PACGEN LIFE SCIENCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
As of February 28, 2015

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2014

This management discussion and analysis ("MD&A") is provided to enable the reader to assess material changes in financial position and results of operations of Pacgen Life Science Corporation ("Pacgen" or the "Company") for the three and nine months ended December 31, 2014, in comparison to the same period in the preceding year. This analysis is performed by management using information available as of February 28, 2015 and should be read in conjunction with our condensed consolidated interim financial statements and notes thereto for the three and nine months ended December 31, 2014 (the "Interim Financial Statements"), as well as audited consolidated financial statements and notes thereto and the MD&A for the year ended March 31, 2014. These Interim Financial Statements are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise indicated. Additional information relating to Pacgen can be obtained from SEDAR at www.sedar.com, on our corporate website at www.pacgenlife.com, or by requesting further information from our head office in Vancouver, B.C.

The forward-looking statements in this MD&A regarding our expectations of our future performance, liquidity and capital resources and other non-historical statements include numerous risks and uncertainties. The words "anticipates", "believes", "estimates", "expects", "intends", "may", "could", "plans", "projects", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those implied by such statements. Such factors include, among others, our stage of development, lack of product revenues, additional capital requirements, going concern assumption, dependence on collaborative and license partners, our ability to protect our intellectual property, our ability to stay competitive in a rapidly changing industry environment, and our ability to raise new capital. We undertake no obligation to revise or update forward-looking statements in this discussion whether as a result of new information, future events or otherwise. Accordingly, readers should not place undue reliance on our forward-looking statements in this discussion.

OVERVIEW

Pacgen is a life science company focused on the development and commercialization of biomedical products. The Company has a right to distribute products manufactured by General Biologicals Corporation ("GBC") and an exclusive worldwide license to develop and commercialize a novel antifungal called PAC-113. The Company has sublicensed its exclusive worldwide license to PAC-113 to GBC in January 2014 and is pursuing new opportunities.

PAC-113

PAC-113 is a 12 amino-acid antimicrobial peptide derived from a naturally occurring histatin protein found in saliva. These proteins play an important role in the human body's natural defense against oral diseases including oral cavity, oral candidiasis and esophagus infection. The initial scientific concept of PAC-113 was based on research studies conducted by its inventor, Professor Frank Oppenheim, at the Boston University. The Company obtained its right to PAC-113 through a license arrangement with Demegen Inc. ("Demegen") in February 2005.

Pursuant to the original license agreement and subsequent amendment agreements between Pacgen and Demegen ("Head License"), the Company has an exclusive worldwide right to develop and commercialize prescription and non-prescription pharmaceutical products containing PAC-113 or one or more related peptides for the treatment of any oral condition (excluding transitional skin-mucous membrane areas), as well as vaginal, dermatological and ophthalmic conditions.

The Company developed PAC-113 as a mouthrinse formulation for the topical treatment of oral candidiasis until 2008. Oral candidiasis, or thrush, is usually seen as a secondary consequence arising from one of a number of primary or underlying medical conditions including HIV/AIDS, cancer, diabetes, asthma and xerostomia (abnormal dryness of the mouth). The Company completed formulation optimization studies, a Phase I/II proof of concept clinical study, as well as a Phase IIb dose-ranging study. Data from Pacgen's clinical studies demonstrated that PAC-113 was effective in the treatment of oral candidiasis. The data also suggested that PAC-113 compared favourably to the efficacy demonstrated by Nystatin, one of standard of treatments for oral candidiasis.

On January 23, 2014, Pacgen and GBC entered into a sublicense agreement (the "PAC-113 Sublicense"). Pursuant to this agreement, Pacgen granted GBC its worldwide exclusive right to PAC-113. In exchange, GBC paid Pacgen an upfront payment of US$250,000 and assumed payment for Pacgen's overdue licensing fees of US$105,000 under the Head License. In addition, GBC is obligated to pay Pacgen a minimum royalty payment of US$50,000 annually and reimburse Pacgen all future license fees required under the Head License. Pacgen is further entitled to milestone payments and royalty payments based on marketing approvals and product sales performance, respectively.

RECENT CORPORATE DEVELOPMENT

Following the PAC-113 Sublicense, the Company has focused its operations in seeking for new opportunities. The Company met with a number of companies for potential business transactions. Some of these discussions are ongoing and the board of directors of Pacgen intends to pursue those that are considered to be in the best interests of Pacgen shareholders.

OVERALL PERFORMANCE

Since its inception, Pacgen has accumulated a deficit of $16,504,634 as at December 31, 2014. The Company has generated limited revenue from its PAC-113 Sublicense and does not expect to generate significant revenue until GBC commercializes PAC-113. Given its limited revenue stream, Pacgen will need to raise additional funding to secure and develop new business opportunities. The Company has funded its operations by equity financings in the past. If Pacgen's business development does not show positive progress, or if capital market conditions in general or with respect to development stage companies such as Pacgen are unfavorable, its ability to obtain additional funding will be adversely affected.

RESULTS OF OPERATIONS

For the three months ended December 31, 2014 ("Q3 2015"), Pacgen recorded a net income of $7,195 ($0.00 per common share), compared to a net loss of $16,922 ($0.00 per common share) for the same period in the preceding year ("Q3 2014"). On a year-to-date basis, net income for the nine months ended December 31, 2014 ("YTD 2015") was $12,627 ($0.00 per common share) as compared to a net loss of $43,582 ($0.00 per common share) for the same period in the preceding year ("YTD 2014"). The increases in net income were primarily due the revenue generated from the PAC-113 Sublicense.

Pacgen sold all of its equity interests in Pacgen Inc. and Pacgen Biomedical Inc. (the "US Subsidiaries") in August 2013. Results of operations of these US Subsidiaries were classified as loss from discontinued operations in the preceding year.

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Revenue	21,295	—	64,760	—
Expenses	(16,163)	(13,963)	(52,482)	(63,575)
Other income (loss)	2,063	(9,760)	349	31,028
Income (loss) from continuing operations	7,195	(23,723)	12,627	(32,547)
Income (loss) from discontinued operations	—	6,801	—	(11,035)
Net income (loss)	**7,195**	**(16,922)**	**12,627**	**(43,582)**

Revenue

Pacgen generated revenue of $21,295 (US$18,750) and $64,760 (US$57,894) from its PAC-113 Sublicense in Q3 2015 and YTD 2015, respectively. Revenue in Q3 2015 was comprised of $14,197 (US$12,500) of minimum royalties and $7,098 (US$6,250) of licensing reimbursements from GBC. Revenue in YTD 2015 was comprised of $44,038 (US$39,144) of minimum royalties and $20,722 (US$18,750) of licensing reimbursements from GBC.

Operating Expenses

Operating expenditures increased to $16,163 in Q3 2015 from $13,963 in Q3 2014. On a year-to-date basis, expenses declined to $52,482 in YTD 2015 from $63,575 in YTD 2014. The variations in operating expenditures were primarily due to the adjusted licensing fees in connection with the Head License. Pacgen renegotiated its licensing terms and signed amendment agreements with Demegen in early 2014. Among its amended licensing terms were a reduction in minimum annual royalty payment from US$50,000 to US$25,000 and an elimination of maintenance fee linked to development milestone. Other operating expenditures were relatively the same in current reporting periods as compared to the same periods in the preceding year.

Other Income (Loss)

Other income increased to $2,063 in Q3 2015 from a loss of $9,760 in Q3 2014. On a year-to-date basis, Pacgen had other income of $349 in YTD 2015 as compared to $31,028 in YTD 2014. The net changes in the current reporting periods as compared to same periods in the preceding year were due to favorable variances in foreign exchange gain. As a result of the PAC-113 Sublicense in January 2014, Pacgen had reduced its foreign exchange exposure. The Company's US dollar denominated sublicensing revenue provides a natural hedge against its US dollar denominated license obligations under the Head License. The favorable foreign exchange variance in YTD 2015, as compared to YTD 2014, was offset by the gain in sale of investments in YTD 2014. Pacgen sold its US Subsidiaries and generated a gain of $45,446 in August 2013.

SUMMARY OF QUARTERLY RESULTS

Set forth below is the selected consolidated financial data for each of the last eight quarters:

	3rd Quarter Ended Dec 31, 2014 ("Q3 2015")	2nd Quarter Ended Sep 30, 2014 ("Q2 2015")	1st Quarter Ended Jun 30, 2014 ("Q1 2015")	4th Quarter Ended Mar 31, 2014 ("Q4 2014")
Revenue	$21,295	$36,649	$6,816	$279,475
Expenses	(16,163)	(18,120)	(18,199)	(55,515)
Expense recoveries and forgiveness of debt	—	—	—	225,575
Other income (loss)	2,063	1,181	(2,895)	(17,587)
Net income (loss) from continuing operations	7,195	19,710	(14,278)	431,948
Net income (loss) from discontinued operations	—	—	—	—
Net income (loss) for the period	7,195	19,710	(14,278)	431,948
Basic and diluted income (loss) per common share	$0.00	$0.00	$(0.00)	$0.01

	3rd Quarter Ended Dec 31, 2013 ("Q3 2014")	2nd Quarter Ended Sep 30, 2013 ("Q2 2014")	1st Quarter Ended Jun 30, 2013 ("Q1 2014")	4th Quarter Ended Mar 31, 2013 ("Q4 2013")
Revenue	$—	$—	$—	$—
Expenses	(13,963)	(29,111)	(20,501)	(55,194)
Expense recoveries and forgiveness of debt	—	—	—	—
Other income (loss)	(9,760)	53,243	(12,455)	(7,026)
Net income (loss) from continuing operations	(23,723)	24,132	(32,956)	(62,220)
Net income (loss) from discontinued operations	6,801	(11,147)	(6,689)	(12,295)
Net income (loss) for the period	(16,922)	12,985	(39,645)	(74,515)
Basic and diluted income (loss) per common share	$(0.00)	$0.00	$(0.00)	$(0.00)

During the above listed eight quarters, the Company went through a number of corporate developments. Significant variances due to these developments were as follows:

- The Company expanded its distribution through the US Subsidiaries in early 2012. These subsidiaries were subsequently sold to GBC in August 2013 because the funding requirements for these companies had changed due to slower than forecasted revenue. Following the sale of the US Subsidiaries in August 2013, all revenue and expenses for these subsidiaries were retroactively reclassified as net income (loss) from discontinued operations.

- The higher net income of $431,948 in Q4 2014 was due to the completion of the PAC-113 Sublicense and renegotiation of the terms of the Head License. Pacgen received an initial sublicensing fee of $279,475 (US$250,000) pursuant to the terms of the PAC-113 Sublicense. The Company also recorded $225,575 (US$202,379) of expense recoveries and forgiveness of debt which consisted of (i) recoveries of license expenses of $117,380 (US$105,000) and $27,637 (US$25,000) pursuant to the terms of the PAC-113 Sublicense; and (ii) a forgiveness of debt $80,558 (US$72,379) from its renegotiation of the terms of the Head License.

- Also as a result of the completion of the PAC-113 Sublicense, the Company started generating regular revenue in Q1 2015. Revenue included minimum royalties and expense reimbursements from GBC.

- Operating expenses were comprised of license fees under the Head License, research and development data storage costs, general administration, depreciation of property and equipment, as well as share-based payments. The Company incurred lower license fees following its renegotiation of licensing terms with Demegen in Q4 2014. Other operating expenditures fluctuated as they were related to the timing of corporate transactions and annual corporate events such as AGM and year-end audit.

Except for the gain of $45,446 on the sale of US Subsidiaries in Q2 2014, other income (loss) fluctuated primarily due to the foreign exchange gain (loss) associated with US dollars denominated liabilities and amounts receivable. Foreign exchange gain (loss) has been lower since Q4 2014 because the PAC-113 Sublicense receivables denominated in US dollar provide natural hedging against US dollar denominated license obligations under the Head License.

LIQUIDITY AND CAPITAL RESOURCES

No Profit History and Reliance on Financing

Pacgen has a history of operating losses. The Company has funded its operations primarily from equity financing, other than the issuance of convertible debentures in 2009 and the cash acquired from IL Therapeutics Inc in 2006. As of December 31, 2014, the Company had $227,529 of cash on hand (March 31, 2014 – $272,918) and $79,185 of working capital (March 31, 2014 – $66,208). The contractual maturities of the Company's financial liabilities as of December 31, 2014 were as follows:

	Contractual Maturities		
	Within One Year	**Other**	**Total**
	$	**$**	**$**
Accounts payable	2,355	—	2,355
Accrued liabilities	41,662	—	41,662
Sublicense payable	58,005	—	58,005
Contingent payments	—	139,212	139,212
Total	**102,022**	**139,212**	**241,234**

Of the accrued liabilities due within one year, $36,662 (US$31,602) was related to accrued license fees in connection with the Head License which was fully recoverable from GBC. Also included in the Company's financial liabilities was $139,212 (US$120,000) of liabilities of which payments were contingent upon successful completion of certain business development milestones. Based on these contractual obligations and the Company's cash on hand, Management believed that Pacgen has sufficient capital resources to continue as a going concern.

Pacgen's ability to continue as a going concern in the longer term is dependent upon its ability to obtain additional financing. The Company plans to continue its capital raising efforts. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

Sources and Uses of Cash

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Cash used in operating activities	(2,368)	(16,890)	(52,766)	(75,782)
Cash provided by investing activities	—	—	—	73,710
Net decrease in cash	**(2,368)**	**(16,890)**	**(52,766)**	**(2,072)**

Cash generated from operating activities was comprised of net income, add-backs or adjustments not involving cash, and net change in non-cash working capital items. The decrease in cash used in operating activities to $2,368 in Q3 2015 from $16,890 in Q3 2014, was primarily due to the lower cash tied up in non-cash working capital items in Q3 2015. The decrease in cash used in operating activities to $52,766 in YTD 2015 from $75,782 in YTD 2014, was primarily due to the higher net income in YTD 2015. Cash provided by investing activities of $73,710 in YTD 2014 were generated from the sale of US Subsidiaries.

Contractual Obligations

As of December 31, 2014 and in the normal course of business we have obligations to make future payments, representing contracts and other commitments that are known and committed.

	Contractual Obligations Payment Due by Period				
	Total	**2015**	**2016-2017**	**2018-2019**	**Thereafter**
	$	**$**	**$**	**$**	**$**
License Agreements [(1)]	123,261	7,251	58,005	58,005	—
Other contractual obligations	—	—	—	—	—
	123,261	**7,251**	**58,005**	**58,005**	**—**

(1) Pursuant to the Head License, Pacgen has a commitment to pay a minimum annual royalty of US$25,000 until fiscal year ending March 31, 2019. These commitments are converted into Canadian Dollars at the closing rate on December 31, 2014 of US$1.00 = CA$1.1601. They are recoverable from GBC pursuant to the Company's PAC-113 Sublicense.

Capital Risk Management

Pacgen's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue corporate development. The Company attempts to maximize returns to shareholders by minimizing shareholder dilution and utilizing non-dilutive funding arrangements where possible. Pacgen includes convertible debentures and equity comprised of issued share capital, contributed surplus and deficit in the definition of capital. Other than the issuance of convertible debentures in 2009 and acquisition of cash from ILT in 2006, Pacgen has financed its operations and capital requirements through share issuances since inception.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company may issue new shares or raise debt. Pacgen is not subject to any externally imposed capital requirements and the overall strategy with respect to capital management remains unchanged from the preceding fiscal year.

OUTSTANDING SHARE CAPITAL

As of February 28, 2015, there are (i) 47,215,969 common shares issued and outstanding and (ii) 903,000 incentive stock options outstanding at a weighted average exercise price of $0.07.

OFF-BALANCE SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

There are at present no transactions outstanding that have been proposed but not approved by either the Company or regulatory authorities.

OUTLOOK

Following the PAC-113 Sublicense, the Company is working to transfer its technical know-how and research and development data to GBC. PAC-113 is being developed by GBC as a mouthrinse solution to help protect oral cavity and esophagus infection. Pacgen is seeking for new business opportunities and pursuing a number of business leads. The Company plans to raise funding to finance its new business opportunities.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

	December 31, 2014 $	March 31, 2014 $
Financial assets		
Cash	227,529	272,918
Amounts receivable	87,473	147,176
Financial Liabilities		
Accounts payable	2,355	10,577
Accrued liabilities	41,662	157,961
Sublicense payable	58,005	55,275
Contingent payments	139,212	132,660

The Company has designated its cash as fair value through profit or loss ("FVTPL"), which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, amounts payable to related parties, accrued liabilities, sublicense payable and contingent payments are classified as other financial liabilities, which are measured at amortized cost.

Fair Value

The fair value of the Company's financial instruments is approximated by their carrying value due to their short-term nature. IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market data

The fair value of cash is based on Level 1 inputs of the fair value hierarchy.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash on deposits with banks, and from time to time due to its holdings of short-term investments. For excess cash management, the Company has investment policies to mitigate the deterioration of principal, to enhance the Company's ability to meet its liquidity needs, and to optimize yields within those parameters. These investment policies limit the investing of excess funds to liquid term deposits with banks and government guaranteed securities with maturities of two years or less. The Company had no short-term investments at December 31, 2014.

The maximum credit exposure of the Company at period end is the carrying value of its cash and amounts receivable. The Company holds its cash balances with major banks in Canada. Amounts receivable primarily consist of license fee reimbursements from GBC and goods and services tax due from the Federal Government of Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's exposure to liquidity risk is dependent on its purchasing commitments and obligations and its ability to raise funds to meet commitments and sustain operations. The Company manages liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. A discussion on the Company's liquidity is provided in *"Liquidity and Capital Resources"* section of this MD&A.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest rate risk on its license obligations which bear floating interest rates. Given the level of cash held by the Company during the three and nine months ended December 31, 2014 and 2013, fluctuations in the market interest rates had no significant impact on its interest income.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchanges rates. The Company operates primarily in Canada and a portion of its financial obligations are denominated in United States dollars ("US dollar"). The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows.

RELATED PARTY TRANSACTIONS

Transactions with Related Parties

In connection to the PAC-113 Sublicense, the Company signed a sublicense agreement with GBC, its major shareholder. Pursuant to this agreement, the Company recorded $14,197 (US$12,500) and $44,038 (US$39,144) of sub-licensing revenue for the three and nine months ended December 31, 2014, respectively. These transactions were incurred in the normal course of business and recorded at their exchange amounts at fair values.

Amounts Due to Related Parties

As of December 31, 2014 and March 31, 2014, Pacgen had the following amounts due to related parties:

	December 31, 2014 $	March 31, 2014 $
Amounts payable to directors and officers in connection to:		
Business expense reimbursements	641	—
Total	**641**	**—**

Key Management Compensation

There was no cash compensation paid or share-based payment granted to the Company's key management during the three and nine months ended December 31, 2014 and 2013.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The preparation of the Interim Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Interim Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Interim Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Interim Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Interim Financial Statements:

i. Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiaries in Canada and that the US dollar is the functional currency of its previous subsidiaries in the US, management considered the currency that mainly influences the sales price for its goods and the cost of providing goods and services in each jurisdiction in which the Company operates.

ii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

iii. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38 "Intangible Assets". Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

ii. The fair value of accrued liabilities, contingent payments and license obligations at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The significant accounting policies that are most critical in fully understanding and evaluating the reported results in this MD&A are included in notes 1 to 3 to the Company's audited financial statements for the year ended March 31, 2014. Some of these notes are also included and updated as necessary in notes 1 and 2 in the Interim Financial Statements.

NEW STANDARDS AND FUTURE ACCOUNTING CHANGES

Adoption of Accounting Standards and Interpretations

The Company has adopted the following new accounting standards and interpretations effective April 1, 2013. These changes were made in accordance with the applicable transitional provisions and had no impact on its Financial Statements.

- IFRS 10 – *Consolidated Financial Statements*. IFRS 10 defines a single concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11 – *Joint Arrangements*. IFRS 11 focuses on the rights and obligations of an arrangement rather than its legal form, as is currently the case. The standard distinguishes between joint operations, where the joint operator accounts for the assets, liabilities, revenues, and expenses relating to its involvement, and joint ventures, which must be accounted for using the equity method.

- IFRS 12 – *Disclosure of Interests in Other Entities.* IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities.

- IFRS 13 – *Fair Value Measurement*. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. Previously, a variety of fair value techniques and disclosures were possible under the requirements of separate applicable IFRSs.

New Standards Not Yet Adopted

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its Financial Statements.

- IFRS 9 – *Financial Instruments*. This standard partially replaces IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2015. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities. The Company may, but is not required to, apply the standard retroactively. In and after the year of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

RISKS AND UNCERTAINTIES

Due to the inherent nature of our business, investing in Pacgen's securities involves a high degree of risk and uncertainties. Such risk factors include, among others, its early corporate development stage, lack of product revenue, limited licensing revenue stream, additional capital requirements, going concern assumption, lack of internal infrastructure, limited experience in product development, lack of track record in biomedical product distribution business, dependence on GBC to develop PAC-113, its ability to protect its intellectual property and stay competitive in a rapid changing industrial environment, and its ability to raise new capital.

Pacgen is in the early stage of development and has limited revenue from its PAC-113 Sublicense. To achieve sustainable operations and attract funding, the Company must successfully secure additional distribution rights and new projects. Pacgen is pursuing a number of business leads for additional projects and new intellectual properties.

The Company is seeking for additional working capital to finance its operations. Management is considering all financing alternatives, including equity financing, debt arrangement, merger and acquisition, and has engaged in early discussions with multiple parties on some of these alternatives. There can be no assurance that such financing will materialize on a timely basis or obtained on favorable terms. If Management is unable to obtain additional financing, the Company may be required to curtail or discontinue its operations.

As of December 31, 2014, Pacgen had $227,529 of cash on hand and $79,185 of working capital. Included in the working capital were current liabilities of $139,212 (US$120,000) which payments were contingent on the successful completion of certain business development milestones. Excluding these contingency liabilities, the working capital at December 31, 2014 was $218,397. These capital resources should be sufficient to cover the Pacgen's working capital requirements within the next twelve months. However, the Company's funding requirements may change and its ability to continue as a going concern in a longer term is dependent upon its ability to obtain additional financing. The Company is seeking additional funding as discussed earlier. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

Pacgen is exposed to credit risk, interest rate risk, currency risk and liquidity risk as described in *note 5* in the Interim Financial Statements and in this MD&A. We are also subject to other significant risks and uncertainties.