

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References to the "Company," "our," "us" or "we" refer to BriaCell Therapeutics Corp. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Introduction

This Management's Discussion and Analysis ("MD&A") should be read together with other information, including our unaudited condensed interim consolidated financial statements and the related notes to those statements included in Part I, Item 1 of this Quarterly Report (the "Condensed Consolidated Financial Statements"), our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended July 31, 2023 (the "Annual Report") and Part I, Item 1A, Risk Factors, of the Annual Report. This MD&A provides additional information on our business, recent developments, financial condition, cash flows and results of operations, and is organized as follows:

- *Part 1 - Business Overview.* This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.
- *Part 2 - Results of Operations.* This section provides an analysis of our results of operations for the first quarter of fiscal 2023 in comparison to the first quarter of fiscal 2023.
- *Part 3 - Financial Liquidity and Capital Resources.* This section provides an analysis of our cash flows and outstanding debt and commitments. Included in this analysis is a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments.

We prepare and report our unaudited Condensed Consolidated Financial Statements in accordance with U.S. GAAP. Our unaudited Condensed Consolidated Financial Statements, and the financial information contained herein, are reported in U.S. Dollars.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our 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 such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other SEC filings.

Overview

BriaCell Therapeutics Corp. (the "Company"), is a clinical-stage biotechnology company that is developing novel immunotherapies to transform cancer care. Immunotherapies have come to the forefront in the fight against cancer as they harness the body's own immune system to recognize and destroy cancer cells. The Company is currently advancing its Bria-IMT™ targeted immunotherapy in combination with an immune check point inhibitor in a pivotal¹ Phase 3 study in advanced metastatic breast cancer. BriaCell recently reported benchmark-beating patient survival and clinical benefit in advanced metastatic breast with median overall survival of 13.5 months in BriaCell's advanced metastatic breast cancer patients vs. 6.7-9.8 months for similar patients reported in the literature². A completed Bria-IMT™ Phase 1 combination study with retifanlimab (an anti-PD1 antibody manufactured by Incyte) confirmed tolerability and early-stage efficacy. BriaCell is also developing a personalized off-the-shelf immunotherapy, Bria-OTS™, which provides a platform technology to develop personalized off-the-shelf immunotherapies for numerous types of cancer, and a soluble CD80 protein therapeutic which acts both as a stimulator of the immune system as well as an immune checkpoint inhibitor.

Recent Developments

On August 31, 2023, the Company closed the previously announced plan of arrangement spinout transaction (the "Arrangement") pursuant to which certain pipeline assets of the Company, including Bria-TILsRx™ and protein kinase C delta (PKCδ) inhibitors for multiple indications including cancer (the "BriaPro Assets"), were spun-out to BriaPro Therapeutics Corp. ("BriaPro"), resulting in a 2/3rd owned subsidiary of the Company with the remaining 1/3rd held by BriaCell shareholders ("BriaCell Shareholders").

Pursuant to the terms of the Arrangement, BriaPro has acquired the entire right and interest in and to the BriaPro Assets in consideration for the issuance by BriaPro to the Company of BriaPro common shares. Under the terms of the Arrangement, for each BriaCell share held immediately prior to closing, BriaCell Shareholders receive one (1) common share of BriaPro, and one (1) new common share of BriaCell (retiring their old share) having the same terms and characteristics as the existing BriaCell common shares. The Company will remain listed on the NASDAQ Stock Market and Toronto Stock Exchange, and BriaPro is an unlisted reporting issuer in Canada.

Computershare Investor Services Inc. ("Computershare") will forward replacement certificates to each Company shareholder that is entitled to receive certificates, representing their allotted number of BriaPro common shares and BriaCell common shares in accordance with the Arrangement. Letters of transmittal have been mailed to registered holders of BriaCell common shares, which must be completed and returned to Computershare together with the share certificates of BriaCell common shares at the address specified in the letter of transmittal in order for Company shareholders to receive common shares of BriaPro and new common shares of BriaCell. A copy of the letter of transmittal is also available under the Company's profile on SEDAR at www.sedar.com.

As noted above, immediately following the closing of the Arrangement, the Company controls 2/3rd of the BriaPro common shares representing approximately 66.6% of the issued and outstanding common shares of BriaPro.

As a result of the Arrangement, there are approximately 47,945,178 BriaPro common shares issued and outstanding. The Corporation now beneficially owns or controls approximately 31,963,452 BriaPro common shares, representing 2/3rd of the issued and outstanding BriaPro common shares.

¹ "Pivotal" is an industry term referring to a Phase 3 clinical study intended to show and confirm the safety and efficacy of a treatment.

Results of Operations for the Three Months Ended October 31, 2023, and 2022

	Three months ended October 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Operating Expenses:		
Research and development expenses	\$ 6,857,257	\$ 3,255,215
General and administrative expenses	1,645,771	2,147,936
Total operating expenses	8,503,028	5,403,151
Operating loss	(8,503,028)	(5,403,151)
Financial income, net		
Interest income	190,815	188,353
Change in fair value of warrant liability	14,282,078	(4,117,790)
Foreign exchange gain	(10,993)	(9,533)
Total financial income, net	14,461,900	4,296,610
Income (loss) for the period	5,958,872	(1,106,541)
Losses attributable to noncontrolling interest	(42,671)	-
Income (loss) for the period attributable to BriaCell	6,001,543	(1,106,541)
Net earnings (loss) per share attributable to BriaCell – basic	\$ 0.38	\$ (0.07)
Net earnings (loss) per share attributable to BriaCell – diluted	(0.50)	(0.07)
Weighted average number of shares used in computing net basic earnings per share of common stock	15,981,726	15,518,018
Weighted average number of shares used in computing net diluted earnings per share of common stock	16,674,891	15,518,018

Research and Development 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.

The following is a breakdown of our research and development costs by project:

	Three months ended October 31,	
	2023	2022
Clinical trials	\$ 3,627,290	\$ 1,603,096
Pre-clinical projects	2,068,979	863,166
Chemical, Manufacturing and Control Costs (“CMC Costs”)	547,197	410,018
Other	613,791	378,935
	\$ 6,857,257	\$ 3,255,215

Our clinical trial expenses include our immunotherapy program, Bria-IMT™, a 46-subject Phase I/IIa clinical trial. Clinical trial expenses increased in 2023 as we recruited more patients into the Bria-IMT™ trial and began setting up the Bria-OTS™ trial.

Pre-clinical projects include expenses incurred in our off-the-shelf personalized immunotherapies, including Bria-OTS+™, Bria-PROST™, and pre-clinical work on our BriaPro Assets. Our pre-clinical costs have increased in 2023 as we hired more staff to accelerate our existing pre-clinical program and added an additional pre-clinical program (sCD80).

CMC costs include the manufacturing of Bria-IMT™ and Bria-OTS™ and all quality control and quality assurance testing on the investigational product. CMC costs increased in 2023 to support the additional patients in our trials.

Other costs are ancillary expenses we incur such as costs to maintain our patents, investigation of early-stage projects, scientific advisory board expenses, contracts with vendors for pre-clinical work, and administration costs associated with all our research and development expenditure. Other costs increased in 2023 as we investigated additional potential pre-clinical projects.

The following is a breakdown of our research and development costs by nature of expenses:

	Three months ended October 31,	
	2023	2022
Clinical trial sites and investigational drug costs	\$ 5,397,438	\$ 2,041,939
Wages and salaries	1,020,725	716,544
Laboratory Rent	88,480	48,000
Supplies	89,023	93,364
Professional fees	3,782	5,112
Share-based compensation	257,809	350,256
	<u>\$ 6,857,257</u>	<u>\$ 3,255,215</u>

For the three-month period ending October 31, 2023, research costs amounted to \$6,857,257, a significant increase from the \$3,255,215 incurred during the same period in 2022. This upturn was primarily fueled by the expansion of the Company's Bria-IMT™ trial and heightened costs associated with clinical trials and investigational drugs, surging from \$2,041,939 in 2022 to \$5,397,438 in 2023. Concurrently, laboratory costs increased due to the recruitment of additional employees, growing from \$48,000 to \$88,480. Notably, non-cash share-based compensation expenses decreased from \$350,256 in 2022 to \$257,809 in 2023, mitigating some of the overall increase in research and development expenses.

General and Administrative Expenses

For the three-month period ending October 31, 2023, general and administrative expenses amounted to \$1,645,771, showing a decrease from \$2,147,936 in the same period of 2022. This reduction is mainly attributed to a decrease in non-cash share-based compensation expenses, which declined from \$761,685 in 2022 to \$276,007 in 2023.

Financial income (expenses), net

For the three-month period ending October 31, 2023, net financial income amounted to \$14,461,900, a significant increase from the \$4,296,610 recorded in the same period of 2022. This substantial difference is primarily attributed to the change in the value of the Company's warrant liability, which is directly affected by the shortened life of the warrants and decrease in share price, resulting in a gain of \$14,282,078 for the three-month period ended October 31, 2023, compared to a gain of \$4,117,790 in the three-month period ended October 31, 2022.

Profit (loss) for the period

For the three-month period ended October 31, 2023, the Company reported a profit of \$5,958,872 compared to a loss of \$1,106,541 for the same period in 2022. The profit in 2023 primarily resulted from increased operational spending, offset by a large gain due to the decrease in fair value of the warrant liability. In contrast, the loss in the prior period was primarily due to a smaller change in the value of the Company's 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 October 31, 2023, the Company has total assets of \$18,619,235 (July 31, 2023 - \$27,163,577) and a positive working capital balance of \$17,361,478 (July 31, 2023 - \$25,147,050).

The Company is planning to finance its research and developmental activities from its existing and future working capital resources and will 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 condensed consolidated financial statements.

Liquidity and Capital Resources

As of October 31, 2023, the Company has working capital of \$17,361,478 (July 31, 2023 - \$25,147,050) and an accumulated deficit of \$74,560,688 (July 31, 2023 - \$80,652,231).

As of October 31, 2023, 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, there can be no assurance 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 period ended October 31, 2023, the Company's overall position of cash and cash equivalents decreased by \$7,605,245 from the period ended October 31, 2022 (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 period ended October 31, 2023, was \$7,605,245 as compared to \$3,542,382 for the period ended October 31, 2022.

Cash used in financing activities for the period ended October 31, 2023, was nil as compared to \$47,294 for the period ended October 31, 2022.

Off-Balance Sheet Arrangements

None.

Tabular Disclosure of Contractual Obligations

None.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in the MD&A section in our Annual Report.

New Accounting Policies Adopted

The Company did not adopt any new accounting policies during the period ended October 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's financial instruments consist of cash and cash equivalents, investments, warrant liability, short term loans, trade payable, and accrued expenses and other payables. 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 October 31, 2023, the Company has total assets of \$18,619,235 (July 31, 2023 - \$27,163,577) and a positive working capital balance of \$17,361,478 (July 31, 2023 - \$25,147,050).

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 October 31, 2023, 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, trade payable, warrant liability, short term loans, and accrued expenses and other payables approximate their fair values due to their short terms to maturity.

Cash and cash equivalents are valued using quoted market prices in active markets. The fair value of the warrant liability is determined based on nature of the warrant. For publicly traded warrants we use the quoted market price and for all other warrants we use the Black-Scholes pricing model.