



RAKOVINA THERAPEUTICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

DECEMBER 31, 2023

RAKOVINA THERAPEUTICS INC.

Management's Discussion and Analysis
For the year ended December 31, 2023

The following management's discussion and analysis ("MD&A") of Rakovina Therapeutics Inc. ("Rakovina" or the "Company") should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2023 (the "financial statements"), which have been prepared by management in accordance IFRS Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is dated April 26, 2024

FORWARD-LOOKING STATEMENTS

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

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

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

Such forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Rakovina as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance, achievements, prospects or opportunities to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. In making the

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forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results of clinical trials; (ii) obtaining regulatory approvals; (iii) assumptions regarding general business and economic conditions; (iv) assumptions regarding the cost and timing of each study; (v) that the Company's current positive relationships with third parties will be maintained; (vi) the availability of financing on reasonable terms; (vii) the Company's ability to attract and retain skilled consultants; (viii) assumptions regarding market competition; (ix) the products and technology offered by the Company's competitors and (x) the Company's ability to protect patents and proprietary rights.

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

COMPANY OVERVIEW

Rakovina Therapeutics Inc. (the "Company" or "Rakovina") was incorporated under the *Business Corporations Act* (British Columbia) on May 6, 2019 under the name "Vincero Capital Corp." On February 7, 2020, the Company listed its shares on the TSX Venture Exchange ("TSX-V") as a capital pool company ("CPC") (as defined in the TSX-V Policy 2.4 – *Capital Pool Companies*). On March 25, 2021, the Company completed a qualifying transaction with NewGen Therapeutics Inc. by way of a "three-cornered" amalgamation.

On April 1, 2021 following the completion of the Qualifying Transaction, the common shares of the Company (the "Common Shares") resumed trading on the TSX-V under the symbol "RKV". The Company's first financial year-end subsequent to the completion of the Qualifying Transaction was December 31, 2021.

As part of the Qualifying Transaction, The Company acquired certain rights to three classes of novel preclinical small-molecule drug candidates with established *in vitro* proof-of-concept data. The Company acquired worldwide rights, excluding the People's Republic of China, Hong Kong and Taiwan, to develop and commercialize the kt-2000 series under the terms of a purchase and patent assignment agreement. The Company has also been granted an exclusive option to patents claiming the initial kt-3000 and kt-4000 series drug candidates under the terms of an Evaluation and Option Agreement with the inventor of the kt-2000 series. The Company is conducting lead optimization research on all three series in collaboration with the University of British Columbia ("UBC") under the terms of a collaborative research agreement.

The Company's head office and registered and records office is located at Suite 720, 999 West Broadway, Vancouver, British Columbia, V5Z 1K5.

The Company, through its wholly owned subsidiary Rakovina Research Ltd., is principally engaged in the research and development of new cancer treatments based on DNA-damage response inhibitors ("DDRi"). We are utilizing a proprietary Deep Docking™ AI platform to screen large numbers of drug candidates against DNA-damage response ("DDR") drug targets. DDR systems are responsible for detecting and repairing damage to the DNA within our cells. Such damage can occur naturally due to errors during DNA replication or can be caused by exposure to mutagens such as ultraviolet light or toxins within the environment. The DDR systems within our cells are essential for cellular survival.

Approximately seventy-five percent of solid tumors harbor a defect in one or more DDR systems. Such defects can allow a mutation to avoid detection and become entrenched in the cell leading to the formation of a tumor. When this occurs, the cancerous cell loses the function of the defective DDR system(s) and becomes highly reliant on alternative DDR pathways for survival. This dependency may create opportunities for targeting by novel pharmaceutical therapies.

There are currently four "first-generation" FDA approved DDR-targeting drugs known as PARP inhibitors. These drugs target a subset of enzyme family called poly ADP-ribose polymerases ("PARP"). PARP is a key component of a DDR pathway called base excision repair ("BER") that repairs single strand breaks in DNA. If not repaired, single-strand DNA breaks can evolve to lethal double-strand DNA breaks, which must be repaired by other systems such as the homologous repair ("HR") machinery.

First-generation PARP inhibitors ("PARPi") target cancers that harbor mutations in the BRCA gene. BRCA mutations cause defects in the HR system and significantly reduces a cancer cell's ability to repair lethal double-strand DNA

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breaks. Cells with an HR-defect become heavily reliant on the BER system's single-strand repair mechanism for survival, and thus are uniquely susceptible to treatment with a targeted therapy, such as a PARP-inhibitor, which blocks or suppresses BER.

PARPi have become an important component of standard treatment in certain breast, ovarian and prostate cancers that harbor BRCA mutations. While PARP-inhibitors have greatly improved treatment outcomes for these patients, scientists and clinicians have also gained an understanding of their limitations. Such limitations include a limited ability to combine with other therapies due to toxicity, poor penetration of the central nervous system ("CNS") to treat CNS metastases, the emergence of resistance to treatment and limited utility in cancers not harboring a HR-defect. Recent research in the field is focused on the development of next-generation DDRi to address these limitations and further improve treatment outcomes.

Since inception, Rakovina Therapeutics has been conducting lead-optimization and preclinical research in the development of next-generation DDRi in collaboration with the University of British Columbia ("UBC") pursuant to a research collaboration agreement (the "UBC Collaboration Agreement"). The UBC Collaboration Agreement provides us with access to a world class research infrastructure at the Jack Bell Research Center and Robert Ho Research Center in Vancouver, British Columbia including capabilities in molecular pathology, cell imaging, mass spectrometry, protein production and biophysics, as well as a vivarium for the conduct of *in vivo* pharmacology and toxicology research. In addition, an associated clinical trial unit has capability and experience in running Phase 1 through Phase 3 human clinical trials in the cancer field. The research is led by the Company's president, Dr. Mads Daugaard, who is also a professor at UBC. The Company's goal is to advance multiple drug candidates into human clinical trials and obtain marketing approval for new cancer therapeutics from Health Canada, the United States Food and Drug Administration, and similar international regulatory agencies. Rakovina uses generative AI in our R&D program. In Q1 2024, we established exclusive rights to the Deep Docking™ AI platform covering the DDR space. This capability reduces drug-development timelines from years to months and is gradually integrated with all pipeline programs in the Company.

The Company was established around rights to three distinct series of novel DDRi targeted therapies: kt-2000, kt-3000 and kt-4000. To date, our lead-optimization research conducted has focused primarily on the optimization of a lead drug candidate from our novel kt-3000 series. . . . The aim of our lead-optimization research is to select lead candidates that demonstrate potential superiority to first-generation DDRi to address significant unmet medical needs in the treatment of cancer for advancement to human clinical trials.

Our lead optimization infrastructure established in collaboration with the Vancouver Prostate Centre at the University of British Columbia provides a robust platform for rapid and efficient validation of drug candidates identified through the proprietary Deep Docking AI platform.

In general, milestones in drug discovery and lead-optimization include establishing superiority of novel drug candidates benchmarked against select FDA-approved anti-cancer therapeutics in relevant *in vitro* and *in vivo* models and confirming preclinical safety, biodistribution and pharmacokinetic profiles within acceptable parameters for medicines in the oncology field. Drug candidates meeting these parameters are initially identified *in silico* through the Deep Docking algorithm and validated through *in vitro* and *in vivo* assay infrastructure.

The primary goal of our lead optimization research program will be realized by selecting one or more lead clinical candidates by achieving the following milestones:

1. Identification of one or more lead drug candidates that meet the proprietary benchmark target product profile demonstrating potential superiority to first-generation DDRi to address significant unmet medical needs in the treatment of cancer; and
2. Demonstration of an acceptable safety, biodistribution and pharmacokinetic profile to support advancement of a lead drug candidate to pivot human clinical trials.

We have published a manuscript in the Journal of Clinical Cancer Research describing our lead pre-clinical candidate from the kt-3000 series, kt-3283. These data demonstrate kt-3283's potential to treat cancers that are resistant to first-generation PARPi.

kt-3000 Series

The kt-3000 series drug candidates are a patented, novel class of bi-functional small-molecule drug candidates designed to potently inhibit PARP and histone deacetylase (HDAC), an enzyme involved in DNA-replication and the

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initiation of DNA-damage response mechanisms. FDA-approved HDAC inhibitors (HDACi) are employed in the treatment of certain blood cancers.

Published research demonstrates that inhibiting HDAC restores sensitivity to PARPi by preventing activity of the BRCA gene. The combination of a PARP-inhibitor and an HDAC-inhibitor has shown promise in the laboratory but has been highly toxic in the clinical setting.

By targeting dual mechanisms in a single molecule, we believe that kt-3000 series drug candidates have the potential to overcome clinical resistance that arises in response to PARP inhibitor treatment without the toxicity observed when combining two separate treatments.

We have presented preclinical data at peer reviewed scientific meetings demonstrating that select kt-3000 candidates retain anti-cancer activity despite the activation of resistance genes compared to an FDA-approved PARP-inhibitor, which loses potency upon re-establishment of BRCA activity.

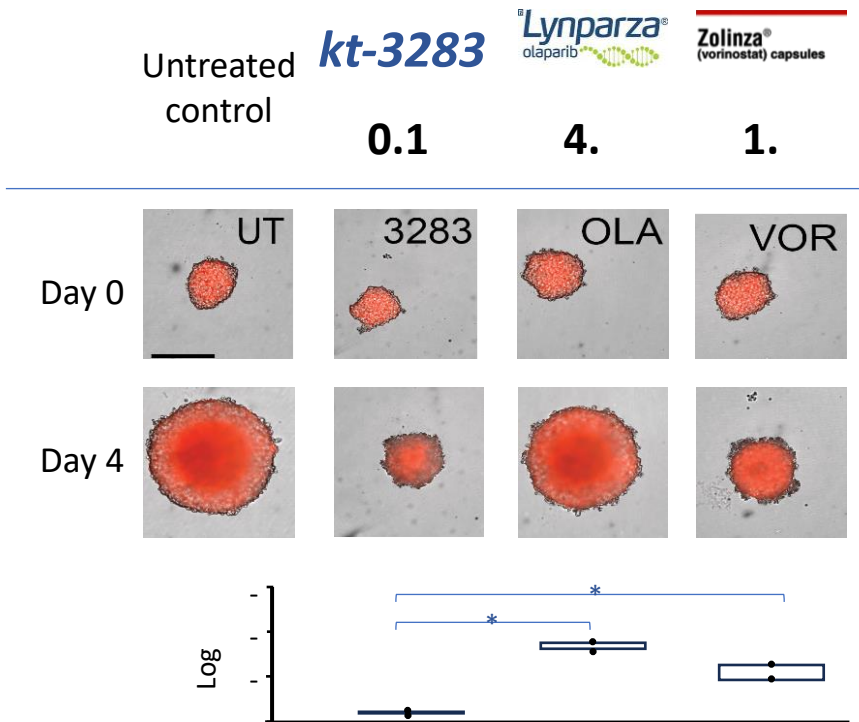
Select kt-3000 series drug candidates have been advanced to pilot toxicology and pharmacology studies. Lead candidates are being evaluated in in vivo models to support future regulatory filings to allow initiation of human clinical trials. Additional kt-3000 series analogues will also be synthesized and evaluated as potential lead candidates with support from Deep Docking™ AI integration.

Lead pre-clinical candidate: kt-3283

kt-3283 is a novel small-molecule drug candidate that demonstrates potent bi-functional PARPi and HDACi activity in pre-clinical models. We recently published a paper in the Journal of Clinical Cancer Research demonstrating that kt-3283 achieves higher efficacy than treatment with single-agent PARP or HDAC inhibitors in pre-clinical models.

These data indicate the dual activity of kt-3283 is 10-times more potent than an FDA-approved PARPi against BRCA-mutant (HR-deficient) cancer cells *in vitro*. Against HR-proficient cancer cell-lines kt-3283 demonstrated 30- to 80-times greater potency than an FDA-approved PARPi, and 30- to 60-times more potent than an FDA-approved HDACi.

In an animal model, kt-3283 inhibited growth and metastasis of aggressive HR-proficient Ewing sarcoma cells in the lungs of mice. FDA-approved PARPi (Lynparza®) and FDA-approved HDACi (Zolinza®) failed to inhibit tumor growth in the same model.



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In HR-proficient cell-cycle assays, kt-3282 demonstrates potent S/G2M arrest indicating supporting potential superiority to single-agent Lynparza or Zolanza and the combination of Lynparza + Zolanza, which demonstrated only moderate G2/M cycle arrest.

We believe that our research provides proof-of-concept to support the continued advancement of a lead candidate from the kt-3000 series toward human clinical trials based on the potential to address unmet medical needs in the treatment of Ewing sarcoma and potentially other cancers including leukemia, breast cancer, liver cancer, glioblastoma, prostate cancer and anaplastic thyroid cancer.

kt-2000 Series

The kt-2000 series candidates are a patented class of next-generation oral, small molecule PARP inhibitors with established *in vitro* and *in vivo* proof of concept. Based on research completed to date, the kt-2000 series lead candidates demonstrate potency comparable to FDA approved PARP-inhibitors and potent anti-cancer activity in preclinical animal models.

We are employing the Deep Docking™ platform to potentially identify a best-in-class kt-2000 series drug candidate. The kt-2000 lead candidates are optimized around potential differentiating factors and competitive advantages, including PARP-1 selectivity and the ability to cross the blood brain barrier. Current FDA-approved PARP inhibitors have limited ability to treat cancer that metastasizes to the brain and exhibit toxicity that has been associated with PARP-2 inhibition. We believe a potent PARP-1 selective, brain-penetrating kt-2000 series drug candidate may provide a significant improvement over the current standard of care.

Deep Docking™ AI integration and research and development activity over the next 12 months will focus on investigation and optimization of multiple lead candidates from the kt-2000 series in preclinical models with the goal of identifying lead candidates for advancement to clinical trials in collaboration with pharmaceutical company partners.

kt-4000 Series

The kt-4000 drug candidates are a patented rationally designed class of small-molecule drug candidates that have been engineered to cause targeted DNA-damage to a tumor cell's DNA while simultaneously inhibiting the tumor's DNA damage response. The kt-4000 series DDR inhibitors molecular structure includes a potent moiety which cause targeted breaks in a tumor cell's DNA strands while also inhibiting DNA-damage repair mechanisms leading to cancer cell death.

We have presented preclinical data at a peer-reviewed scientific meeting demonstrating that select kt-4000 drug candidates cause double-strand DNA breaks while inhibiting PARP-mediated repair resulting in cell-cycle arrest and cancer cell death in a manner distinct from first-generation PARPi. We believe that kt-4000 series drug candidates have the potential to expand the general utility of DDR-inhibitors to treat tumors that have become or are inherently resistant to first-generation DDRi.

RECENT ACHIEVEMENTS & HIGHLIGHTS

- On March 27, 2024 we announced a collaboration agreement with Dr. Artem Cherkasov granting Rakovina with exclusive access to the proprietary Deep Docking (trademarked) artificial intelligence ("AI") Platform for DNA-damage response targets. Using the Deep Docking platform powered by advanced AI algorithms, Rakovina can quickly analyze billions of molecular structures to evaluate their potential as targeted cancer drugs. The company then validates the activity using its established R&D infrastructure. This approach is innovative to developing new drug therapies that target DNA-damage response-related vulnerabilities that are common in many types of cancer
- On November 27, 2023, we announced the appointment of Prof. Artem Cherkasov, Senior scientist at the Vancouver Prostate Center and Canada Research Chair in Precision Cancer Drug Design to Rakovina Therapeutics' Scientific Advisory Board
- On November 20, 2023 we announced the appointment of Prof. Petra Hamerlik, Chair of Translational Neuro-Oncology at the University of Manchester and former CNS Cancer Bioscience Lead at AstraZeneca plc, to Rakovina Therapeutics' Scientific Advisory Board
- In June 2023, we published a manuscript in the Journal of Clinical Cancer Research reporting the characterization of a kt-3000 lead candidate with dual activity against PARP and HDAC enzymes as a potential treatment for Ewing sarcoma and other treatment-resistant cancers.

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- On April 19, 2023, we presented new preclinical *in vitro* and *in vivo* data demonstrating the potential of our kt-3000 series against treatment-resistant Ewing sarcoma, a rare childhood tumor, at the annual meeting of the American Association of Cancer Research (AACR).
- On March 30, 2023, we announced the engagement of Red Cloud Securities and Proactive Investors Nort America Inc as part of our evolving strategy to improve trading liquidity and increase awareness of our next-generation cancer therapy development pipeline.
- On March 23, 2023, we announced the extension of the expiry of 11,414,750 common share purchase warrants from March 24, 2023, to March 24, 2024. The exercise price of each warrant remains at \$0.40.
- On March 22, 2023, we announced the receipt of \$122,865 in non-dilutive funding from the National Research Council of Canada industrial Research Assistance Program.
- On March 17, 2023, we presented new preclinical data describing progress in our lead optimization activities for our novel kt-3000 series at the EACR-AACR Basic and Translational Research Conference.

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SELECTED FINANCIAL INFORMATION

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

	As at December 31, 2023	As at December 31, 2022
	\$	\$
Consolidated statements of financial position data:		
Cash and cash equivalents	436,313	896,831
Working capital	477,881	962,553
Intangible assets	4,515,051	5,051,160
Total assets	5,147,579	6,120,761
Total liabilities	1,487,743	107,048
Deficit	(10,925,311)	(8,312,386)
Total equity	3,659,836	6,013,713

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2022
	\$	\$	\$	\$

Consolidated statements of net loss and comprehensive loss data:

Expenses				
Research and development	419,482	497,739	1,671,677	1,949,201
General and administrative	241,928	155,120	810,424	868,278
Total expenses	661,410	652,859	2,482,101	2,817,479
Other expense (income)				
Interest income	(3,977)	(7,193)	(22,370)	(28,275)
Interest expense	45,794	-	107,515	-
Accretion expense	19,219	-	43,794	-
Foreign exchange loss	287	1,760	1,885	2,030
Total other expense (income)	61,323	(5,433)	130,824	(26,245)
Net loss and comprehensive loss	(722,733)	(647,426)	(2,612,925)	(2,791,234)
Basic and diluted loss per share	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average shares outstanding	69,904,462	69,829,500	69,848,394	69,828,794

RESULTS OF OPERATIONS

Research and development expenses

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2022
	\$	\$	\$	\$
UBC Contract research	108,500	152,250	477,750	609,000
Amortization	135,129	135,129	536,109	536,109
Consulting	50,992	108,889	311,068	358,084
Chemistry and manufacturing	82,534	52,762	210,285	183,516
Share-based payments	18,845	29,331	76,839	175,565
Patent and legal fees	23,482	19,378	59,626	86,927
	419,482	473,799	1,671,677	1,949,201

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Research and development expenses of \$419,482 and \$1,671,677 were incurred during the three and twelve months ended December 31, 2023, compared with \$473,799 and \$1,949,201 incurred in the three and twelve months ended December 31, 2022.

The net decrease in R&D expenses during the three months ended December 31, 2023 relative to the three months ended December 31, 2022 is primarily due to the following:

- A decrease in Contract research costs related to the UBC contract from \$152,250 during the three months ended December 31, 2022 to \$108,500 for the three months ended December 31, 2023. The decrease was expected as the UBC contract was structured with lower payments during the final twelve months of the initial three-year term.
- A decrease in Consulting expense from \$108,889 during the three months ended December 31, 2022 to \$50,992 for the three months ended December 31, 2023. The decrease is related to receipt of approximately \$44,000 in IRAP proceeds during the current period versus nil in the prior comparable period. IRAP proceeds are netted against R&D consulting expenses in the period received.
- An increase in chemistry and manufacturing from \$52,762 for the three months ended December 31, 2022 to \$82,534 for the three months ended December 31, 2023. The increase is related to higher activity related to medicinal chemistry consulting and manufacturing during the current quarter relative to the prior comparable period.

The decrease in R&D expenses during the twelve months ended December 31, 2023 relative to the twelve months ended December 31, 2022 is primarily due to the following:

A decrease in Contract research costs related to the UBC contract from \$609,000 during the twelve months ended December 31, 2022 to \$477,750 for the three months ended December 31, 2022. The decrease was expected as the UBC contract was structured with lower payments during the final twelve months of the initial three-year term.

- A decrease in Consulting expense from \$358,084 during the twelve months ended December 31, 2022 to \$311,068 for the three months ended December 31, 2023. The decrease is related to receipt of higher IRAP proceeds in the current fiscal year related to the prior comparable period. IRAP proceeds are netted against R&D consulting expenses in the period received.

General and administrative expenses

	For the three months ended December 31, 2023 \$	For the three months ended December 31, 2022 \$	For the year ended December 31, 2023 \$	For the three months ended December 31, 2022 \$
Legal and professional	43,156	11,608	155,796	261,995
Corporate communications	82,024	23,390	225,190	114,214
Share-based payments	19,022	12,899	52,438	82,969
Consulting	39,000	39,000	156,000	156,020
Director fees	39,335	25,821	119,955	120,920
Rent	10,500	10,500	42,000	38,500
Other expenses	8,891	31,902	59,045	93,660
	241,928	155,120	810,424	868,278

General and administrative expenses of \$241,928 and \$810,424 were incurred during the three and twelve months ended December 31, 2023, compared with \$155,120 and \$868,278 incurred in the three and twelve months ended December 31, 2022.

The net increase general and administrative expenses during the three months ended December 31, 2023 relative to the three months ended December 31, 2022 is primarily due to the following:

- An increase in Legal and professional fees from \$11,608 for the three months ended December 31, 2022 to \$43,155 for the three months ended December 31 2023. The increase is primarily due to unusually low legal

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expenses in the previous year combined with higher costs in the current period related to the administration of the company's convertible debt issue and related interest payments.

- An increase in corporate communications expense from \$23,390 for the three months ended December 31, 2022 to \$82,024 for the three months ended December 31 2023. The increase is primarily due to the expiration of the company's marketing contract in the prior period which resulted in lower expenses during that quarter. In the current year, the company renewed the contract as well as engaged additional marketing resources which resulted in an increase relative to the prior comparable period.
- A decrease in other expenses from \$31,902 during the three months ended December 31, 2022 to \$8,891 during the three months ended December 31, 2023. The decrease is primarily related to higher investor conference fees in the prior period for conferences which were not attended during the current period.

The net decrease in general and administrative expenses during the year ended December 31, 2023 relative to the year ended December 31, 2022 is primarily due to the following:

- A decrease in legal and professional fees from \$261,995 for the year ended December 31, 2022 to \$155,795 for the year ended December 31, 2023. The decrease is primarily due to non-recurring legal fees in the previous fiscal year related to filing a base shelf prospectus and non-recurring capital market advisory fees incurred in the previous period.
- An increase in corporate communications expense from \$114,214 for year ended December 31, 2022 to \$225,190 for the year ended December 31 2023. The increase is primarily due to the engagement of additional marketing and investor relations consultants during the current fiscal year.
- An decrease in other expenses from \$93,660 for the year ended December 31, 2022 to \$59,045 for the year ended December 31 2022. The decrease is primarily related to lower conference fees incurred during the current period.

SUMMARY OF QUARTERLY RESULTS

	Dec 31, 2023	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Net Loss	(722,733)	(646,968)	(601,404)	(641,790)	(647,426)	(715,880)	(715,975)	(711,953)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

During the three months ended December 31, 2023, the Company reported a net loss of \$722,733 which is consistent with the prior seven quarters and is primarily attributable to research and development expenses of \$419,482 and general and administrative expenses of \$241,928.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

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

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

The Company is currently in the process of raising capital to support its ongoing operations and expects to secure sufficient financing during the second quarter of 2024 to fund operations over the next 12 months. Management believes that the Company will be able to continue as a going concern after the financing is obtained. However, there is no assurance that the financing will be obtained on terms favorable to the Company or at all. If the financing is not

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obtained, the Company may be required to take additional measures to address its liquidity needs, including reducing operating expenses or seeking alternative sources of financing.

While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

The process of drug development can be costly and the timing and outcomes of research related activities is uncertain. The assumptions upon which we have based our estimates are routinely evaluated and may be subject to change. The actual amount of our expenditures will vary depending upon a number of factors including but not limited to the design, timing and duration of lead optimization studies, the progress of our research and development programs, and the level of financial resources available.

Cash Flows

The following table provides information regarding our cash flows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
	\$	\$
Cash used in operating activities	<u>(1,861,711)</u>	(1,916,860)
Cash provided by financing activities	<u>1,401,193</u>	2,150
	<u>(460,518)</u>	<u>(1,914,710)</u>

Cash flows from operating activities

Net cash used in operating activities was \$1,861,711 during the twelve months ended December 31, 2023. Net cash used in operating activities for the twelve months ended December 31, 2023 consisted of a net loss of \$2,612,925 plus non-cash items of \$727,060 and an increase of non-cash working capital of \$24,154. Non-cash items were primarily related to amortization of \$536,109 and share-based payments of \$129,277. The Company is currently in the pre-clinical stage of research and development and does not generate revenue from operations. The company expects to have negative cash flow from operating activities.

Total cash operating expenses related to research and development and general and administrative expenses were \$1,816,715 and \$488,414 for the three and twelve months ended December 31, 2023, respectively.

Cash flows from financing activities

Cash provided from financing activities of \$1,401,193 during the twelve months ended December 31, 2023 was due to the issuance of the convertible debenture which closed on May 29, 2023.

Cash provided from financing activities of \$2,150 during the twelve months ended December 31, 2022 was due to the exercise of agent options.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, due to related parties and convertible debt.

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Fair values

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

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

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

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

The fair value hierarchy level at which a fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company records cash and cash equivalents at fair value using level 1 inputs. There were no transfers from levels 1, 2, and 3 during the year ended December 31, 2023.

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, due from related parties, and convertible debt approximate the carrying values due to the short-term nature of these instruments.

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and cash equivalents and amounts receivable. The Company's cash and cash equivalents consists of funds held in a reputable Canadian bank. The amounts receivable is related to GST receivable from the Government of Canada and accrued interest from a reputable Canadian bank. Management actively reviews the risk of the financial institutions and/or the counterparty to underlying financial instruments failing to meet its obligations and adjusts if and when any undue risk is identified. At December 31, 2023, the Company does not believe it is currently exposed to any significant credit risk.

Interest rate risk

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

Liquidity risk

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

The Company is obligated to the following contractual maturities of undiscounted cash flows at December 31, 2023:

	Amount	Year 1	Year 2	Year 3	Total
	\$	\$	\$	and over	\$
				\$	
Trade and other payables	154,647	154,647	-	-	154,647
Convertible debt ⁽¹⁾	1,514,000	181,680	1,695,680	-	1,877,360
	<u>1,668,647</u>	<u>336,327</u>	<u>1,695,680</u>	<u>-</u>	<u>2,032,007</u>

⁽¹⁾ The principle amount of convertible debt (\$1,514,000) can be settled with common shares at the Company's option and the related interest can be settled in common shares of the Company at the option of the holders (see note 5).

Foreign currency risk

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

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There has been no significant change in the credit risk and concentrations, interest rate risk, liquidity risk or foreign currency risk since December 31, 2023.

DIVIDEND POLICY

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

RELATED PARTY TRANSACTIONS

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

As at December 31, 2023, the Company had amounts due to related parties of \$74,289 (\$79,309 at December 31, 2022) comprised of board fees, management compensation and reimbursable expenses. Compensation to key management personnel for the reporting period is as follows:

	Year ended December 31, 2023 \$	Year ended December 31, 2022 \$
Compensation and short term benefits	511,638	462,648
Board fees	119,954	120,920
Share-based payments	117,015	224,189
	748,608	807,757

For the year ended December 31, 2023, the Company incurred rent expense of \$42,000 (2022 - \$38,500) to a Director of the Company, pursuant to a short-term lease agreement for office space.

The Company entered into a consulting agreement with Jeffrey Bacha, the Executive Chairman of the Company. Pursuant to this consulting agreement, Mr. Bacha is compensated at a rate of \$10,000 per month. During the twelve months ended December 31, 2023, Mr. Bacha received \$120,000 (2022 - \$120,000) in fees for management services. As of December 31, 2023, the Company has included in its accounts payable and accrued liabilities \$12,943 (December 31, 2022 - \$13,621) due to Mr. Bacha related to management services (\$10,500) and reimbursable expenses (\$2,443).

The Company entered into a consulting agreement with Daugaard Consulting and Mads Daugaard, the President and Chief Scientific Officer of the Company. Pursuant to this consulting agreement, Mr. Daugaard is compensated at a rate of \$11,970 per month. During the twelve months ended December 31, 2023, Mr. Daugaard received \$143,640 (2022 - \$143,640) in fees for management services. As of December 31, 2023, the Company has included in its accounts payable and accrued liabilities \$12,569 (December 31, 2022 - \$12,569) due to Mr. Daugaard related to management services.

The Company entered into a consulting agreement with Langlands & Associates Consulting Inc. and John Langlands, the Chief Operating Officer of the Company. Pursuant to this consulting agreement, Mr. Langlands is compensated at a rate of \$10,666 per month. During the twelve months ended December 31, 2023, Mr. Langlands received management fees of \$127,999 (2022 - \$127,417) in fees for management services. As of December 31, 2023, the Company has included in its accounts payable and accrued liabilities \$11,200 (December 31, 2022 - \$11,655) due to Mr. Langlands related to management services.

The Company entered into a consulting agreement with Tandem Innovation Group ("Tandem") and David Hyman, the Chief Financial Officer ("CFO") of the Company. Pursuant to this consulting agreement, Mr. Hyman is compensated at a rate of \$10,000 per month. During the twelve months ended December 31, 2023, Tandem charged fees of \$120,000 (2022 - \$120,000) for CFO services. As of December 31, 2023, the Company has included in its accounts payable and accrued liabilities \$10,500 (December 31, 2022 - \$10,500) due to Tandem related to management services and \$1,395 to Mr. Hyman for reimbursable expenses.

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The Company pays its independent directors a fixed quarterly fee of \$8,750 plus \$1,875 for the audit committee chair and \$1,000 for audit committee members. As of December 31, 2023 the Company has included in its accounts payable \$8,137 for Al De Lucrezia, \$8,750 for Dennis Brown, and \$8,795 for Michael Liggett related to Director fees (December 31, 2022 \$26,244 for all Directors).

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

OUTSTANDING SECURITIES

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

	<u>#</u>
Common shares	70,084,925
Warrants	3,028,000
Stock Options	6,982,500
Total	<u>80,095,425</u>

On March 24, 2024, 11,414,750 investor warrants with an exercise price of \$0.40 per warrant expired.

On August 28, 2023 the Company issued 1,367,500 stock options to certain directors, officers, and consultants.

On May 29, 2023, the Company closed a non-brokered private placement of unsecured convertible debenture units of the Company (the "Debenture Units") for aggregate gross proceeds to the Company of \$1,514,000. Each Debenture unit consists of one \$50,000 unsecured convertible debenture of the company and 100,000 share purchase warrants ("Warrants") with each Warrant entitling the holder thereof to acquire one common share of the Company (a "Warrant Share") at a price of \$0.15 per Warrant Share for a period of 30 months. The debentures are repayable in 30 months (unless earlier converted or redeemed) and will accrue interest at a rate of 12% per annum which is due and payable semi-annually in cash or common shares, at the option of the debenture holder. The Debenture holders will have the right to convert the principal amount of the Debenture into common shares of the Company at a conversion price of \$0.20 per share, which would result in the issuance of 7,570,000 common shares. The Company is entitled to redeem each Debenture starting 12 months following the Closing Date by paying a redemption premium on the outstanding principal amount of Debenture equal to 2%, subject to certain limitations.

INCOME TAXES

The Company has the following income tax pools:

Type	December 31, 2023 \$	Estimated Expiry
Non-capital losses	5,452,000	2026 to 2043
Intangible assets	2,281,000	No Expiry date
Convertible debt	60,000	No Expiry date
Share issuance costs	255,000	2024-2048

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the audited financial statements for the year ended December 31, 2023.

RISKS FACTORS

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