



Management Discussion and Analysis
(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.

Year ended December 31, 2023

BACKGROUND

This Management's Discussion and Analysis ("**MD&A**") of Waverley Pharma Inc. ("**Waverley**" or the "**Company**") is dated April 29, 2024 and provides an analysis of the Company's operations for the year ended December 31, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2023 which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars unless otherwise specified. The audited consolidated financial statements are available on the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com under the Company's profile. As of October 27, 2017, the common shares have been listed on Tier 2 of the TSX Venture Exchange (the "**Exchange**" or the "**TSX-V**") under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements or information (collectively, forward-looking statements). The Company is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: a limited operating history; regulatory risks; substantial capital and liquidity requirements; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; conflicts of interest of management; exposure to potential litigation, and other factors beyond the control of the Company.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement, see the "*Risks and Uncertainties*" section for more information.

Forward looking statements are based on estimates and assumptions made by management in light of their experience of historical trends, current conditions and expected future developments, as well as factors that are believed to be appropriate. Forward looking statements in this MD&A include, but are not limited to, statements relating to:

- the Company's intention to sell and market its oncological products, capecitabine, temozolomide, pemetrexed and bortezomib in the United Kingdom (the "**UK**");
- the timing of and ability to achieve regulatory approval for marketing authorization ("**MA**") of pemetrexed and bortezomib in the United States and its territories (the "**USA**"), and applicable milestones payable to Reliance Life Sciences Private Limited ("**RLS**" or the "**Licensors**");
- the Company's intention to sell and market pemetrexed and bortezomib in the USA and the EU;
- the ability to achieve profitability;
- the Company's ability to establish and maintain relations with collaborators with acceptable development, regulatory and commercialization expertise, and the benefits to be derived from such collaborative efforts;
- the implementation of the Company's business model and strategic plans;
- estimates of the size of the potential markets for capecitabine, temozolomide, pemetrexed and bortezomib;
- expectations regarding market risk, including changes in interest rate and foreign currency movements;
- estimates of expenses, future revenue, capital requirements and availability of future financing;
- the Company's intentions regarding the protection of its intellectual property;
- the Company's intention to identify, negotiate and complete business development transactions (e.g. the sale, purchase or license of pharmaceutical products or services); and
- the Company's business strategy and the expectations that it will not pay dividends for the foreseeable future.

FORWARD-LOOKING INFORMATION (continued)

Inherent in forward-looking statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to predict or control that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such risk factors include, among others, the Company's future product revenues, stage of development, additional capital requirements, risks associated with the completion and timing of clinical trials and obtaining regulatory approval to market the Company's products, the ability to protect its intellectual property, dependence upon collaborative partners, changes in government regulation or regulatory approval processes and rapid technological change in the industry. These factors should be considered carefully and readers are cautioned to not place undue reliance on such forward-looking statements.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the impact of changes between the Canadian dollar and the US dollar, European Euro, British Pound and other foreign exchange rates on the Company's revenues, costs and results;
- the timing of the receipt of regulatory and government approvals for the Company's product development projects;
- the availability of financing for the Company's commercial operations and/or product development projects, or the availability of financing on reasonable terms;
- results of future clinical trials;
- the uncertainties associated with the acceptance and demand for new products;
- government regulation not imposing requirements that significantly increase expenses or that delay or impede the Company's ability to bring new products to market;
- the Company's ability to attract and retain skilled management and employees;
- the Company's ability, amid circumstances and decisions that are out of the Company's control, to maintain adequate supply of product for commercial sale;
- inaccuracies and deficiencies in the scientific understanding of the interaction and effects of pharmaceutical treatments when administered to humans;
- market competition;
- tax benefits and tax rates; and
- the Company's ongoing relations with its employees and with its business partners.

COMPANY OVERVIEW

The Company was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016 and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the Exchange. On October 24, 2017, Buffalo completed a Qualifying Transaction ("**QT**") by entering into a non-arm's length business combination transaction by way of amalgamation (the "**Amalgamation**") with Waverley Pharma Inc. ("**Old Waverley**") pursuant to the CBCA to continue as the Company (the "**Resulting Issuer**").

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. The Company has entered into a license, manufacture, supply, marketing and distribution agreement with RLS or the Licensor by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the UK and Germany as well as a non-exclusive territorial license to market and sell temozolomide and erlotinib in the UK. Additionally, the Company has acquired exclusive territorial licenses from RLS to two oncologic drugs currently under development, pemetrexed and bortezomib in the USA, Canada, and the EU. In addition, the Company has obtained a non-exclusive license to sell both pemetrexed and bortezomib in the UK. These products are marketed in the EU and the UK through the Company's wholly owned Irish subsidiary, Waverley Pharma Europe Limited ("**WPEL**"). The Company's fiscal year end is December 31st.

OVERALL PERFORMANCE

The Company recorded a net loss of \$2,224,048 (\$0.04 loss per Common Share) for the year ended December 31, 2023 compared to a net loss of \$664,076 (\$0.01 loss per Common Share) during the year ended December 31, 2022. Factors contributing to the increased net loss of \$1,559,972 during the year ended December 31, 2023, compared to the prior year included:

- Net revenue decreased by \$834,742 during the year ended December 31, 2023 in comparison to the prior year. The decrease in net revenue can be attributable to increased pricing pressures for the Company's products, resulting in the Company selling less products during the current year. Product sales are based on tenders won from the UK National Health Service ("NHS"). The Company elected to terminate its contract with the NHS subsequent to December 31, 2023, as the contract was no longer commercially viable.
- Research and development expenses increased by \$152,922 during the current year in comparison to the prior year. The increase in the current year is attributable to the Company incurring a full year of Generic Drug User Fee Amendments ("GDUFA") fees on the approvals of licensing fees in the current year, related to the approval of pemetrexed and bortezomib in the US market, in addition to the Company applying a prospective change to the amortization of its pemetrexed intangible assets. For more information regarding the increase in research and development expenses, see the *Research and Development* section below.
- The Company recorded other income related to recovery of importation value added tax ("VAT"). During the year ended December 31, 2023, the Company recovered \$48,952 of previous expensed importation VAT. During the prior year, the Company was able to recover \$297,989. As at December 31, 2023, there is no additional VAT to recover which was previously expensed. The Company had previously expensed its importation VAT due to its inability to reclaim the amount from HM Revenue & Customs ("HMRC"). Upon appeal to the HMRC, the Company was able to apply the previously expensed VAT towards its outstanding VAT liability, resulting in a gain through other income on the consolidated statement of net loss and comprehensive loss during the years ended December 31, 2023 and December 31, 2022.
- The Company recorded an impairment on its intangible assets in the amount \$942,623 during the year ended December 31, 2023. The impairment related to the intangible licenses of pemetrexed and bortezomib for the UK, EU and the United States. The licenses are recorded at their fair value, less cost to sell and are classified as held for sale as at December 31, 2023.
- Finance expense increased by \$60,015 during the year ended December 31, 2023 in comparison to the prior year. The increase in finance expense during the current year is primarily the result of the Company incurring additional interest expense on its bank indebtedness during the current year.

Offset by:

- Cost of goods sold decreased by \$630,754 during the current year in comparison to the prior year, as a result of the Company obtaining better manufacturing pricing on its products, in addition to a decrease in volume of product sold during the current year.
- Selling, general and administrative expenses during the current year decreased during the current year in comparison to prior years, as the fees charged to the Company for commissions decreased in the current year, consistent with the decrease in revenue noted. Offsetting the increase in the current year was an increase in warehousing and administrative fee expenses.
- The Company recorded a loss recovery under the profit share arrangement during the current year. The loss recovery relates to the profit/loss share arrangement with the Licensor which was not recorded during the prior year due to delays caused in completing the assessment. For more information, see the *Contractual Obligations* section below.
- Foreign exchange loss decreased in the current year by \$8,704 in comparison to the prior year. The decrease in foreign exchange loss relates to favorable currency exchange rates between the Canadian dollar and the British pound.

OVERALL PERFORMANCE (continued)

The following table provides an overview of the financial results for the year ended December 31, 2023 compared to the year ended December 31, 2022:

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|--|-----------------------|---------------------|-----------------------|
| Revenue | \$ 412,090 | \$ 1,246,832 | \$ (834,742) |
| Cost of goods sold | (332,289) | (963,043) | 630,754 |
| Selling, general and administration | (1,128,059) | (1,138,278) | 10,219 |
| Research and development | (234,578) | (81,656) | (152,922) |
| Loss recovery under profit sharing arrangement | 29,690 | - | 29,690 |
| Recovery of importation value added tax | 48,952 | 297,989 | (249,037) |
| Impairment of intangible assets | (942,623) | - | (942,623) |
| Finance expense, net | (76,653) | (16,638) | (60,015) |
| Foreign exchange loss | (578) | (9,282) | 8,704 |
| Net loss | \$ (2,224,048) | \$ (664,076) | \$ (1,559,972) |
| Translation adjustment | (3,769) | (34,006) | 30,237 |
| Net loss and comprehensive loss | \$ (2,227,817) | \$ (698,082) | \$ (1,529,735) |

REVENUE FROM CONTRACTS WITH CUSTOMERS

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|---------------------------------------|-------------------|---------------------|---------------------|
| capecitabine | \$ 99,143 | \$ 826,209 | \$ (727,066) |
| temozolomide | 198,695 | 86,582 | 112,113 |
| pemetrexed | 114,252 | 334,041 | (219,789) |
| Total, net revenue | \$ 412,090 | \$ 1,246,832 | \$ (834,742) |

Revenue from contracts with customers for the year ended December 31, 2023 totaled \$412,090 compared to \$1,246,832 for the year ended December 31, 2022.

The Company currently sells capecitabine, temozolomide and pemetrexed through its third-party distributor to hospitals affiliated with the NHS through tenders awarded by different NHS regions. During the fourth quarter of 2023, the Company elected to terminate its current contract with the NHS as the contract was no longer commercially viable.

COST OF GOODS SOLD

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|---------------------------------------|-------------------|-------------------|---------------------|
| capecitabine | \$ 124,383 | \$ 707,170 | \$ (582,787) |
| temozolomide | 65,584 | 63,787 | 1,797 |
| pemetrexed | 142,322 | 192,086 | (49,764) |
| Total, cost of goods sold | \$ 332,289 | \$ 963,043 | \$ (630,754) |

Cost of goods sold for the year ended December 31, 2023 totaled \$332,289 compared to \$963,043 for the year ended December 31, 2022. Cost of goods sold in the current year consisted of \$266,157 product sold to customers and a \$66,132 inventory write-down, relating to inventory which is not expected to be sold prior to expiration. Cost of goods sold in the prior year consisted only of \$963,043 of product sold to customers.

SELLING, GENERAL AND ADMINISTRATION

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|---|---------------------|---------------------|--------------------|
| Administrative and other | \$ 267,001 | \$ 413,067 | \$ (146,066) |
| Professional and consulting fees | 204,888 | 217,919 | (13,031) |
| Salaries, wages & benefits | 193,127 | 222,993 | (29,866) |
| Other asset amortization | 104,379 | 104,379 | - |
| Intangible asset amortization | 321,905 | 90,812 | 231,093 |
| Selling expenses | 36,759 | 89,108 | (52,349) |
| Total, selling, general and administration | \$ 1,128,059 | \$ 1,138,278 | \$ (10,219) |

Selling, general and administrative costs during the year ended December 31, 2023 were \$1,128,059 compared to \$1,138,278 during the year ended December 31, 2022, a decrease of \$10,219. Significant differences during the year ended December 31, 2023 compared to the year ended December 31, 2022 are as follows:

- Administrative and other expenses decreased by \$146,066. These expenses include administrative expenses, office expenses, travel expenditures, rental costs and failure to supply penalties. The decrease during the current year was a result of cost-saving measures implemented by the Company during the current year.
- Professional fees decreased by \$13,031 during the year ended December 31, 2023, in comparison to the prior year. The Company incurred additional professional fees in the prior year in relation to the Company's anticipated approval of pemetrexed and bortezomib for the US market.
- Salaries & benefits decreased during the year ended December 31, 2023, in comparison to the prior year. The decrease in salaries & benefits during the current year is a result of the Company incurring less contract employee expenses to complete regulatory filings on behalf of the Company in comparison to the same period in the prior year.
- Intangible asset amortization increased during the year ended December 31, 2023, in comparison to the prior year. The increase is the result of the Company applying a prospective change to the amortization period of its pemetrexed intangible asset during the fourth quarter of 2022. The initial amortization period pertaining to the pemetrexed intangible assets was 10 years subsequent to the prospective change, the amortization period of the asset became 5 years. The change was applied due to increased competition within the EU, and US marketplaces. The remaining useful life of the pemetrexed license is 3.75 years as at December 31, 2023. The Company also obtained final approval of bortezomib during the fourth quarter of 2022, and as a result, commenced the amortization of its bortezomib intangible asset. In addition, the Company recorded an impairment loss on its intangible assets during the current year. For more information, see the Other Income(Expense) section below.
- Selling expense decreased by \$52,349 during the year ended December 31, 2023. The decrease in selling expenses is due to a decrease in the volume of products sold during the current year, offset by inflationary increases charged by the Company's third party logistics provider.

RESEARCH AND DEVELOPMENT

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|--|-------------------|------------------|-------------------|
| Licensing fees | \$ 234,578 | \$ 81,656 | \$ 152,922 |
| Total, research and development | \$ 234,578 | \$ 81,656 | \$ 152,922 |

Research and development costs for the year ended December 31, 2023, were \$234,578 compared to \$81,656 during the year ended December 31, 2022. The increase in research and development expenses in the current year relates to annual GDUFA fees paid to the FDA relating to the approvals of pemetrexed and bortezomib.

OTHER (EXPENSE) INCOME

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|---|---------------------|------------|----------------|
| Recovery under profit share arrangement | \$ 29,690 | \$ - | \$ 29,690 |
| Recovery of importation value added tax | 48,952 | 297,989 | (249,037) |
| Impairment of intangible assets | (942,623) | - | (942,623) |
| Total, Other income (expense) | \$ (863,981) | \$ 297,989 | \$ (1,161,970) |

The Company recorded an other expense during the current year of \$863,981, in comparison to other income of \$297,989. The increase expense in the current year is the result of the Company recording an impairment loss on its intangible assets relating to the licenses of pemetrexed and bortezomib for the UK, EU and the United States. The Company has recorded these intangible assets at their fair value less cost to sell, and the intangible assets have been classified as held for sale as at December 31, 2023. Offsetting the impairment loss is a \$29,690 recovery under the profit share arrangement, and a recovery of importation value added tax. For more information regarding the other income recognized under the profit share arrangement and the recovery of importation value added tax, see the *Contractual Obligations* section below. During the year-ended December 31, 2022, the Company recorded a recovery of importation value added tax through other income on the consolidated statement of net loss and comprehensive loss, for more information regarding this, please see the *Contractual Obligations* section below.

FINANCE EXPENSE

| <i>For the year ended December 31</i> | 2023 | 2022 | Change |
|---------------------------------------|------------------|-----------|-----------|
| Total, Finance Expense (net) | \$ 76,653 | \$ 16,638 | \$ 60,015 |

Finance expense during the year ended December 31, 2023 was \$76,653, in comparison to \$16,638 for the year ended December 31, 2022. The increase in finance expense during the current year is the result of increased interest paid on the Company's bank indebtedness during the current year. For more information regarding the Company's bank indebtedness, see the *Transactions with Related Parties* section below.

DISCUSSION OF OPERATIONS

On November 22, 2023, the Company announced that Larry Thiessen has been appointed to the Company's Board of Directors. Mr. Thiessen replaces Hellen Siwanowicz, who has resigned from her board position. Mr. Thiessen is the current Chief Executive Officer of the Company and has extensive pharmaceutical experience having previously worked for Bausch Health Companies Inc. (formerly Biovail Corporation), for more than 25 years, working his way up from manager to site director of the manufacturing operation in Steinbach, Manitoba. He led a team of roughly 400 employees and provided overall leadership and strategic direction at the operation. Mr. Thiessen has a Bachelor of Science in Biology and an Executive M.B.A. from Athabasca University in Edmonton, Alberta.

On August 2, 2023, the Company provided a general update on its generic pharmaceutical business. The business opportunity Waverley Pharma envisioned of expanding its focus beyond the development of novel oncology drugs, to marketing recently off patent generic oncology drugs with significant brand sales, like bortezomib and pemetrexed, has not materialized as planned. The main reason has been the unprecedented discount in pricing relative to brand that is now occurring in the generic industry as soon as a brand comes off patent. This price erosion is a direct result of the significant increase of aggressive generic companies entering the market early on. Both pemetrexed and bortezomib had over 15 early generic entrants, as indicated in the FDA Orange Book Database, and the competition has been fierce, with prices dropping to as little as 5% of brand. Waverley Pharma has been awarded a few tenders in the United Kingdom, but the prices are so low that it is next to impossible to make a profit. Based on the current generic business environment as outlined above, Waverley Pharma is shifting focus back to the development of novel drugs, like the existing PARP-1 inhibitor project.

DISCUSSION OF OPERATIONS (continued)

On March 20, 2023, the Company provided a general update on its current operations. Currently, Waverley Pharma has four generic products approved for sale in the United Kingdom and two generic products, pemetrexed and bortezomib, approved for sale in other parts of Europe and the United States. Similar to the situation in Europe, Waverley Pharma is experiencing significant price erosion on these products in the US due to fierce generic competition. The Company has won some contracts for its products in the United Kingdom, but in order to do so has had to be extremely aggressive with pricing resulting in very thin margins in an era of rising costs. Facing these realities in both the United States and Europe, Waverley Pharma is evaluating the best strategy for these products going forward. At the same time, the PARP-1 inhibitor program is showing promising early results and the Company is committing additional resources to this program in order to attract a development partner or buyer for its lead compound.

On January 11, 2023, the Company provided updates on its PARP-1 inhibitor program. Based on growing interest in new PARP-1 inhibitors with selective activity against PARP-1 over PARP-2, the Company has renewed its focus on completing its PARP-1 pre-clinical development program, which is at the lead optimization stage. The current lead compound has single digit nanomolar activity and significant selectivity to PARP-1 over PARP-2.

It is postulated that the effect of chemotherapy and radiation therapy is dampened by DNA repair enzymes 1 Poly (ADP-Ribose) Polymerase-1 (PARP-1) which belongs to the PARP family of enzymes and is involved in the detection and repair of DNA damage. PARP-1 inhibitors are a class of anti-cancer agents targeting DNA repair mechanism. The inhibition of PARP-1 is of clinical importance in various types of cancer. PARP-1 inhibitors have shown great potential to target high-grade ovarian cancers and triple-negative breast cancers which are resistant to current treatment. PARP-1 inhibitors can be used as a monotherapy to selectively kill cancer cells and in combination with other therapies.

On August 05, 2021, the Company entered into an agreement with its primary financial institution, pursuant to which the financial institution provided the Company with a credit facility with maximum aggregate proceeds of \$3,000,000. The collateral necessary to secure the credit facility was provided by a director of the Company. To compensate the director for providing the collateral for the credit facility, the Company granted the director 10,000,000 warrants. Each warrant entitles the holder to purchase one (1) common share of the Company and is exercisable within five years of the date of grant at an exercise price of \$0.11 per common share.

PRODUCT DEVELOPMENT

The Company's initial research project was the development of a novel PARP-1 inhibitor for cancer treatment. As announced on January 11, 2023, based on growing interest in new PARP-1 inhibitors with selective activity against PARP-1 over PARP-2, the Company has renewed its focus on completing its PARP-1 pre-clinical development program, which is at the lead optimization stage. The current lead compound has single digit nanomolar activity and significant selectivity to PARP-1 over PARP-2.

Although the Company's primary focus has shifted back to the PARP-1 program, a secondary focus of the Company continues to be the generic oncology injectable market in the EU, UK and North America.

The Company commenced filing applications in certain member states of the EU in late 2017 and has continued to file and incur related costs through November 24, 2021, for its tentatively approved generic oncology product, bortezomib. The Company's other generic oncology product, pemetrexed, has completed development, and as of June 15, 2021, the Company began commercializing the product within the UK.

On November 12, 2020, the Company announced that it had obtained tentative approval of its US Abbreviated New Drug Application ("**ANDA**") for pemetrexed, the generic product which was previously referred to as WAV-101. The tentative ANDA approval indicates that the technical requirements for approval have been met but approval cannot be made effective or begin marketing until the patent on the reference listed drug has expired. On May 25, 2022, the Company obtained final approval for the product from the FDA. Similarly, the Company obtained tentative approval of its ANDA for bortezomib on May 21, 2021. On October 11, 2022, the Company obtained final approval of its ANDA for bortezomib.

Increasing incidences of cancer, patent expiry of a number of blockbuster oncology drugs and the high cost of cancer treatment, has led to a robust growth in the market for generic oncology drugs. In addition to their strong growth, these drugs also enjoy high product differentiation and entry barriers.

PRODUCT DEVELOPMENT (continued)

Pemetrexed: is an injectable generic chemotherapy drug, developed for the treatment of non-small cell lung cancer and pleural mesothelioma. Regulatory filings have been made in the USA, the EU and the UK, and the Company is currently seeking a sales and marketing partner for the EU.

Bortezomib: is also an injectable generic chemotherapy drug, developed for the treatment of multiple myeloma and mantle cell lymphoma. Regulatory filings have been made in the USA, the EU and the UK, and the Company is currently seeking a sales and marketing partner for the EU.

In addition to its presence in Canada, Waverley has wholly owned subsidiary in Ireland to help the Company navigate the regulatory process and realize the commercial potential of Waverley's innovative products in the marketplace.

During the year ended December 31, 2023, the Company elected to terminate its contract with the NHS as the contract was no longer commercially viable to continue. In addition, the Company has also classified the intangible assets related to pemetrexed and bortezomib as held for sale and has valued said assets at their fair value less cost to sell.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated financial information for the periods indicated. Other selected financial information provided below is derived from the Company's audited financial statements for the years ended December 31, 2023, 2022 and 2021. These historic results may not be indicative of the Company's future performance.

| <i>For the year ended December 31</i> | 2023 | | 2022 | | 2021 | |
|---|-------------|-------------|------|-----------|------|-----------|
| Revenue | \$ | 412,090 | \$ | 1,246,832 | \$ | 1,752,848 |
| Net loss | | (2,224,048) | | (664,076) | | (796,507) |
| Total assets | | 952,293 | | 2,687,349 | | 3,684,030 |
| Total non-current financial liabilities | | - | | - | | - |

Variations in the Company's net losses and expenses for the periods above resulted primarily from the following factors:

- **Revenue:** The Company's revenue decreased during the current year in comparison to prior years due to increased competition in commercial tenders awarded through different NHS regions. As a result, the Company has elected to terminate its contract with the NHS as they are no longer commercially viable.
- **Net loss:** The Company's net loss increased during the current year in comparison to prior years primarily as a result of an impairment loss of \$942,623 recorded on the Company's intangible assets. For more information regarding the changes in the Company's financial performance, see the *Overall Performance* section above.
- **Total assets:** Total assets decreased in the current year compared to 2022 and 2021 as the Company continues to experience losses resulting in an overall decrease of available assets. The Company also applied a prospective change to the amortization of pemetrexed during the prior year, in addition to starting the amortization on the intangible assets associated with bortezomib. Lastly, as indicated above, the Company recorded an impairment loss of \$943,623 on the Company's intangible assets. For more information regarding these changes, see the *Overall Performance* section above.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited consolidated financial information for the periods indicated. The financial information provided below is derived from the Company's unaudited quarterly condensed consolidated interim financial statements in the 2023 and 2022 year ends for each of the last eight quarters. These historic results may not be indicative of the Company's future performance.

| | Three months ended | | | |
|---|--------------------|--------------------|---------------|----------------|
| | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
| Revenue | \$ 48,725 | \$ 96,086 | \$ 148,593 | \$ 118,686 |
| Cost of goods sold | (97,542) | (71,444) | (46,434) | (116,869) |
| Selling, general and administration | (337,512) | (245,853) | (271,688) | (273,006) |
| Research and development | (63,877) | (60,133) | (56,401) | (54,167) |
| Recovery under profit sharing arrangement | 29,690 | - | - | - |
| Recovery of value added tax | 48,952 | - | - | - |
| Impairment loss on intangible assets | (942,623) | - | - | - |
| Finance expense, net | (29,115) | (20,447) | (15,374) | (11,717) |
| Foreign exchange gain (loss) | 9,730 | (8,170) | 347 | (2,485) |
| Net loss | \$ (1,333,572) | \$ (309,961) | \$ (240,957) | \$ (339,558) |
| Other comprehensive income (loss) | 4,538 | - | (3,973) | (4,334) |
| Basic loss per share | (0.02) | (0.01) | (0.00) | (0.01) |
| Diluted loss per share | (0.02) | (0.01) | (0.00) | (0.01) |

| | Three Months Ended | | | |
|---|--------------------|--------------------|---------------|----------------|
| | December 31, 2022 | September 30, 2022 | June 30, 2022 | March 31, 2022 |
| Revenue | \$ 179,244 | \$ 341,927 | \$ 421,754 | \$ 303,907 |
| Cost of goods sold | (146,426) | (213,619) | (355,383) | (247,615) |
| Selling, general and administration | (223,167) | (404,777) | (207,642) | (211,880) |
| Research and development | (125,598) | (14,999) | (15,838) | (16,034) |
| Recovery under profit sharing arrangement | - | - | - | - |
| Recovery of value added tax | 63,327 | 234,662 | - | - |
| Finance income, net | (9,852) | (3,964) | (1,244) | (1,578) |
| Foreign exchange gain (loss) | 55,140 | (60,942) | 134,310 | (137,790) |
| Net loss | \$ (207,332) | \$ (121,712) | \$ (24,043) | \$ (310,990) |
| Other comprehensive income (loss) | (117,445) | (24,806) | (8,858) | 117,103 |
| Basic loss per share | (0.00) | (0.00) | (0.00) | (0.01) |
| Diluted loss per share | (0.00) | (0.00) | (0.00) | (0.01) |

SUMMARY OF QUARTERLY RESULTS (continued)

Variations in the Company's net losses, revenues and expenses for the periods above resulted primarily from the following factors:

- **Revenue:** The decrease in revenue in the current quarter in comparison to the same period in the prior year is the result of additional pricing pressures, resulting in decreased selling prices on the Company's current product portfolio. In addition, during the year-ended December 31, 2023, the Company elected to terminate its contracts with the NHS as they are no longer commercially viable.
- **Selling, general and administrative:** Selling, general and administrative costs relate to administrative expenses, professional and consulting fees, and amortization on the Company's other asset and intangible assets. In addition, regulatory fees are included within selling, general and administrative expenses, which vary quarter over quarter based on the timing of variation filings. For additional commentary on the changes within selling, general and administrative expenses, see the *Selling, General and Administrative* section above.
- **Research and development:** The Company continues to develop additional products under its drug development programs, resulting in expenses relating to the filing of drug formulation dossiers. The timing of expenses of this nature fluctuates and are expensed as incurred. The Company is also required to pay an annual GDUFA fee to the FDA, which is amortized over the year through research and development expenses. For more information regarding the nature of the expenses included with research and development, see the *Research and Development* section above.
- **Other income (expense):** During the year ended December 31, 2023, the Company incurred other income relating to recovery under the profit share arrangement, in addition to a recovery of importation VAT. In addition, the Company also recorded an other expense relating to the impairment of intangible assets. For more information regarding the nature of the items included within other income (expense), see the *Other income (expense)* section above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. The consolidated financial statements do not include any adjustments to assets or liabilities should the Company be unable to continue in existence.

Sources and Uses of Cash

The following is a summary of cash flows from the years ended December 31, 2023 and 2022:

| For the year ended December 31 | 2023 | 2022 |
|--|--------------------|--------------------|
| Cash used in operating activities | \$ (1,021,115) | \$ (237,063) |
| Cash flows from financing activities | 940,333 | 439,370 |
| Cash flows used in investing activities | - | (226,625) |
| Net decrease in cash and cash equivalents | \$ (80,782) | \$ (24,318) |

LIQUIDITY AND CAPITAL RESOURCES (continued)

Sources and Uses of Cash (continued)

Cash used in operating activities for the year ended December 31, 2023 was \$1,021,115 compared to \$237,063 for the year ended December 31, 2022, an increase of \$784,052. Cash used in operating for the year ended December 31, 2023 was the result of a net loss incurred by the Company of \$2,224,028, an adjustment for other income related to the recovery under profit sharing arrangement of \$29,690, the recovery of importation VAT of \$48,952, and working capital adjustments for a decrease in accounts payable and accrued liabilities of \$249,129; offset by an adjustment for the impairment loss recorded on intangible assets of \$942,623, an adjustment for an inventory write-down on unsaleable inventory of \$66,132 an adjustment for amortization of intangible assets of \$321,905, an adjustment for amortization of the other asset of \$104,379, and working capital adjustments for a decrease in accounts receivable of \$55,201, decrease in prepaid expenses of \$18,923 and a decrease in inventory of \$60,889.

Cash used in operating for the year ended December 31, 2022 was the result of a net loss incurred by the Company of \$664,076, an adjustment for other income pertaining to the recovery of importation VAT of \$297,989, an adjustment for amortization of intangible assets of \$107,725, an adjustment for amortization of the other asset of \$104,379 and working capital adjustments for an decrease in accounts receivable of \$275,382 and a decrease in inventory of \$293,096; offset by a decrease in accounts payable of \$28,872, an increase in prepaid expenses of \$28,861 and interest paid of \$14,485.

Cash flows from financing activities for the year ended December 31, 2023 was \$940,333 compared to \$439,370 cash used in financing activities for the year ended December 31, 2022, an increase of \$500,963. Cash flows from financing activities during the year-ended December 31, 2023 and December 31, 2022 were the result of the Company drawing on its line of credit.

The Company did not use any cash flows in investing activities during the year ended December 31, 2023. Cash flows used in investing activities during the year ended December 31, 2022 were \$226,625, and related to payments made on its license fee payable to its Licensor.

Funding Requirements

The Company has not been profitable through December 31, 2023, and as a result, it has financed its operating expenditures and capital costs. Operational activities during the year ended December 31, 2023 were financed by the line of credit obtained by the Company from its primary financial institution.

The Company will consider investments through public or private financings. The Company's development programs are modular and can be scaled to accommodate the Company's financing strategy and timing.

Working Capital

The Company had working capital of (\$1,672,303) at December 31, 2023, compared to working capital of (\$963,747) at December 31, 2022. The decrease in working capital was a result of a decrease in cash of \$80,782, decrease in accounts receivable of \$55,201, decrease in inventory of \$60,889, decrease in prepaid expenses of \$18,923, an increase in bank indebtedness of \$940,333, offset by a decrease in accounts payable of \$249,541, a decrease in license fee payable of \$158,031, and a decrease in loan payable of \$40,000.

LIQUIDITY RISK

The Company manages liquidity risk through maintaining sufficient cash to finance its operations and seeking financing from existing shareholders and outside investors as required. The Company may have a working capital deficiency in the next twelve months if it is unable to raise enough cash to finance its planned business operations. If the Company does have a working capital deficiency, it may not be able to pay continuing obligations as they become due such as the commitments listed in "Contractual Obligations" below. The Company intends to satisfy its continuing operating expenditures through existing cash on hand and through future equity offerings. Using the proceeds from future equity offerings, the Company will work toward the commercialization of current and future generic drugs in which it holds a license and may acquire additional products or licenses or fund additional developments internally. If financing is not available on reasonable terms as a result of external factors, such as disruptions in the capital markets, the Company's liquidity may be affected.

CONTRACTUAL OBLIGATIONS

June 7, 2018 Agreement

On June 7, 2018, the Company entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the UK and Germany and non-exclusive territorial license to market and sell temozolomide in the UK. Additionally, the Company has assumed the obligations associated with binding contracts held by the Licensor for the supply of these products to the UK NHS. All inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

In connection with the signing of the June 7, 2018 agreement, the Company entered into a profit and/or loss sharing arrangement resulting in a portion of the net profits, after a margin deduction to the Company on the sales of capecitabine and temozolomide, to be paid to RLS. During the year ended December 31, 2023, the Company recorded a recovery of \$29,690 pertaining to the profit and/or loss sharing arrangement. The recovered amount was applied against any outstanding royalty payable associated with the August 30, 2017 agreement, discussed below. During the year ended December 31, 2022, the Company did not record any amounts pertaining to the profit and/or loss sharing arrangement due to delays in the completion of the assessment.

August 30, 2017 agreement

On August 30, 2017, the Company entered into a license, manufacture and supply agreement with RLS (the “**2017 Agreement**”) whereby it acquired exclusive licenses to sell and market two generic cancer drugs, pemetrexed and bortezomib from RLS, in the USA, Canada and Europe (excluding the UK where a non-exclusive license was acquired). An up-front payment of US \$20,000 was made upon signing of the term sheet on July 5, 2017 and a US \$180,000 payment was made upon signing of the 2017 Agreement. Additional payments of US \$1,200,000 are payable upon certain development and approval based milestones being met and as at December 31, 2023, there are no amounts recorded as license fee payable pertaining to the 2017 Agreement (2022 - \$158,301). Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. During the year-ended December 31, 2023, the Company recorded a royalty expense of \$5,812 (2022 – \$24,464) in relation to sales of pemetrexed within the UK. This amount is recorded within cost of goods sold in the consolidated statement of net loss and comprehensive loss. At December 31, 2023, nil (2022 – \$39,850) is recorded as royalties payable within accounts payable and accrued liabilities on the consolidated statement of financial position. The Company has not started the commercialization of bortezomib as at December 31, 2023, therefore, the Company has not accrued for or expensed any royalties pertaining to bortezomib as at December 31, 2023. The term of the 2017 Agreement is a period of ten (10) years, which begins when regulatory approval is obtained in the USA.

Subsequent to the year ended December 31, 2023, the Company entered into an amendment to the 2017 Agreement with RLS whereby Waverley Pharma agreed to transfer the ownership of the US ANDAs for both pemetrexed and bortezomib back to RLS in exchange for consideration of \$264,520. As a result, the Company has classified said assets as held-for-sale as at December 31, 2023.

Importation Value Added Tax Contingency

On October 7, 2020, the Company was made aware that the importation VAT its wholesaler had paid on its behalf from October 2018 to September 2019 had been rejected by HMRC. As a result of the rejection, the Company was required to expense the VAT on import of its product into the UK from October 2020 until May 2021. During the year ended December 31, 2023, the Company was able to apply the previously expensed VAT on import towards its outstanding VAT liability, resulting in the Company recording a recovery of \$48,952 during the current year (2022 – \$297,989). The recovery of importation VAT previously expensed has been included in other income on the consolidated statement of net loss and comprehensive loss. As at December 31, 2023, all previously expensed VAT has been recovered from HMRC.

Commitments

As at December 31, 2023, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed. The Company, through its subsidiary WPEL, has committed to an office space lease at a rate of €1,251 (CAD \$1,830) per month for a term ending October 31, 2024. All commitments are current and expected to be settled within one year, of December 31, 2023.

OUTSTANDING SHARE CAPITAL

As of April 29, 2024, 54,000,000 Common Shares were issued and outstanding. Other outstanding securities convertible into Common Shares are summarized in the following table:

| | Number of Common Shares, Options and Warrants Outstanding as of April 29, 2024 | Number of Options and Warrants exercisable into Common Shares as of April 29, 2024 | Number of Common Shares, Options and Warrants Outstanding as of December 31, 2023 |
|--|--|--|---|
| Common shares issued and outstanding ⁽¹⁾⁽²⁾ | 54,000,000 | - | 54,000,000 |
| Options ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁰⁾⁽¹²⁾ | 750,000 | 750,000 | 1,075,000 |
| Warrants ⁽¹¹⁾ | 10,000,000 | 10,000,000 | 10,000,000 |

Notes:

- (1) On October 24, 2017, pursuant to the Amalgamation, 14,000,000 Buffalo Shares converted into 14,000,000 Resulting Issuer Shares at the Buffalo Exchange Ratio at a deemed price of \$0.50 per Resulting Issuer Share.
- (2) On October 24, 2017, pursuant to the Amalgamation, 100 Old Waverley Shares converted into 40,000,000 Resulting Issuer Shares at the Waverley Exchange Ratio at a deemed price of \$0.50 per Resulting Issuer Share.
- (3) On October 24, 2017, pursuant to the Amalgamation, 300,000 Buffalo options to purchase one (1) Buffalo Share were converted into Resulting Issuer options at a 1:1 exchange ratio entitling the holder to purchase one (1) Resulting Issuer Share per Resulting Issuer option at an exercise price of \$0.20 per Resulting Issuer Share.
- (4) On October 24, 2017, the Company granted 1,000,000 options to certain directors and a consultant of the Company with each option entitling the holder to purchase one (1) Resulting Issuer Share at an exercise price of \$0.50 per Resulting Issuer Share and expiring October 24, 2027.
- (5) On August 1, 2018 the Company granted 400,000 options to certain directors and an officer of the Company and its subsidiaries with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.26 per common share and expiring August 1, 2023.
- (6) On December 1, 2018, the Company granted 50,000 options to an employee of the Company with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.285 per common share and expiring December 1, 2023.
- (7) On February 1, 2020, the Company granted 250,000 options to certain directors and officers of the Company with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.10 per common share and expiring February 1, 2025.
- (8) On March 2, 2020, the Company granted 25,000 options to an employee of the Company, with each option entitling the holder to purchase one (1) common share of the Company at an exercise price of \$0.10 per common share and expiring March 2, 2025.
- (9) During the year-ended December 31, 2020, 765,000 previously granted options were forfeited/expired as a result of certain officers and directors of the Company and its subsidiaries leaving their position and not exercising their options in the time frame stated within the stock option plan.
- (10) During the period ended June 30, 2021, 110,000 previously granted options were forfeited/expired because certain directors and consultants of the Company and its subsidiaries ceased to be involved with the Company and did not exercise their options in the time frame stated within the stock option plan.
- (11) On August 5, 2021, the Company announced that it had obtained a \$3,000,000 credit facility through its primary financial institution. The necessary collateral for the credit facility was provided by a related party to the Company. To compensate the related party for providing the necessary collateral for the credit facility, the Company elected to issue 10,000,000 stock warrants, each convertible into one (1) common share. The exercise price of each stock warrant is \$0.11, and each stock warrant has a contractual life of five years from the date of issuance.
- (12) Subsequent to December 31, 2023, 325,000 previously granted options were forfeited/expired because certain directors of the Company ceased to be involved with the Company and did not exercise their options in the time frame stated within the stock option plan.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”) of the Company are considered to be key management personnel. The CEO of the Company is a consultant through a consulting agreement which was signed on February 1, 2020.

The following table details the compensation paid to key management personnel:

| For the year ended December 31 | 2023 | | 2022 | |
|--|------|--------|------|---------|
| Salaries, fees and short-term benefits | \$ | 88,500 | \$ | 130,708 |
| | \$ | 88,500 | \$ | 130,708 |

Directors and key management personnel control 75% of the voting shares of the Company as at December 31, 2023 (2022 - 75%).

During the year ended December 31, 2023, the Company paid GVI Clinical Development Solutions Inc. (“**GVI CDS**”) a company controlled by a director of the Company, a total of \$1,375 (2022- \$6,745) for business administration services, and \$72,435 (2022 – \$98,004) for regulatory affairs consulting.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2023, included in accounts payable and accrued liabilities is \$36,803 (2022 – \$3,163) payable to GVI CDS. All amounts owed to related parties are unsecured, payable on demand and non-interest bearing.

Effective June 1, 2022, the Company amended its agreement with its CFO through 10055098 Manitoba Ltd., amending the monthly rate from \$9,167 to \$6,750. The aforementioned fee shall be reviewed annually on January 1. The Company can terminate the agreement with 30 days written notice, otherwise the agreement has an indefinite term.

Effective October 1, 2022, the Company amended its agreement with its CFO through 10055098 Manitoba Ltd., amending the monthly rate from \$6,750 to an annual rate of \$43,500 per year. The aforementioned fee shall be reviewed annually on January 1. The Company can terminate the agreement with 30 days written notice, otherwise the agreement has an indefinite term. As of December 31, 2023, there are no amounts payable to 10055098 Manitoba Ltd as a result of this agreement (2022 - \$12,505).

On August 05, 2021, the Company entered into an agreement with its primary financial institution, pursuant to which the financial institution provided the Company with a line of credit with maximum aggregate proceeds of \$3,000,000. The collateral necessary to secure the line of credit was provided by a director of the Company. To compensate the director for providing the collateral for the line of credit, the Company granted the director 10,000,000 warrants. Each warrant entitles the holder to purchase one (1) common share of the Company and is exercisable within five years of the date of grant at an exercise price of \$0.11 per common share.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas in which management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the determination of the Company's and its subsidiary's functional currencies.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

- Estimates of variable consideration receivable from revenue from contracts with customers
- Estimates of the measurement, valuation, and period of use of intangible assets

The consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on financing provided from external sources to continue as a going concern. The Company has not achieved the expected levels of revenue to sustain the business, and revenue has declined during the year ended December 31, 2023. The Company has recorded an impairment loss on its intangible assets in the amount of \$942,623, and has classified these assets as held-for-sale as at December 31, 2023. The Company does not expect a substantial amount of revenue from said assets in 2024 or beyond. In addition, during the year ended December 31, 2023, the Company incurred a net loss of \$2,224,048 (2022 - \$664,076), with cash used in operating activities of \$1,021,115 (2022 - \$237,063) and, as at December 31, 2023, has a deficit of \$9,395,144 (2022 - \$7,171,096).

The above noted events and conditions indicate that material uncertainties exist that may cast significant doubt upon the Company's ability to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain funds from equity financings or borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing liabilities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

NEW STANDARD NOT YET ADOPTED

Amendments to International Accounting Standard ("IAS") 1:

In January 2020 and October 2022, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- Disclosures

The amendments must be applied retrospectively for annual reports beginning after January 1, 2024. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

OFF BALANCE SHEET ITEMS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has no proposed transactions.

FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments at December 31, 2023 and 2022 consist of the following:

| As at December 31 | 2023 | 2022 |
|--|------------|------------|
| Financial Assets | | |
| Cash | \$ 53,015 | \$ 133,797 |
| Amounts receivable | 138,197 | 193,398 |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | \$ 486,969 | (736,510) |
| Current portion of license fee payable | - | (158,031) |
| Long-term loan payable | - | (40,000) |
| Bank indebtedness | 1,602,059 | (661,726) |

The Company initially recognizes a financial asset on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has classified all of its non-derivative financial assets as financial assets measured at amortized cost.

The Company has not classified any assets financial assets measured at fair value through profit or loss or fair value through other comprehensive income.

A non-derivative financial asset is measured at amortized cost when both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows;

and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost. Financial assets measured at amortized cost are comprised of cash and amounts receivable.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. All financial liabilities are measured at amortized cost, except for financial liabilities measured at fair value through profit or loss. A financial liability may no longer be reclassified subsequent to initial recognition. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities which are classified as financial liabilities measured at amortized cost: accounts payable and accrued liabilities and license fee payable.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire.

FINANCIAL INSTRUMENTS AND RISKS (continued)

The Company is exposed to currency risks through the following USD and GBP denominated financial assets and liabilities:

| | December 31, 2023 | December 31, 2022 |
|--|---------------------|---------------------|
| <i>USD (Expressed in USD)</i> | | |
| Cash | \$ - | \$ - |
| Accounts receivable | - | - |
| Accounts payable and accrued liabilities | (175,000) | (175,000) |
| Current portion of license fee payable | - | (116,680) |
| | \$ (175,000) | \$ (291,680) |
| <i>GBP (Expressed in GBP)</i> | | |
| Cash | £ 29,326 | £ 25,882 |
| Accounts receivable | 80,371 | 117,018 |
| Accounts payable and accrued liabilities | (74,756) | (218,571) |
| | £ 34,941 | £ (75,671) |

Based on the above net exposures as at December 31, 2023, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the USD would result in a corresponding increase or decrease, respectively on the Company's net loss of approximately \$8,750 (2022 – \$14,584). Based on the above net exposures as at December 31, 2023, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the GBP would result in a corresponding decrease or increase, respectively on the Company's net loss of approximately \$1,747 (2022 – \$4,000).

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its plans could be adversely affected.

Substantial Capital Requirements

Substantial additional funds for the establishment of the Company's planned operations 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 anticipated expansion.

Competition

The health care industry is intensely competitive in all its phases. The Company competes with other companies that have greater financial resources. Competition could adversely affect the Company's ability to acquire suitable prospects in the future.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

RISKS AND UNCERTAINTIES (continued)

Financing Risks and Dilution to Shareholders

The Company has limited financial resources and is not currently profitable. If the Company's business plan is successful, additional funds will be required. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

Price Volatility of Public Stock

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early-stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company's directors and officers may serve as directors and officers of, or may be associated with, other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the CBCA in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board of directors, disclose his interest and refrain from voting on the matter unless otherwise permitted by the CBCA. In accordance with the laws of Canada, the directors and officers of the Company are required to act honestly, in good faith and in the best interest of the Company.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for corporate and business development activities. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Waverley's expenses are provided in the Company's consolidated statement of net loss and comprehensive loss and note disclosures contained in its financial statements for the year ended December 31, 2023. These statements are available on Waverley's SEDAR page accessed through www.sedar.com.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee intends to meet periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Dated: April 29, 2024