years.

Consulting expense of \$91,271 and \$198,422 for the three and nine months ended September 30, 2021, respectively, relate to services provided by consultants, including management, in relation to the research and development of the Company's three KT programs.

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Share based payments expense of \$89,960 and \$179,920 for the three and nine months ended September 30, 2021, respectively, relate to the recognition of the fair value of stock options granted to officers, directors and advisors that are directly involved with the research and development activities of the Company.

Patent and legal fees expense of \$41,385 and \$68,196 for the three and nine months ended September 30, 2021, respectively, relate to legal fees incurred for the expansion and maintenance of the Company's patents.

General and administrative expenses

	Three months ended September 30, 2021 \$	Nine months ended September 30, 2021 \$
Legal and professional	34,859	242,133
Corporate communications	40,751	146,635
Share based payments	51,425	102,490
Consulting	39,000	81,000
Director fees	43,676	82,566
Rent	10,000	20,000
Other expenses	9,933	19,163
	229,281	693,984

Legal and professional expenses of \$34,859 and \$242,133 for the three and nine months ended September 30, 2021, respectively, relates to legal and accounting fees incurred. Legal and professional fees for the nine months ended September 30, 2021 were higher than what is expected on a pro rata basis due to non-recurring costs related to the QT and listing of the Company's shares, costs associated with the Company's AGM, completion of the Company's Annual Information Form and initial preparations to be qualified to file a short form prospectus under NI 44-101 incurred during the first and second quarter of 2021.

Corporate communications expenses of \$51,425 and \$102,490 for the three and nine months ended September 30, 2021, respectively, relates to ongoing website development and maintenance, social media and news release dissemination, and investor updates and conferences.

Share based payments expense of \$51,245 and \$102,490 for the three and nine months ended September 30, 2021, respectively, relate to the recognition of the fair value of stock options granted to officers, directors and advisors that are not directly involved with the Company's research and development activities.

Consulting expense of \$39,000 and \$81,000 for the three and nine months ended September 30, 2021, respectively, relate to services provided by consultants, including management, for activities other than research and development.

Directors fees expense of \$43,676 and \$82,566 for the three and nine months ended September 30, 2021, respectively, relate to cash compensation paid quarterly to the Company's independent directors.

Listing costs and transaction fees

The company recorded total listing costs of nil and \$3,051,607 for the three and nine months ended September 30, 2021, respectively, related to the QT transaction which closed on March 25, 2021. Total listing costs were calculated as follows:

Consideration comprised of non-cash consideration of:	\$
Fair value of SubCo shares (16,728,500 shares at \$0.20 per share)	3,345,700
Fair value of agent's options assumed	30,304
Total consideration paid	3,376,004
Consideration paid	3,376,004
Less: net assets of Vincero (cash)	(800,000)
Direct listing costs	2,576,004
Transaction costs related to the QT	475,603
Total listing costs and transaction fees	3,051,607

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Transaction costs of \$475,603 relating to professional and consulting fees incurred in connection with the QT were expensed during the six months ended September 30, 2021.

SUMMARY OF QUARTERLY RESULTS

	Sep 30, 2021	June 30, 2021	Mar 31, 2021	Dec 31, 2020 ⁽¹⁾
	\$	\$	\$	\$
Net Loss	(694,290)	(835,062)	(3,197,372)	(13)
Basic and diluted loss per share	(.01)	(.01)	(0.69)	(13)

(1) From the period of incorporation on September 25, 2020 to December 31 2020.

During the three months ended September 30, 2021, the Company reported a net loss of \$694,290. The Company was incorporated on September 25, 2020 for the purpose of structuring the QT transaction with Vincero on March 25, 2021. The Company did not have any operations prior to the completion of the QT, and therefore there is no year-over-year comparable period.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

The Company's capital currently consists of equity and working capital. Its principal source of cash is from the issuance of common shares and warrants. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to further its research and development activities.

The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's capital needs are for funds to support its scientific research and development activities, including staffing, lead compound optimization, administrative costs and for working capital. The Company expects that its existing cash and cash equivalents as of September 30, 2021 will enable it to fund operating requirements for at least the next 12 months. The process of drug development can be costly and the timing and outcomes of research related activities is uncertain. The assumptions upon which we have based our estimates are routinely evaluated and may be subject to change. The actual amount of our expenditures will vary depending upon a number of factors including but not limited to the design, timing and duration of lead optimization studies, the progress of our research and development programs, and the level of financial resources available.

Cash Flows

The following table provides information regarding our cash flows for the nine months ended September 30, 2021:

	September 30, 2021 \$
Cash used in operating activities	(1,859,570)
Cash provided by financing activities	4,319,717
Cash provided by investing activities	800,000
Net increase in cash and cash equivalents	3,260,154

Cash flows from operating activities

Net cash used in operating activities was \$1,859,570 during the nine months ended September 30, 2021. Net cash used in operating activities for the nine months ended September 30, 2021 consisted of a net loss of \$4,769,786 less non-cash adjustments of \$3,136,016 and a decrease in operating assets and liabilities of \$225,800. Non-cash adjustments were related to the non-cash direct listing costs of \$2,576,004 (see "Listing costs and transaction fees"), Amortization of \$277,602 and share based payments of \$282,410.

Total cash operating expenses related to research and development and general and administrative expenses were \$462,942 and \$1,162,612 for the three and nine months ended September 30, 2021, respectively.

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Cash flows from financing activities

Cash provided from financing activities of \$4,319,717 during the nine months ended September 30, 2021 was due to the issuance of common shares pursuant to the Financing for gross proceeds of \$4,565,900 less share issuance costs of \$271,183 and the exercise of 250,000 agent options for proceeds of \$25,000.

Cash flows from investing activities

Cash provided from investing activities of \$800,000 during the nine months ended September 30, 2021 was due to the cash received from Vincero pursuant to the amalgamation.

Contractual Obligations

Pursuant to a Collaborative Research Agreement with the University of British Columbia ("UBC"), the Company has committed to payments as follows:

	<u>\$</u>
March 31, 2022	304,500
September 30, 2022	304,500
March 31, 2023	217,000
September 30, 2023	217,000
	<u>1,347,500</u>

A payment of \$304,500 was made to UBC on September 30, 2021 and will be used to fund lead optimization activities for the Company's research and development programs at UBC between October 1, 2021 and March 31, 2021. \$152,500 of this payment is recorded as a prepaid expense at September 30, 2021 and will be amortized on a straight-line basis into net loss and comprehensive loss between October 1, 2021, and March 31, 2022.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation to, such considerations as liquidity and capital resources that have not previously been disclosed

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company classifies its financial assets into the following specified categories: "amortized cost"; "fair value through other comprehensive income" ("FVTOCI"); and "fair value through profit or loss" ("FVTPL"). Financial liabilities are designated as FVTPL or classified as loans and borrowings measured at amortized cost. Classification depends on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial instruments at initial recognition.

Financial instruments consist of cash and cash equivalents, amounts receivable, trade and other payables and due/to from related party.

Fair values

The Company has classified its financial instrument fair values based on the required three level hierarchies:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The Company records cash and cash equivalents at fair value using level 1 inputs. There were no transfers from levels 1, 2 and 3 during the three and nine months ended September 30, 2021.

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The fair values of cash and cash equivalents, amounts receivable, trade and other payables and due/to from related party approximate the carrying values due to the short-term nature of these instruments. There has been no significant change in the credit risk and concentrations, interest rate risk or liquidity risk since year end.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and cash equivalents and amounts receivable. The Company's cash and cash equivalents consists of funds held in a reputable bank. The amounts receivable is related to GST receivable from the Canada Revenue Agency and accrued interest from a reputable Canadian bank. At September 30, 2021, the Company does not believe it is currently exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves and by closely monitoring forecast and actual cash flows. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company's ability to raise equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations in foreign exchange rates for any cash, amounts receivable, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is primarily related to expenses denominated in United States dollars.

DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, Executive Chairman, President and Chief Scientific Officer, Chief Operating Officer, and Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

As at September 30, 2021, the Company had amounts due to related parties of \$83,153 comprised of board fees, management compensation and reimbursable expenses. Compensation to key management personnel for the reporting period is as follows:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
	\$	\$
Compensation and short-term benefits	127,910	274,318
Board fees	43,676	82,566
Share-based payments	141,205	282,410
	312,791	639,294

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For the three and nine months ended September 30, 2021

For the three and nine months ended September 30, 2021, the Company incurred rent expense of \$10,000 and \$20,000, respectively, to a Director of the Company pursuant to a short-term lease agreement for office space.

All related party transactions, whether monetary or non-monetary, are conducted in the normal course of business and are measured at fair value, which is the consideration established and agreed to by the related parties.

OUTSTANDING SECURITIES

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

	<u>#</u>
Common shares	69,808,000
Warrants	12,733,690
Stock Options	5,651,500
Total	<u>88,193,190</u>

On November 17, 2021 the Company granted an aggregate of 210,000 incentive stock options to its research team at the University of British Columbia pursuant to the LTI plan. The stock options are exercisable at \$0.24 per share for a period of five years and vest over three years in equal 1/6 installments every six months.

Escrow

As at the date of this report 31,163,000 common shares are held in escrow and will be released based on the Company's escrow agreements as follows:

	<u>#</u>
April 1, 2022	5,512,500
October 1, 2022	5,512,500
April 1, 2023	5,512,500
October 1, 2023	5,512,500
April 1, 2024	5,512,500
	<u>31,163,000</u>

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the annual audited consolidated financial statements for the year ended December 31, 2020 and the unaudited consolidated interim condensed financial statements for the three and nine months ended September 30, 2021.

RISKS FACTORS

Investing in our securities involves a high degree of risk. Before deciding to invest in our securities, you should carefully consider the risks described in the Company's Annual Information Form (AIF), together with other information included in or incorporated by reference into this MD&A and filed on SEDAR at www.sedar.com. If any of the following risks materialize, the business, financial condition, results of operation and future prospects of the Company will likely be materially and adversely affected. This could cause actual future events to differ materially from those described in forward-looking statements and may cause the trading price of our securities to decline.