



## BriaCell Therapeutics Corp.

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### Management's Discussion and Analysis

For the Year Ended July 31, 2022

October 27, 2022

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This document (this "MD&A") contains information under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" which has been excerpted from our Annual Report on Form 10-K for the year ended July 31, 2022 (the "Annual Report") filed concurrently with this MD&A on the date hereof on our profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov). This MD&A should be read in conjunction with our Annual Report, including the consolidated financial statements and the related notes thereto included in Item 8, as well as Part I, and Item 1 "Business", Part I, Item 1A "Risk Factors", and incorporates by reference herein Item 1A "Risk Factors" from our Annual Report. Defined terms used herein but otherwise not defined have the meaning ascribed to them in the Annual Report.

### Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by such forward-looking terminology as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks in the section titled "*Risk Factors*" beginning on page 40, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

## Risk Factor Summary

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled “*Risk Factors*”, together with the other information in this Annual Report on Form 10-K. If any of the following risks actually occurs (or if any of those listed elsewhere in this Annual Report on Form 10-K occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business.

- We have a history of losses, may incur future losses and may not achieve profitability;
- We are an early stage development company;
- We are developing novel technologies which may not be effective or safe;
- We have an unproven market for our product candidates;
- We are heavily reliant on third-parties to carry out a large portion of our business;
- Pre-clinical studies and initial clinical trials are not necessarily predictive of future results;
- We must obtain additional capital to continue our operations;
- We are highly dependent on our key personnel;
- We may not succeed in completing the development of our products, commercializing our products or generating significant revenues;
- We may not successfully develop, maintain and protect our proprietary products and technologies;
- Changes in legislation and regulations may affect our revenue and profitability;
- If we or our licensees are unable to obtain U.S., Canadian and/or foreign regulatory approval for our product candidates, we will be unable to commercialize our therapeutic candidates;
- Clinical trials involve a lengthy and expensive process with uncertain outcomes, and results of earlier studies and trials may not be predictive of future trial results;
- Future issuance of our common shares could dilute the interests of existing shareholders; and
- We have a significant number of options and warrants outstanding, and while these options and warrants are outstanding, it may be more difficult to raise additional equity capital.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and related notes included elsewhere in this Annual Report. This discussion and other parts of this Annual Report contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under “*Risk Factors*” and elsewhere in this Annual Report.

The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates or other forward-looking statements under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our actual results may differ materially as a result of many factors, including those set forth under the headings entitled “*Special Note Regarding Forward-Looking Statements*” and “*Risk Factors*”.

### Recent Developments

BriaCell (the “**Company**”) is an immuno-oncology biotechnology company with a strong focus on cancer immunotherapy. Immunotherapies have come to the forefront in the fight against cancer since they harness the body’s own immune system to recognize and destroy cancer cells. BriaCell owns the U.S. patent to SV-BR-1-GM (“**Bria-IMT™**”), a whole-cell targeted immunotherapy for cancer (U.S. Patent No. 7,674,456), as well as patents related to PKCδ inhibitors (U.S. Patent Nos. 9,364,460 and 9,572,793). The Company is currently advancing our targeted immunotherapy program by prioritizing a Phase I/IIa clinical trial with Bria-IMT™ in combination with an immune checkpoint inhibitor and a companion diagnostic test, BriaDx™, to identify patients most likely to benefit from Bria-IMT™. The Bria-IMT™ regimen was evaluated in four patients in a prior study in 2004-2006 by Dr. Charles Wiseman, the scientific founder, former member of the board of directors of the Company (the “**Board**”) and principal scientific advisor. Encouraging results were obtained, especially in a patient who matched Bria-IMT™ at HLA-DR alleles and had a grade II tumor. In 2017-2018 BriaCell evaluated 23 patients with advanced breast cancer with the Bria-IMT™ regimen and obtained confirmation of the ability of the Bria-IMT™ regimen to induce regression of metastatic breast cancer in patients who match Bria-IMT™ at least at one HLA allele and/or if they had grade I or grade II tumors. A combination study with the immune checkpoint inhibitor pembrolizumab (KEYTRUDA®) was initiated and the first patient dosing in the “combination therapy” clinical trial occurred in September 2018. BriaCell purchased the KEYTRUDA® for this study as BriaCell does not have an agreement with Merck & Co., Inc. for the supply of KEYTRUDA®. Eleven patients were dosed in the combination therapy trial with Bria-IMT™ and the immune checkpoint inhibitor KEYTRUDA® and subsequently dosing with this combination was discontinued. The study was modified under an amended protocol which evaluates the combination of the Bria-IMT™ regimen with Incyte Corporation experimental drugs retifanlimab (anti-PD-1 antibody similar to pembrolizumab). The study is ongoing.

It is estimated by the National Cancer Institute that in 2022, approximately 287,500 women will be diagnosed with breast cancer in the United States. That means that every two minutes an American woman is diagnosed with breast cancer and more than 43,000 are projected to die in 2022. Although about 100 times less common than in women, breast cancer also affects men. It is estimated that the lifetime risk of men getting breast cancer is about 1 in 1,000, and the American Cancer Society estimates that approximately 2,710 new cases of invasive male breast cancer will be diagnosed and approximately 530 men will die from breast cancer in 2022.

According to the May 2019 “Global Oncology Trends 2021” report by the IQVIA Institute, the global market for cancer drugs (including immunotherapy drugs) is expected to reach nearly \$269 billion by the end of 2025, growing at a compound annual growth rate (“**CAGR**”) of 10% between 2021 and 2025, of which about 20% is expected to be immuno-oncology drugs.

About 12.9% percent of women will be diagnosed with breast cancer at some point during their lifetime. In 2018, there were an estimated 3,676,262 women living with female breast cancer in the United States. Approximately 81% of cases present as invasive breast cancer. Approximately 6% of new breast cancer diagnoses are Stage IV (metastatic breast cancer (“MBC”), which has already spread to other organs). Twenty to thirty percent of all women diagnosed with breast cancer will develop MBC. Breast cancer can be subdivided based on receptor status – the hormone receptors for estrogen (ER) and progesterone (PR), collectively referred to as hormone receptors (HR), and the Her2/neu growth factor receptor (HER2). Based on the latest SEER statistics, 74.6% were found to be HR+/HER2-, 10.8% were triple-negative (HR-/HER2-), 10.5% were HR+/HER2+, and 4.0% were HR-/HER2+.<sup>1</sup>

It is estimated that over 150,000 women in the US are living with MBC. For those with metastatic disease at diagnosis, their 5-year survival rate is 27%. For patients who develop MBC after initially having localized disease, if they had a good response to treatment (i.e. a disease-free interval of more than 24 months), their survival rate is similar to that of patients with MBC at initial diagnosis, but if their disease-free interval is less than 24 months, their prognosis is worse.<sup>4</sup> We currently propose that Bria-IMT’s™ indication will be for the treatment of patients with MBC who have failed at least two lines of therapy. Similarly, another study showed that the median overall survival among patients with de novo stage IV MBC was 39.2 months, while for patients with relapsed disease it was 27.2 months. Median progression free survival after first-line therapy is only 9 months and the survival benefit decreases with subsequent lines of therapy. One study showed that of 386 patients with MBC, 374 (97%) received first-line therapy, 254 (66%) received second-line therapy, 175 (45%) received third-line therapy, and 105 (27%) received therapy beyond third-line.

On September 14, 2022, the Company signed an agreement with Caris Life Sciences ® (Caris), a leading molecular science and technology company actively developing and delivering innovative solutions to revolutionize healthcare.

Under the terms of the agreement, Caris will help BriaCell with efficient patient identification, accelerating enrollment for its current Phase I/II clinical trial in advanced metastatic breast cancer of certain genetically defined subgroups. The partnership between BriaCell and Caris leverages Caris’ Right-In-Time (RIT) Clinical Trial Network, a group of over 495 oncology sites that are able to quickly identify and enroll eligible patients in biomarker-directed clinical trials. This service offers patients and physicians access to the most cutting-edge precision medicine in development. Additionally, through Caris’ comprehensive molecular profiling (Whole Exome and Whole Transcriptome Sequencing), Caris will perform tumor profiling for the patients enrolled in the clinical trial.

On August 2, 2022, the Company secured an exclusive license from University of Maryland, Baltimore County (“UMBC”) to develop and commercialize Soluble CD80 (“sCD80”) as a biologic agent for the treatment of cancer. The novel technology, originally developed by Suzanne Ostrand-Rosenberg, PhD, Faculty at UMBC, and BriaCell’s scientific advisory board member, is entitled “Soluble CD80 as a Therapeutic to Reverse Immune Suppression in Cancer Patients” (Patent No. US 9,650,429 B2). In animal models, sCD80 has been shown to be safe and effective in stopping the tumor growth in animal models by potentially restoring natural anti-tumor immunity. Importantly, sCD80’s unique actions may involve both awakening and boosting the immune system to recognize and destroy tumor cells.

Under the terms of the agreement, BriaCell gains the worldwide rights to develop and commercialize sCD80 as a therapeutic agent for the treatment of cancer, while UMBC holds all rights, title and interest in the inventions and the patent, except for certain rights retained by the United States Government. BriaCell will pay 2% royalties to UMBC upon the commercialization of the product plus other development costs. The licensing agreement was coordinated by UMBC.

On October 12, 2022, the Company announced it has added Mayo Clinic, Jacksonville, Florida as a clinical site in the Phase I/II study of BriaCell’s lead candidate, Bria-IMT™, with Incyte’s PD-1 inhibitor, retifanlimab, in advanced breast cancer.

On October 21, 2022, the Company announced the completion of the Phase I part of the clinical trial of its lead candidate, Bria-IMT™, in combination with Incyte’s PD-1 inhibitor, retifanlimab, in advanced breast cancer. The efficacy and survival data of the treated patients is being evaluated in the Phase II part of the study which was

recently awarded the FDA's fast track designation. Under an FDA approved protocol, another arm has recently been added to the Phase II study to evaluate the effects of dosing schedules for patients in the study.

The Phase I portion of the trial, with the primary goal of assessing safety and tolerability of the combination, enrolled 12 subjects who had previously failed at least two prior lines of therapy, characterized as a difficult-to-treat patient population. The combination treatment had a favorable safety profile and appeared well-tolerated with no dose-limiting toxicities.

Progressing through the Phase II part of the clinical trial, a randomized controlled design will be used to allow comparison of the effectiveness of the treatment regimens between the two arms of the study with different dosing schedules.

BriaCell noted it is on schedule to meet with the FDA later this year to discuss the design of a key registration study.

#### *Approval of Omnibus Incentive Plan*

On August 2, 2022, the Company approved an omnibus equity incentive plan ("Omnibus Plan), which will permit the Company to grant incentive stock options, preferred share units, restricted share units ("RSU's"), and deferred share units (collectively, the "Awards") for the benefit of any employee, officer, director, or consultant of the Company or any subsidiary of the Company. The maximum number of Shares available for issuance under the Omnibus Plan shall not exceed 15% of the issued and outstanding Shares, from time to time, less the number of Shares reserved for issuance under all other security-based compensation arrangements of the Company, including the existing Stock Option Plan. The Omnibus Plan remains subject to approval by the shareholders of the Company (the "Shareholders") and final approval of the Toronto Stock Exchange ("Exchange") and will replace the Company's existing Stock Option Plan upon receipt of such approvals ("Approvals").

The Company may make grants under the Omnibus Plan, however, the grants cannot be settled until the Approvals have been received.

#### *Stock Option and RSU Grants*

On September 1, 2021, the Company issued 100,000 options to a consultant with an exercise price of \$5.74, which vest immediately and expire on September 1, 2026.

On November 1, 2021, the Company issued 12,600 options with an exercise price of \$7.94, and expire on November 1, 2026. 10,000 of the options were issued to a director and vest immediately, and 2,600 options were issued to members of the Company's scientific advisory board and vest in five equal instalments every six months, with the first instalment vesting immediately.

On January 13, 2022, the Company issued 524,700 options to directors, officers, and employees with an exercise price of \$8.47 and expire on January 13, 2027. 482,300 of the options were granted to Insiders, as such term is defined in the Securities Act (British Columbia) and vest in four equal instalments every 90 days, with the first instalment vesting immediately. The remaining 42,400 options vest in eight equal instalments every 90 days, with the first installment vesting immediately.

On February 16, 2022, the Company issued 150,000 options to an officer with an exercise price of \$7.51 and expire on February 16, 2027. The options vest in eight equal instalments every 90 days, with the first instalment vesting immediately.

On May 20, 2022, the Company issued 31,000 options with an exercise price of \$4.71 and expire on May 20, 2027. The options vest in eight equal instalments every 90 days, with the first instalment vesting immediately. 20,000 options were issued to the Company's CFO.

On August 2, 2022, the Company issued 180,100 options with an exercise price of C\$8.38 and expire on August 2, 2027. The options vest in eight equal instalments every 90 days, with the first instalment vesting immediately. 142,100 of the options were issued to the Company's officers. In addition, the Company issued RSU

On August 2, 2022, the Company also granted, under the Omnibus Plan, 19,200 RSU's to the CEO. The RSU's vested immediately.

#### *Exercise of warrants*

During the year ended July 2022, 1,615,645 warrants with an weighted aggregate exercise price of \$5.98 were exercised for gross proceeds of \$6,509,767.

#### *Securities Repurchase Program*

As noted in a press release dated September 9, 2021, BriaCell announced that the Board has authorized the Company's securities repurchase program whereby the Company may purchase through the facilities of the TSX Venture Exchange ("TSXV") or The NASDAQ Capital Market ("NASDAQ") (i) up to 1,341,515 common shares (the "Common Shares") and (ii) up to 411,962 publicly traded BCTXW warrants (the "Listed Warrants") in total, representing 10% of the 13,415,154 Common Shares and 10% of the 4,119,622 Listed Warrants comprising the "public float" as of September 8, 2021, over the next 12 months (the "Buyback"). Independent Trading Group (ITG), Inc. will act as the Company's advisor and dealer manager in respect of the Buyback. The Company received final regulatory approval on September 22, 2021.

The repurchase program will in no way interfere with BriaCell's ambitious growth plans to expand into previously-announced areas of cancer immunotherapy and/or advance its current breast cancer clinical trials. BriaCell's proposed repurchases may be conducted through open market transactions at prevailing market prices, in privately negotiated transactions, in block trades, and/or through other legally permissible means, subject to the market conditions and in compliance with applicable rules and regulations. The timing and dollar amount of repurchase transactions will be subject to the SEC's Rule 10b-18 and/or Rule 10b5-1 requirements. Purchases of Common Shares or Listed Warrants through the NASDAQ will not, during the 12-month period, exceed 5% of the outstanding Common Shares or Listed Warrants in the aggregate, as at the commencement of the Buyback. BriaCell's Board of Directors will be reviewing the program periodically and may revise the terms and/or size or suspend or discontinue the program.

As of October 27, 2022, the company has repurchased 1,031,672 common shares and 259,059 publicly traded warrants. All of the warrants and shares repurchased have been cancelled.

#### *Changes in the Board of Directors*

On September 1, 2021, Mr. Marc Lustig was appointed to the Company's Board of Directors. Mr. Lustig is a highly regarded investor, entrepreneur, and corporate finance veteran with a deep understanding of the life sciences industry, including biotechnology and pharmaceuticals, as well as the legal cannabis industry. Marc holds MSc and MBA degrees from McGill University. His professional experience includes working at Merck & Co., and his capital markets career includes roles in biotechnology equity research and corporate finance. Mr. Lustig was the founder and CEO of Origin House, which was sold to Cresco Labs Inc. (CSE: CL; OTCQX: CRLBF) in 2020, where he currently serves as a director and as Head of Capital Markets. In addition to being a director of a number of public companies, Marc founded the Lustig Family Medical Cannabis Research & Care Fund of the Cedars Cancer Foundation that provides cannabis to palliative cancer patients.

### *Shareholder Meeting*

On May 19, 2021, BriaCell announced the results of its annual general and special meeting of shareholders of the Company (the “Shareholders”) for the years ended July 31, 2019 and July 31, 2020, held on May 18, 2021 (the “Meeting”). A total of 1,685,180 common shares of the Company (the “Common Shares”) were voted, representing 22.36% of the Company’s issued and outstanding Common Shares. At the Meeting, the Shareholders overwhelmingly voted in favor of all proposed resolutions that consisted of the following:

- The number of directors set at six;
- Election of Dr. William V. Williams, Mr. Jamieson Bondarenko, Dr. Charles Wiseman, Dr. Rebecca Taub, Mr. Vaughn C. Embro-Pantalony, and Mr. Martin Schmieg as directors of the Company;
- Appointment of MNP LLP as auditors of the Company for the ensuing year and authorizing the directors to fix their remuneration;
- Renewal of the Company’s stock option plan;
- Ratification of the number of directors set at six for the prior year ended July 31, 2019;
- Ratification of the election of Dr. William V. Williams, Mr. Jamieson Bondarenko, Mr. Richard Berman, Mr. Vaughn C. Embro-Pantalony, Dr. Rebecca Taub, and Dr. Charles Wiseman as directors of the Company for the prior year ended July 31, 2019;
- Ratification of the appointment of MNP LLP as the auditors of the Company for the prior year ended July 31, 2019 and ratifying the directors authorization to fix their remuneration;
- Ratification of the Company’s stock option plan for the prior year ended July 31, 2019; and
- Ratification of holding the Company’s annual general and special meeting for the year ended July 31, 2019 on May 18, 2021.

Having received shareholder approval, the Company’s stock option plan remains subject to approval from the TSX Venture Exchange. The formal report on voting results with respect to all matters voted upon during the Meeting will be filed on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and will be filed with the SEC at [www.sec.gov](http://www.sec.gov).

## Overview

### Critical Accounting Policies and Estimates

#### 1. Critical Estimates and Judgements

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

- Intangible assets are tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangibles with definite lives is reviewed each reporting period to determine whether there is any indication of impairment. If there are indications of impairment the impairment analysis is completed and if the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and impairment loss is recognized.
- The Company uses the Black-Scholes option-pricing model to estimate fair value of options and the warrant liability at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the warrants.
- The financial statements of each company within the consolidated group are measured using their functional currency which is the currency of the primary economic environment in which an entity operates. The Company changed its functional currency from the Canadian dollar (C\$) to the United States dollar (US\$) as of May 1, 2021. The change in presentation currency is a voluntary change which is accounted for retrospectively. For comparative reporting purposes, historical financial information has been translated to United States dollars using the exchange rate as of May 1, 2021, which is the date of the change in the functional and presentation currency.

#### 2. New Accounting Policies Adopted

No new accounting policies were adopted during the year ended July 31, 2022.

## Results of Operations

	Year Ended	
	July 31, 2022	July 31, 2021
Research and development expenses	\$ 8,021,489	\$ 2,020,899
General and administrative expenses	7,267,452	4,955,136
<b>Total operating loss</b>	<b>(15,288,941)</b>	<b>(6,976,035)</b>
Financial expenses, net	(11,549,962)	(6,840,165)
<b>Loss and comprehensive loss</b>	<b>\$ (26,838,903)</b>	<b>\$ (13,816,200)</b>
<b>Net loss per share attributable to ordinary shareholders, basic and diluted</b>	<b>\$ (1.73)</b>	<b>\$ (3.06)</b>
<b>Weighted average number of shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted</b>	<b>15,494,091</b>	<b>4,519,579</b>

### Comparison of the year ended July 31, 2022, compared to the year ended July 31, 2021

#### Research Costs

Research costs are comprised primarily of (i) Salaries and wages to Company employees at our laboratory; and (ii) Clinical trials and investigational drug costs, which include the testing and manufacture of our investigational drugs and costs of our clinical trials.

For the year ended July 31, 2022, research costs amounted to \$8,021,489 as compared to \$2,020,899 for the year ended July 31, 2021. The increase is attributed to the recommencing of the Company's clinical trials and the increased activity in the lab, including the hiring of additional lab employees.

#### General and Administrative Expenses

For the year ended July 31, 2022, general and administrative expenses amounted to \$7,267,452 as compared to \$4,955,136 for the year ended July 31, 2021. The increase in 2022 is mainly due to a significant ramp up of activity in the Company, following the financings completed in 2021. These increases relate primarily to share based compensation (i.e. non-cash), increase in salaries due to hiring more personnel, and consulting and professional fees incurred by the Company.

#### Financial expenses, net

For the year ended July 31, 2022, financial expense, net amounted to \$11,549,962 as compared to \$6,840,165 for the year ended July 31, 2021. Financial expense, net in 2022 is the result of the revaluation of warrant liability at period end offset slightly by interest income earned during the period on funds held in interest bearing accounts. The higher expense in 2021 can be attributed to a larger adjustment to the warrant liability from the issuance of warrants and the revaluation of warrants at period end.

#### Loss for the period

The Company reported a loss for the year ended July 31, 2022, of \$26,838,903 as compared to \$13,816,200 for the year ended July 31, 2021. The primary reason for reduced losses in 2022 is due to the decrease in fair value of the warrant liability.

## **Going Concern Uncertainty**

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As of July 31, 2022, the Company has total assets of \$42,577,041 (July 31, 2021 - \$58,043,762) and a positive working capital balance of \$41,405,614 (July 31, 2021 - \$57,241,355).

The Company is planning to finance its research and developmental activities from its existing and future working capital resources and to continue to evaluate additional sources of capital and financing. The Company believes that its existing capital resources will be adequate to satisfy its expected liquidity requirements for at least twelve months from the issuance of the consolidated financial statements.

## **Liquidity and Capital Resources**

As of July 31, 2022, the Company has a working capital of \$41,405,614 (July 31, 2021 - \$57,241,355) and an accumulated deficit of \$60,349,837 (July 31, 2021 - \$29,141,897). In June 2021, the Company completed a private placement of gross proceeds of \$27.2 million.

As of July 31, 2022, the Company's capital resources consist primarily of cash and cash equivalents, comprising mostly of cash on deposit with banks, investments in money market funds, investments in U.S. government securities, U.S. government agency securities, and investment grade corporate debt securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements.

Historically, the Company has financed its operation through private and public placement of equity securities, as well as debt financing. The Company's ability to fund its longer-term cash requirements is subject to multiple risks, many of which are beyond its control. The Company intends to raise additional capital, either through debt or equity financings in order to achieve its business plan objectives. Management believes that it can be successful in obtaining additional capital; however, no assurance can be provided that the Company will be able to do so. There is no assurance that any funds raised will be sufficient to enable the Company to attain profitable operations or continue as a going concern. To the extent that the Company is unsuccessful, the Company may need to curtail or cease its operations and implement a plan to extend payables or reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

During the year ended July 31, 2022, the Company's overall position of cash and cash equivalents decreased by \$16,227,033 from the year ended July 31, 2021 (including effects of foreign exchange). This decrease in cash can be attributed to the following:

The Company's net cash used in operating activities during the year ended July 31, 2022 was \$12,484,376 as compared to \$7,750,188 for year ended July 31, 2021. This increase is mostly due to company growth and increased expenditures during the period.

Cash used in financing activities for the year ended July 31, 2022 was \$3,742,657 as compared to \$64,997,624 for the year ended July 31, 2021. Cash used in 2022 is attributed to the money spent on the buyback program offset by warrant exercise proceeds. Cash provided in 2021 was mainly from the Nasdaq Financing in February 2021, the private placement proceeds in June 2021, and the exercise of warrants offset by the repayment of these loans.

## Quantitative and Qualitative Disclosures About Market Risk

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that the Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as a portion of the Company's transactions occur in Canadian Dollars (mainly costs relating to being a public company in Canada), and the Company's functional and presentation currency is the US dollar. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

### Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As of July 31, 2022, the Company has total assets of \$42,577,041 (July 31, 2021 - \$58,043,762) and a positive working capital balance of \$41,405,614 (July 31, 2021 -\$57,241,355).

### Market Risk

#### *Interest rate risk*

Interest Rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Loans payable include both fixed and variable interest rates; however, the Company does not believe it is exposed to material interest rate risk.

#### *Price risk*

As the Company has no revenues, price risk is remote.

#### *Exchange risk*

The Company is exposed to foreign exchange risk as a portion of the Company's transactions occur in Canadian Dollars (mainly costs relating to being a public company in Canada) and, therefore, the Company is exposed to foreign currency risk at the end of the reporting period through its Canadian denominated accounts payable and cash. As of July 31, 2022, a 5% depreciation or appreciation of the Canadian dollar against the US dollar would not have a material effect on the in total loss and comprehensive loss.

#### *Fair Values*

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

The cash and cash equivalents are valued using quoted market prices in active markets.

**Off-balance Sheet Arrangements**

None.

**Tabular Disclosure of Contractual Obligations**

None.