PACGEN LIFE SCIENCE CORPORATION

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

FOR THE YEAR ENDED MARCH 31, 2015

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 year ended March 31, 2015, in comparison to the preceding year. This analysis is performed by management using information available as of July 28, 2015 and should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended March 31, 2015 (the "Financial Statements"). These 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 MD&A.

OVERVIEW

Pacgen is a life science company focused on the commercialization of biomedical products and services. The Company has an exclusive worldwide license to develop and commercialize a novel antifungal called PAC-113. The Company has sublicensed its PAC-113 right to its major shareholder, General Biologicals Corporation ("GBC"), who has recently launched non-prescription over-the-counter ("OTC") products containing PAC-113 in Taiwan. In accordance with the sublicense arrangement, Pacgen is entitled to royalty based on product sales by GBC.

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 (the "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. In July 2015, GBC has launched non-prescription over-the-counter ("OTC") products containing PAC-113, including cosmetic skin-care products, oral hygiene products and intimate hygiene products. These non-prescription OTC products can be purchased on-line at www.p113lab.com and several local stores in Taiwan. GBC plans to formally launch these products through its existing global distribution channels in the second half of 2015.

RECENT CORPORATE DEVELOPMENT

Following the PAC-113 Sublicense, the Company has focused its operations in seeking for new business 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.

Subsequent to the year ended March 31, 2015, GBC has launched non-prescription over-the-counter ("OTC") products containing PAC-113 in Taiwan including cosmetic skin-care products, oral hygiene products and intimate hygiene products. These non-prescription OTC products can be purchased on-line at www.p113lab.com and several local stores in Taiwan. GBC plans to formally launch these products through its existing global distribution channels in the second half of 2015.

OVERALL PERFORMANCE

Since its inception, Pacgen has accumulated a deficit of $16,517,194 as at March 31, 2015. The Company has generated limited revenue from its PAC-113 Sublicense and does not expect to generate significant revenue until GBC distributes PAC-113 products widely in Asia. 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 PAC-113 products are not widely accepted in the consumer market, 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.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth consolidated financial data for the fiscal years ended March 31, 2015, 2014 and 2013:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
	$	**$**	**$**
Revenue	**59,552**	279,475	—
Net income (loss) for the year	**67**	388,366	146,609
Per share income (loss), basic and fully diluted	**—**	0.01	—
Total assets	**360,007**	424,127	158,925
Total liabilities	**292,286**	356,473	479,047

RESULTS OF OPERATIONS

For the year ended March 31, 2015 ("Fiscal 2015"), Pacgen recorded a net income of $67 ($0.00 per common share), compared to $388,366 ($0.00 per common share) for the preceding year ended March 31, 2014 ("Fiscal 2014"). The decrease of $388,299 in net income was primarily due to non-recurring items in connection with the completion of the PAC-113 Sublicense and renegotiation of the terms of the Head License in Fiscal 2014. These items in prior year include $279,475 (US$250,000) of initial licensing fees and $225,575 (US$202,379) of expense recoveries and forgiveness of debt. Pacgen recorded minimum annual royalty of $59,552 (US$51,644) and $28,479 (US$25,000) of expense recoveries in Fiscal 2015 in connection to the PAC-113 Sublicense. The Company expects these receipts to continue until PAC-113 products are widely distributed. Pacgen has no debt forgiveness in Fiscal 2015.

In addition, 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 Fiscal 2014.

	For the Three Months Ended March 31,		For the Year Ended March 31,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Revenue	15,514	279,475	59,552	279,475
Expenses (recoveries)	34,363	(170,060)	66,123	(106,485)
Other income (loss)	6,289	(17,587)	6,638	13,441
Income (loss) from continuing operations	(12,560)	431,948	67	399,401
Income (loss) from discontinued operations	—	—	—	(11,035)
Net income (loss)	**(12,560)**	**431,948**	**67**	**388,366**

Revenue

Pacgen generated licensing revenue of $59,552 (US$51,644) from its PAC-113 Sublicense in Fiscal 2015, compared to $279,475 (US$250,000) in Fiscal 2014. The reduced licensing revenue was primarily due to the non-recurring initial licensing fee of $279,475 (US$250,000) of PAC-113 Sublicense in Fiscal 2014. Annual minimum royalty is expected to be at US$50,000 until PAC-113 products are widely distributed by GBC and accepted in the market.

Operating Expenses (Recoveries)

Operating expenditures increased to $66,123 in Fiscal 2015, compared to expense recoveries of $106,485 in Fiscal 2014. The variations in operating expenditures were primarily due to reduced expense recoveries in Fiscal 2015, which consists of sub-licensing reimbursements of $28,479, compared to expense recoveries and forgiveness of debt of $225,575 in Fiscal 2014. Other operating expenditures were relatively the same in the current fiscal year as compared to the preceding year.

Other Income (Loss)

Other income decreased to $6,638 in Fiscal 2015 from $13,441 in Fiscal 2014. The net changes in the current fiscal year as compared to the preceding year were due to the gain on sale of investments in the Company's US Subsidiaries and generated a gain of $45,446 in August 2013. This was partially offset by a favourable variance 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.

SUMMARY OF QUARTERLY RESULTS

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

	4th Quarter Ended Mar 31, 2015 ("Q4 2015")	3rd Quarter Ended Dec 31, 2014 ("Q3 2015")	2nd Quarter Ended Sep 30, 2014 ("Q2 2015")	1st Quarter Ended Jun 30, 2014 ("Q1 2015")
Revenue	$15,514	$14,197	$29,841	$—
Sub-licensing reimbursements	7,757	7,098	6,808	6,816
Expenses	(42,120)	(16,163)	(18,120)	(18,199)
Other income (loss)	6,289	2,063	1,181	(2,895)
Net income (loss) from continuing operations	(12,560)	7,195	19,710	(14,278)
Net income (loss) from discontinued operations	—	—	—	—
Net income (loss) for the period	(12,560)	7,195	19,710	(14,278)
Basic and diluted income (loss) per common	($0.00)	$0.00	$0.00	$(0.00)

	4th Quarter Ended Mar 31, 2014 ("Q4 2014")	3rd Quarter Ended Dec 31, 2013 ("Q3 2014")	2nd Quarter Ended Sep 30, 2013 ("Q2 2014")	1st Quarter Ended Jun 30, 2013 ("Q1 2014")
Revenue	$279,475	$—	$—	$—
Expenses	(55,515)	(13,963)	(29,111)	(20,501)
Expense recoveries and forgiveness of debt	225,575	—	—	—
Other income (loss)	(17,587)	(9,760)	53,243	(12,455)
Net income (loss) from continuing operations	431,948	(23,723)	24,132	(32,956)
Net income (loss) from discontinued operations	—	6,801	(11,147)	(6,689)
Net income (loss) for the period	431,948	(16,922)	12,985	(39,645)
Basic and diluted income (loss) per common	$0.01	$(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 licensing 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 royalty revenue in Q1 2015.

- Operating expenses were comprised of license fees under the Head License, net of sub-licensing reimbursements from GBC, general administration, and depreciation of property and equipment. The Company incurred lower license fees following its renegotiation of the Head License 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.

FOURTH QUARTER RESULTS

Net loss increased to $12,560 in Q4 2015, compared to a net income of $431,948 in Q4 2014. The higher net loss was primarily due to the non-recurring items in connection with the completion of the PAC-113 Sublicense and renegotiation of the terms of the Head License in Fiscal 2014. These items in Q4 2014 include $279,475 (US$250,000) of initial licensing fees and $225,575 (US$202,379) of expense recoveries and forgiveness of debt.

Revenue decreased to $15,514 (US$12,500) in Q4 2015 from $279,475 (US$250,000) in Fiscal 2014. The decrease was primarily due to non-recurring initial payment of PAC-113 Sublicense in Q4 2014. Pursuant to the terms of the PAC-113 Sublicense, Pacgen is entitled to a minimum royalty of US$50,000 per annum. Annual revenue is expected to remain at US$50,000 until PAC-113 products are widely distributed. The initial licensing fee in Fiscal 2014 is a non-recurring item.

During Q4 2015, sub-licensing reimbursements were reclassified from revenue to an operating expenditure item.

Operating expenditures, excluding sub-licensing reimbursements, decreased to $42,120 in Q4 2015, compared to $55,515 in Q4 2014. The decrease was primarily due to a favourable variance in professional and consulting fees. The Company incurred professional and consulting fees of $24,488 in Q4 2015, compared to $47,344 in Q4 2014 which includes the costs associated with drafting the Sublicense Agreement. This was partially offset by the higher regulatory and filing fees of $3,992 in Q4 2015, compared to $2,705 in Q4 2014, and higher office, insurance and other overhead of $5,767 in Q4 2015, compared to $5,300 in Q4 2014. Share-based compensation in both Q4 2015 and Q4 2014 were $Nil as there were no options granted or vested during these two quarters. Amortization was $116 in Q4 2015, compared to $166 in Q4 2014.

Other income increased to $6,289 in Q4 2015, compared to other loss of $17,587 in Q4 2014. The increase was due to 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. Net income (loss) from discontinued operations in both Q4 2015 and Q4 2014 were $Nil as the Company sold the US Subsidiaries in August 2013.

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 March 31, 2015, the Company had $246,890 of cash on hand (March 31, 2014 – $272,918) and $66,741 of working capital (March 31, 2014 – $66,208). The contractual maturities of the Company's financial liabilities as of March 31, 2015 were as follows:

	Contractual Maturities		
	Within One Year	**Other**	**Total**
	$	**$**	**$**
Accounts payable	6,890	—	6,890
Accrued liabilities	70,074	—	70,074
Sublicense payable	75,996	—	75,996
Contingent payments	—	139,326	139,326
Total	**152,960**	**139,326**	**292,286**

Of the accrued liabilities due within one year, $47,944 (US$37,852) 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 $139,326 (US$110,000) 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 March 31,		For the Year Ended March 31,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Cash provided by (used in) operating activities	433	172,125	(53,333)	96,343
Cash provided by investing activities	—	—	—	73,710
Net increase (decrease) in cash	**433**	**172,125**	**(53,333)**	**170,053**

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. Cash used in operating activities was $53,333 in Fiscal 2015, compared to cash provided by operating activities of $96,343 in Fiscal 2014. Cash provided by operating activities decreased to $433 in Q4 2015 from $172,125 in Q4 2014. This was due primarily due to the lower revenue and recoveries generated in connection with the PAC-113 Sublicense. Cash provided by investing activities of $73,710 in Fiscal 2014 was generated from the sale of US Subsidiaries.

Contractual Obligations

As of March 31, 2015 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	**2016**	**2017-2018**	**2019**	**Thereafter**
	$	**$**	**$**	**$**	**$**
License Agreements [(1)]	126,660	31,665	63,330	31,665	—
Other contractual obligations	—	—	—	—	—
	126,660	**31,665**	**63,330**	**31,665**	**—**

(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 March 31, 2015 of US$1.00 = CA$1.2666. 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 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 July 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:

	March 31, 2015 $	March 31, 2014 $
Financial assets		
Cash	246,890	272,918
Amounts receivable	106,070	147,176
Financial Liabilities		
Accounts payable	6,890	10,577
Accrued liabilities	70,074	157,961
Sublicense payable	75,996	55,275
Contingent payments	139,326	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 March 31, 2015.

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 consist of licensing fees and sub-licensing 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 fiscal years ended March 31, 2015 and 2014, 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. GBC is a major shareholder of the Company and has two directors in common with the Company. During Fiscal 2015, the Company recorded licensing revenue of $59,552 (US$51,644) [2014 – $279,475 (US$250,000)] and sub-licensing reimbursements of $28,479 (US$25,000) from GBC pursuant to the PAC-113 Sublicense. The Company also sold its equity interests in Pacgen Inc. and Pacgen Biomedical Inc. entirely to GBC for proceeds of $73,710 (US$70,000) during Fiscal 2014. These transactions were incurred in the normal course of business and recorded at their exchange amounts at fair values.

As at March 31, 2015, included in amounts receivable is $101,328 (US$80,000) [2014 – $143,715 (US$130,000)] receivable from GBC.

Amounts Due to Related Parties

As of March 31, 2015 and 2014, Pacgen had the following amounts due to related parties:

	March 31, 2015 $	March 31, 2014 $
Amounts payable to directors and officers in connection to:		
Business expense reimbursements	336	—
Total	**336**	**—**

Key Management Compensation

There was no cash compensation paid or share-based payment granted to the Company's key management during the fiscal years ended March 31, 2015 and 2014.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The preparation of the 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 Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and 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 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, 2015.

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, 2014. These changes were made in accordance with the applicable transitional provisions and had no impact on its Financial Statements.

- IAS 32 – Financial Instruments, Presentation. IAS 32 clarifies the criteria that should be considered in determining whether an entity has a legally enforceable right of set off its financial instruments.

- IAS 36 – Impairment of Assets. The amendment for IAS 36 reduces the circumstances in which the recoverable amount of cash-generating units is required to be disclosed and clarifies the disclosures when an impairment loss has been recognized or reversed in the period.

- IFRIC 21 – Levies. International Financial Reporting Standards Interpretations Committee ("IFRIC") 21 provides guidance on when to recognize a liability to pay a levy imposed by a government that is accounted for in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The adoption of the above standards did not have a material impact on the Financial Statements.

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 2 – Share-based Payment (Amendment). This new standard provides revised definition for "vesting conditions" and "market condition" related to share-based payment. The standard is effective for annual periods beginning on or after July 1, 2014.

- IFRS 9 – Financial Instruments. This standard provides added guidance on the classification and measurement of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

- IFRS 15 – Revenue from Contracts with Customers. The standard covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning or after January 1, 2017.

- IAS 24 – Related Party Disclosures (Amendment). This new standard provides new definition for "related party" which encompasses key management personnel. The standard is effective for annual periods beginning on or after July 1, 2014.

- IAS 38 – Intangible Assets (Amendment). This new standard provides guidance on revaluation methods for intangible assets. The standard is effective for annual periods beginning on or after January 1, 2016.

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 March 31, 2015, Pacgen had $246,890 of cash on hand and $66,741 of working capital. Included in the working capital were current liabilities of $139,326 (US$110,000) which payments were contingent on the successful completion of certain business development milestones. Excluding these contingency liabilities, the working capital at March 31, 2015 was $206,067. 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 6* in the Financial Statements and in this MD&A. We are also subject to other significant risks and uncertainties.