

## **BioHEP Technologies Ltd. Management's Discussion & Analysis**

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This management's discussion and analysis ("MD&A") is provided to enable the reader to assess material changes in financial condition and results of operations of BioHEP Technologies Ltd ("BioHEP" or the "Company") for the year ended January 31, 2021. This MD&A should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2021, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's financial statements.

This MD&A contains forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 10. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of May 20, 2021.

### **BUSINESS OVERVIEW**

BioHEP Technologies Ltd. was incorporated under the British Columbia Business Corporations Act as a private company on February 11, 2014. On April 11, 2014, BioHEP completed a Plan of Arrangement ("Arrangement") with Global Blockchain Technologies Corp. ("Global") (formerly Carrus Capital Corporation). Under the terms of the Arrangement, BioHEP received substantially all of Global's interest in the SB-9000 technologies with \$nil carrying value, investment in Spring Bank Pharmaceuticals Inc. ("Spring Bank") of \$1,000 and \$5,000 cash. As consideration for the SB-9000 technologies, BioHEP issued 2,845,378 common shares to Global, which was then distributed to the shareholders of Global pro-rata based on their relative shareholdings of Global. As a result of the Arrangement, the Company became a private bio-pharmaceutical reporting issuer.

On September 27, 2017, the Company closed an asset sale agreement ("Assignment Agreement") entered into on April 21, 2017 between the Company and Exro Technologies Inc. (formerly BioDE Ventures Ltd.) ("BioDE"). Under the asset sale agreement, BioDE assigned to the Company a license agreement and certain patents for \$450,000 which was paid by the Company by issuing 448,321 common shares to BioDE with a fair value of \$448,321 and by paying \$1,679 cash. The transaction was accounted for as an asset acquisition as the acquired assets did not meet the definition of a business as defined by IFRS 3, *Business Combinations*. The technology was licensed by Cutanea Lifesciences Inc. ("Cutanea").

During the year ended January 31, 2021, the Company recorded amortization of \$100,566 (2020 - \$175,556) and wrote-off the remaining net book value of \$173,888 (2020 - \$Nil) as the Company no longer believed the asset would generate future economic benefits to the Company. The carrying value of the assets as at January 31, 2021 was \$Nil (2020 - \$274,444).

### **HEPATITIS SB-9000 TECHNOLOGY**

On April 11, 2014, the Company acquired a biotechnology license related to SB-9000 (formerly known as MX-1313), for the treatment for chronic HBV infection (the "Agreement"). The Acquisition of this license included an agreement with Spring Bank Pharmaceuticals Inc. ("Spring Bank"), a U.S. development stage company, whereby Spring Bank was granted the worldwide rights to a dinucleotide analogue compound (SB-9000). As consideration related to the original license granted to Spring Bank, Spring Bank issued 250,000 Series A non-voting, convertible preferred shares of Spring Bank and 12,500 common shares of Spring Bank. The fair value of the shares was determined to be \$11.10 per share which is based on the closing price on May 6, 2016 when the 250,000 convertible preferred shares were converted to 250,000 common shares as part of a share capital restructuring and Spring Bank became publicly traded on the NASDAQ stock exchange.

On February 1, 2016, the Company entered into an amended and restated license agreement with Spring Bank of Milford, MA ("New Agreement"). Under the amended and restated license agreement, BioHEP granted Spring Bank an exclusive worldwide license under certain patents and know-how to make, have made, use, sell, offer to sell and import certain product candidates comprising a novel phosphorothioate dinucleotide referred to as ORI-9020 and certain related compounds, for the diagnosis and/or treatment of all viral diseases and conditions. In exchange, the Company received an additional 125,000 common shares of Spring Bank and 125,000 share purchase warrants with an exercise price of USD\$16 per share, which expired unexercised on August 1, 2018.

## **OMIGANAN BASED TECHNOLOGIES**

On September 27, 2017, the Company acquired Omiganan based technologies from BioDE. The Company's primary dermatological assets are Omiganan 1% gel (cationic peptide also known as Omigard™ and MX-226) and Omiganan for dermatological diseases (cationic peptide also known as CLS001). This technology may potentially be used for prevention of catheter-related infections (topical) and treatment of rosacea and other dermatological diseases (topical).

Two Phase III studies for Omiganan 1% gel and Phase II rosacea study for Omiganan for dermatological diseases has been completed. The technology was licensed to Cutanea Lifesciences Inc. ("Cutanea") until March 25, 2019 when Cutanea entered into a Share purchase and Transfer Agreement with Biofrontera Newderm LLC, Biofrontera AG, and Maruho Co., Ltd., Japan ("Maruho"), pursuant to which the license agreement was assigned to Maruho. As of December 3, 2020 Maruho notified the Company it has discontinued development of Omiganen and returned all IP and other rights to BioHep.

Pursuant to the licensing agreement, payments were made by Maruho as follows:

- US\$500,000 upon the first successful completion of a Phase 3 clinical trial (received by BioDE);
- US\$500,000 upon the first successful completion of a clinical Phase 3 clinical trial with a licensed product under a Company sponsored IND (received by BioHep).

During the year ended January 31, 2021, the Company wrote-off the remaining net book value of the biotechnology assets as it was uncertain whether any further future economic benefits would flow through to the Company.

## **Next Hydrogen Corporation (Next Hydrogen)**

On March 3, 2021, the Company and Next Hydrogen Corporation ("Next Hydrogen") entered into a definitive amalgamation agreement (the "Amalgamation Agreement"), pursuant to which Next Hydrogen and the Company's newly-formed subsidiary, 1291549 BC Ltd. shall amalgamate to form a subsidiary of BioHEP ("Amalco"), and the shareholders of Next Hydrogen shall receive common shares of the Company.

Next Hydrogen was incorporated on December 14, 2007 under the OBCA as 1755610 Ontario Inc. On June 11, 2009, Next Hydrogen amended its articles to change its name to "Next Hydrogen Corporation". Its head and registered office is located at 102-2680 Matheson Blvd E., Mississauga, Ontario, L4W 0A5. Next Hydrogen is not a reporting issuer in any jurisdiction of Canada and no public market exists for its securities.

On April 12, 2021, the Company received shareholder approval to the plan of arrangement (the "Arrangement") to transfer all its assets, except for \$500,000 cash, and its liabilities to the newly formed and wholly owned subsidiary of the Company 1291549 B.C. Ltd. ("BC1291549") pursuant to the Amalgamation Agreement. In exchange, BC1291549 shall issue shares to the shareholders of the Company on a pro rata basis.

Under the terms of the Arrangement, shareholders of the Company are entitled to receive one share of each of BC1291549 for every BioHEP share held as of the share distribution record date (as that term is defined in the Company's information circular dated as of March 11, 2021). In addition, each outstanding BioHEP option to acquire one common share of BioHEP shall be deemed to be exchanged for one replacement BioHep option to acquire one BioHEP share and one BC1291549 option to acquire one BC1291549 share.

On April 14, 2021, the Company obtained a final order from the Supreme Court of British Columbia to the implementation of the Arrangement. The Company shall focus on completing the amalgamation with Next Hydrogen and shall carry on business currently carried on by Next Hydrogen, whose principal business is in the development of water electrolysis technology targeted at significantly reducing the cost of hydrogen generation from electrocute sources, including renewal energy at scale.

On April 28, 2021, Amalco completed a private placement of 2,854,500 Subscription Receipts at a price of \$10.00 per Subscription Receipt, for aggregate gross proceeds of \$28,545,000. As part of the Amalgamation, the Amalco common shares underlying the Subscription Receipts will be exchanged on a one-for-one basis for Resulting Issuer Common Shares.

On April 28, 2021, Amalco completed the concurrent private placement of 2,700,000 Subscription Receipts at a price of \$10.00 per Subscription Receipt, for aggregate gross proceeds of \$27,000,000. As part of the Amalgamation, the BioHep Subco Common Shares underlying the Subscription Receipts will be exchanged on a one-for-one basis for Resulting Issuer Common Shares.

**RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA**

**Selected annual information**

The selected financial information below is derived from the Company's audited financial statements for the years ended January 31, 2021, 2020, and 2019, prepared in accordance with IFRS. The Company's significant accounting policies and new accounting policies applied in the preparation of its financial statements are outlined in note 3 to the Company's audited financial statements for the years ended January 31, 2021, 2020, and 2019.

| For the year ended                          | January 31, 2021 | January 31, 2020 | January 31, 2019 |
|---|------------------|------------------|------------------|
| Total revenue                               | \$ -             | \$ -             | \$ 655,485       |
| Operating expenses                          | (192,346)        | (270,934)        | (126,784)        |
| Other income (expenses)                     | 579,939          | 63,490           | 14,435           |
| Net income (loss)                           | 423,310          | (322,884)        | 397,309          |
| Comprehensive income (loss)                 | 652,165          | (3,708,246)      | 108,645          |
| Basic and diluted earnings (loss) per share | 0.04             | (0.03)           | 0.04             |

  

| As at                         | January 31, 2021 | January 31, 2020 | January 31, 2019 |
|-------------------------------|------------------|------------------|------------------|
| Total assets                  | \$ 2,520,490     | \$ 1,855,480     | \$ 6,156,614     |
| Total non-current liabilities | -                | -                | 447,743          |
| Total liabilities             | 32,087           | 19,242           | 612,130          |

There were no distributions or cash dividends in the past three years. During the year ended January 31, 2019, US\$500,000 (CAD\$655,485) was received from Cutanea related to the completion of a payment milestone.

**Selected quarterly financial data**

| Quarter ended             | Revenue | Net income (loss) | Net income (loss) and comprehensive income (loss) | Basic and diluted earnings (loss) per common share |
|---------------------------|---------|-------------------|---|--|
| Q4/21<br>January 31, 2021 | \$ -    | \$ 226,593        | \$ 527,453  | \$ 0.02  |
| Q3/21<br>October 31, 2020 | -       | 157,556           | (22,045)  | (0.00)   |
| Q2/21<br>July 31, 2020    | -       | (4,960)           | 70,089  | 0.01   |
| Q1/21<br>April 30, 2020   | -       | 44,121            | 76,668  | 0.00   |
| Q4/20<br>January 31, 2020 | -       | (558,308)         | (1,188,506)                                       | (0.06)   |
| Q3/20<br>October 31, 2019 | -       | (100,871)         | (772,092)   | (0.01)   |
| Q2/20<br>July 31, 2019    | -       | 477,303           | (363,937)   | 0.05   |
| Q1/20<br>April 30, 2019   | -       | (141,008)         | (1,383,711)                                       | (0.02)   |

The Company expects a trend of increased activity as it works to update its business strategy for management of its assets and investments.

**For the year ended January 31, 2021, compared to the year ended January 31, 2020**

During the year ended January 31, 2021, the Company had income before taxes of \$387,593 compared to a net loss before taxes of \$207,444 in the prior year. The change was primarily the result of the unrealized gain on marketable securities of \$751,523 offset by impairment of \$173,888 during the year ended January 31, 2021.

During the year ended January 31, 2021, the Company had comprehensive income of \$652,165 compared to comprehensive loss \$3,708,246 for the year ended January 31, 2020. This is primarily the result of increase in fair value of the Delcath Systems marketable securities in fiscal 2021 and the unrealized loss on the F-Star Therapeutic investments held at FVOCI in fiscal 2020.

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During the year ended January 31, 2021, management fees decreased by \$20,818 over the comparative year to \$10,102 (2020 - \$30,920).

During the year ended January 31, 2021, the Company recorded impairment charge of \$173,888 (2020 - \$Nil) to the write off of the remaining balance of its biotechnology assets.

During the year ended January 31, 2021, amortization expense decreased by \$75,000 from the comparative period to \$100,556 (2020 - \$175,556) due to the amortization of the biotechnology asset.

During the year ended January 31, 2020, the Company recognized gain on sale of investments \$Nil as compared \$190,286 during the year ended January 31, 2020. This is a result of a sale of the investment in Acasti and partial sale of F-Star Therapeutics common shares.

**For the three months ended January 31, 2021, compared to the three months ended January 31, 2020**

During the three months ended January 31, 2021, the Company had net income of \$226,593 compared to net loss of \$558,308 in the same period last year. The change was primarily the result of the increase in value of Delcath Systems marketable securities.

During the three months ended January 31, 2021, the Company had compared to comprehensive income of \$527,453 compared to comprehensive loss of \$1,188,506 for the comparative period. This is primarily the result of realized loss on sale of investments in the three months ended January 31, 2020.

During the three months ended January 31, 2021, professional fees increased by \$9,753 over the comparative period to \$30,555 (2020 - \$20,802). This increase is primarily a result of an increase in legal fees.

During the three months ended January 31, 2021, amortization decreased by \$131,670 over the comparative period to \$43,886 (2020 - \$175,556). This increase is primarily a result of accrual period change.

During the three months ended January 31, 2021, bad debt increased to Nil from \$4,190 in the comparative period. This is primarily as a result of writing off receivables in previous year.

During the three months ended January 31, 2021, foreign exchange loss increased by \$28,294 over the comparative period to \$21,764 (2020 – gain \$6,530). This increase is primarily a result of currency fluctuation.

During the three months ended January 31, 2021, transfer agent and regulatory expense increased by \$651 over the comparative period to \$1,381 (2020 - \$730). The increase is primarily due to the filings of press releases.

During the three months ended January 31, 2021, realized loss on marketable securities increased to Nil from \$142,323 in the comparative period.

During the three months ended January 31, 2021, the Company recognized a fair value gain on its available-for-sale investments of \$484,992 as compared to a fair value loss of \$100,299 during the three months ended January 31, 2020. This is a result of the increase in quotes stock market price of Delcath Systems and decease of Spring Bank shares.

**OUTSTANDING SHARE DATA**

As at January 31, 2021 and the date of reporting, there are:

- 9,448,708 common shares outstanding;
- No warrants outstanding; and
- 504,000 stock options outstanding

**LIQUIDITY AND CAPITAL RESOURCES**

The Company has sufficient working capital to continue operations in the normal course for the foreseeable future, however it does not generate any ongoing operating revenues and may require additional financing or sale of investments to remain financially solvent in future years.

The Company's audited financial statements for the year ended January 31, 2021, have been prepared on a going concern basis,

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which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At January 31, 2021, the Company had working capital of \$1,802,029 (2020– \$1,139,992).

The Company currently has adequate cash and liquid securities to meet all its business requirements. At January 31, 2021, the Company had cash and cash equivalents of \$527,814 and accounts payable of \$9,637 and accrued liabilities of \$22,450. It also holds marketable securities and assets in the form marketable securities valued at \$1,982,258. All accounts payable and accrued liabilities are due within 90 days, interest expense is due annually and taxes are due within two months of year end.

The Company's ability to continue its operations on a long-term basis is dependent on its success in identifying and benefiting from continued investment and trading with its portfolio and/or other financing arrangements.

The Company expects to be able to continue to sell shares from its portfolio if operating funds are needed. There are also risks relating to the Company's ability to realize the current market value of the Shares held in its portfolio in the event a sale of shares is forced upon the Company to fund operations.

During the year ended January 31, 2021, cash used in operating activities decreased by \$138,394 to \$83,705 (2020 - \$222,099 used by operations). This is primarily a result of decrease in income taxes payable in the prior year.

During the year ended January 31, 2021, cash used by investing activities was \$344,250 (2020 - cash provided by investing activities was – \$957,151). Majority of the cashflow was to purchase common shares of Delcath Systems.

During the year ended January 31, 2021, cash used in financing activities was \$nil (2020 - \$nil).

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements for the year ended January 31, 2021.

#### **PROPOSED TRANSACTIONS**

The Company does not have any proposed transactions other than the proposed amalgamation with Next Hydrogen.

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the condensed interim 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.

#### **APPROVAL**

The Company's Board of Directors has approved the Company's audited financial statements for the year ended January 31, 2021. The Company's Board of Directors has also approved the disclosures contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and is available on [www.sedar.com](http://www.sedar.com).

#### **RELATED PARTY TRANSACTIONS**

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

During the year ended January 31, 2021, the Company incurred \$Nil for professional fees (2020 – \$15,903) provided by an entity controlled by the Company's Corporate Secretary.

During the year ended January 31, 2021, the Company incurred \$30,000 for consulting fees (2020 – \$12,500) provided by an entity controlled by a director.

During the year ended January 31, 2021, the Company incurred \$Nil for management fees (2020 – \$30,920) provided by an entity controlled by an insider of the Company.

Included in accounts payable and accrued liabilities as at January 31, 2021 is \$75 (2020 - \$6,000) due to related parties. The amounts are non-interest bearing, unsecured and have no specific terms of repayment.

## **RISKS AND UNCERTAINTIES**

The Company is in the business of holding biotechnology assets and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies with passive investments. The Company has no ongoing revenue or income from operations. Although the Company has received significant revenue in the past from licensing payments, such payments are dependent on developmental drug products successfully passing specific regulatory Phases or commercial acceptance and there can be no certainty such payments may be realized in the future. In the long term the Company has to rely upon the sale of its investment assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely impact the Company's business, results of operations, and financial performance. The most significant risks and uncertainties faced by the Company are (in no specific order) are:

***There is expressed doubt about our ability to continue as a going concern, which may hinder our ability to achieve our objectives***

The Company's ability to realize the inherent value of its assets is dependent on the third party management of its assets successfully advancing its technologies to market through the drug development and approval processes and ultimately achieving future profitable operations, the outcome of which cannot be predicted at this time, or in the alternative being able to sell the assets for proceeds equal to their carrying value or greater.

We have no committed sources of additional capital. In the future we may need to raise additional capital through equity financings or asset sale. Additional equity financings could result in significant dilution to shareholders. Funds may not be available to us in the future on favorable terms, if at all, and we may be required to delay, reduce the scope of, or eliminate research and development efforts and the patent protection for our product candidates.

There are risks relating to the Company's ability to realize the current market value of the Shares held in its portfolio in the event a sale of shares is required to fund Company operations. An operational requirement to sell shares may result in a forced sale that is not based on investment analysis. In addition, low trading values may cause the Company to compromise on price to realize the necessary funds.

***We have not completed the development of any commercial products and have no revenues from the sale of products; we may not achieve profitability***

We have not completed the development of any commercial products. We do not anticipate that we will generate revenue from the sale of products in the foreseeable future.

There can be no assurance that any of our product candidates, managed by others, will meet applicable health regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, be successfully marketed or that the investment made in such product candidates will be recouped through sales or related royalties. Products that may result from our research and development programs are not expected to be commercially available for a number of years, if at all, and it will be a number of years, if ever, before we will receive revenues from commercial sales of such products. There can be no assurance that we will ever achieve profitability. As a result, an investment in our common shares involves a high degree of risk and should be considered only by those persons who can afford a total loss of their investment.

***Even if we obtain the necessary marketing approvals, our products may not gain meaningful market acceptance, and we may not become profitable***

The managers of our assets may not be able to contend successfully with competitors. The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Our current and potential competitors generally include major multinational pharmaceutical companies, biopharmaceutical firms, specialty pharmaceutical companies, universities and other research institutions.

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Many of our competitors, either alone or together with their collaborators, have substantially greater financial resources and larger research, development and regulatory staffs than ours and the company who manages our assets. There can be no assurance that competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization than us and our corporate collaborators,

If product candidates fail to gain market acceptance, we may be unable to earn sufficient return on our assets to continue our business. If product candidates do not become widely accepted by physicians, patients, third-party payors and other members of the medical community, it is unlikely that we will ever become profitable.

*Certain of the Company's directors and officers may, from time to time, serve in similar positions with other public companies, which may put them in a conflict position from time to time.*

Certain of BioHEP's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on BioHEP's results of operations and financial condition.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

## **FINANCIAL INSTRUMENTS**

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

|                                    | Level 1             | Level 2           | Level 3     | Total               |
|------------------------------------|---------------------|-------------------|-------------|---------------------|
| January 31, 2021                   |                     |                   |             |                     |
| Cash and cash equivalents          | \$ 527,814          | \$ -              | \$ -        | \$ 527,814          |
| Investment - Marketable securities | 1,032,550           | 263,333           | -           | 1,295,883           |
| Investment – Long term             | 686,374             | -                 | -           | 686,374             |
|                                    | <u>\$ 2,246,738</u> | <u>\$ 263,333</u> | <u>\$ -</u> | <u>\$ 2,510,072</u> |
| January 31, 2020                   |                     |                   |             |                     |
| Cash and cash equivalents          | \$ 955,769          | \$ -              | \$ -        | \$ 955,769          |
| Investment - Marketable securities | 102,398             | 97,713            | -           | 200,111             |
| Investment – Long term             | 421,802             | -                 | -           | 421,802             |
|                                    | <u>\$ 1,479,969</u> | <u>\$ 97,713</u>  | <u>\$ -</u> | <u>\$ 1,577,682</u> |

At January 31, 2021 and 2020, the carrying values of accounts payable and accrued liabilities approximate their fair values due their short-term nature.

## **Financial risk management**

A summary of the Company's risk exposures as they relate to financial instruments is reflected below:

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at January 31, 2021, the Company's exposure to credit risk is the carrying value of cash and cash equivalents. The Company reduces its credit risk by holding its cash and cash equivalents at a major Canadian financial institution and its money market funds are held within a notable low risk fund.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

The Company currently has adequate cash and cash equivalents to meet its current business requirements. At January 31, 2021, the Company had cash and cash equivalents of \$527,814 and accounts payable of \$9,637 and accrued liabilities of \$22,450. All accounts payable and accrued liabilities are due within 90 days, interest expense is due annually and taxes are due within two months of year end.

*Market risk*

Market risk consists of currency risk, interest rate risk and other price risk. These are discussed further below.

*Currency risk*

Currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at January 31, 2021, the Company held 63,750 shares in a NASDAQ listed company with a market value of US\$8.42 per share, 50,000 shares with value US\$16.15, 35,852 warrants with a weighted average fair value of US\$5.75 per warrant and cash US \$409,862. The Company therefore has exposure to fluctuations in the Canadian dollar - United States dollar exchange rate. The Company has determined that a 10% change in foreign exchange rates would affect the fair value of total assets by approximately \$198,226.

*Interest rate risk*

Interest rate risk consists of two components:

1. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
2. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature.

*Other price risk*

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk on its investments due to fluctuations in the current market prices and fluctuations in trading volumes of those securities.

**SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statements for the fiscal year ended January 31, 2021. Please refer to the audited financial statements for the year ended January 31, 2021 for additional information.

**RECENT ACCOUNTING PRONOUNCEMENTS**

The financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended January 31, 2021. The Company did not adopt any new accounting policies during the year ended January 31, 2021.

The following IFRS standards have been recently issued by the IASB but have not yet been adopted by the Company. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

[a] Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments only affect the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In October 2020, the IASB amended the adoption date to - for annual reporting periods beginning on or after 1 January 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's financial statements.

[b] Amendments to IAS 37: Onerous Contracts and the cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's financial statements.

**FORWARD-LOOKING INFORMATION OR STATEMENTS AND CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS**

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in currency exchange rates; uncertainty of estimates of capital and operating costs; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of June 15, 2020, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and find additional value in the biotechnology assets held.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.