

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Re-dated to July 29, 2011, date on or after the Independent Auditors' Report included in the audited consolidated financial statements for the year ended March 31, 2011

This management discussion and analysis ("MD&A") was performed by management using information available as of July 29, 2011 and should be read in conjunction with our audited consolidated financial statements for the year ended March 31, 2011 and the related notes included thereto. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are expressed in Canadian dollars unless otherwise indicated. Additional information relating to Pacgen Biopharmaceuticals Corporation ("Pacgen" or the "Company") can be obtained from SEDAR at www.sedar.com. On June 8, 2010, Pacgen completed a share consolidation (the "Share Consolidation") on a two to one basis. All comparative common shares, warrants and options, and per share amounts have been retroactively restated in this MD&A to reflect the Share Consolidation.

The forward-looking statements in this discussion 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, risk associated with completion of clinical trials and obtaining regulatory approval, dependence on collaborative partners, our ability to protect our intellectual property, our ability to stay competitive in a rapid changing industry environment, and our ability to raise new capital. We undertake no obligation to revise or update forward looking statement in this discussion whether as a result of new information, future events or otherwise. Accordingly, readers should not place undue reliance on forward looking statements in this discussion.

OVERVIEW

We are a life science technology transfer company focused on the commercial development of novel therapeutic drug candidates up to Phase II, proof of concept efficacy in human. We identify innovative therapeutic drug candidates globally, and develop these drug candidates, with collaborative partners in accordance to the United States Food and Drug Administration (the "FDA") regulatory standards, to feed the product development pipelines of the pharmaceuticals industry. We currently have two product pipelines in our technology portfolio: PAC-113, an anti-fungal for the treatment of oral Candidiasis, and PAC-G31P, a novel peptide therapeutic designed to treat inflammatory diseases characterized by non-beneficial neutrophil.

PAC-113 is a 12 amino-acid antimicrobial peptide derived from a naturally occurring histatin protein found in saliva. This peptide alters the permeability of fungal cell membranes causing cell death. We are developing PAC-113 in a mouthrinse formulation for the topical treatment of oral Candidiasis. 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). We obtained our rights to PAC-113 through a sublicense agreement with Demegen, Inc. (the "Demegen Sublicense") in February 2005. The Demegen Sublicense provides us with exclusive worldwide rights to develop and commercialize PAC-113 for human oral disease conditions. Since obtaining these rights, we have completed formulation optimization work, a Phase I/II proof of concept clinical study, as well as a Phase IIb dose-ranging study. The data from our clinical studies demonstrates that PAC-113 is effective in the treatment of oral Candidiasis. The data also suggests that PAC-113 compares favourably to the efficacy demonstrated by Nystatin, a current standard of care. Due to financial constraints, we have deferred our product development since the completion of PAC-113 Phase IIb clinical trial in June 2008. We are currently working with New Summit Biopharma Co. ("New Summit Bio"), our collaborative partner, to raise funding for the development of PAC-113 for the market in China. We continue to pursue for collaborative partnering opportunities for regions outside of China.

PAC-G31P is a small recombinant protein that is a synthetic analogue of the human cytokine called Interleukin-8 which is the key chemokine involved in neutrophil recruitment. We are developing PAC-G31P to treat inflammatory diseases. Non-beneficial neutrophil recruitment is a key characteristic of a number of acute and chronic inflammatory conditions, including acute respiratory distress syndrome, severe asthma, chronic obstructive pulmonary disease, pneumonia, Crohn's Disease, rheumatoid arthritis and ischemia/reperfusion injury. We obtained exclusive worldwide rights to PAC-G31P technology for the prevention and treatment of severe inflammatory diseases characterized by neutrophil over-recruitment in April 2006, through the acquisition of IL Therapeutics Inc. ("ILT"). Since taking over the PAC-G31P program, we conducted a number of preclinical and mechanistic studies, and initiated formulation development work. PAC-G31P is currently in preclinical development. We have not conducted any research and development of PAC-G31P since late 2008 due to financial constraints. We are currently seeking for a joint-venture partner to conduct preclinical studies to add data to our package for out-licensing purposes.

We currently hold the rights to 26 patents and 31 patent applications in the United States and other jurisdictions relating to products in our development pipeline. We also hold 2 granted patents and 7 patent applications and intellectual properties to two other research compounds that we no longer develop.

CORPORATE DEVELOPMENT SINCE LAST FISCAL YEAR

On April 19, 2010, we announced that we had arranged a non-brokered private placement financing (the "Private Placement Financing") of \$600,000 of subscription receipts ("Subscription Receipts") subject to satisfactory completion of certain conditions, including the approval of the TSX Venture Exchange. We also announced that we had initiated a financial restructuring (the "Financial Restructuring") to reduce our indebtedness and that we would seek shareholder approval for a consolidation of our common shares on a two to one basis (the "Share Consolidation").

We obtained shareholder approval for the Share Consolidation at the special meeting of shareholders held on May 25, 2010, and closed the Private Placement Financing on May 28, 2010. Under the Private Placement Financing, we issued an aggregate of 10 million Subscription Receipts at a price of \$0.06 per Subscription Receipt for gross proceeds of \$600,000. Upon completion of the Share Consolidation, each Subscription Receipt automatically exercised, for no additional consideration, for one common share.

On June 8, 2010, we announced the completion of the Share Consolidation and that our common shares commenced trading on the TSX Venture Exchange on the consolidated basis. We issued 22,618,143 common shares pursuant to the Private Placement Financing and the Financial Restructuring. The 22,618,143 common shares include (i) an aggregate of 10,000,001 common shares issued in connection with the automatic exercise of the 10 million Subscription Receipts of the Private Placement Financing, and (ii) an aggregate of 12,618,142 common shares issued in connection with the settlement of an aggregate of approximately \$879,000 of indebtedness as part of the Financial Restructuring. All common shares issued under the Private Placement Financing and the Financial Restructuring were subject to a four-month holding period which ended on September 29, 2010 and October 9, 2010, respectively. Following the issuance of these common shares and the Share Consolidation, we had 41,690,494 common shares issued and outstanding.

On September 30, 2010, the Company held its annual and special shareholder meeting of shareholders ("AGM"). At the AGM, the Company appointed Mr. John Hsuan to its board of directors. Mr. Hsuan, an established business leader in Taiwan, brings to Pacgen a wealth of entrepreneur experience. His extensive background includes global operation management, international business development, and venture capital experience. Mr. Hsuan has incubated and co-founded more than 20 public companies. He currently serves as Chairman of NCTU Venture Capital, Ltd., NTCU Spring Venture Capital Co., Ltd., Maxima Capital Management, Inc., as well as Faraday Technology Corporation. Mr. Hsuan also currently serves as the Emeritus Vice Chairman of United Microelectronic Corporation ("UMC"), a leading global semiconductor foundry traded on the New York Stock Exchange and the Taiwan Stock Exchange. During his tenure with UMC for over 20 years, he held several senior positions including Chief Executive Officer, Chairman and Vice-Chairman. Mr. Hsuan holds a Bachelor Degree in Electronic Engineering and an Honorary Ph.D. Degree from National Chiao Tung University in Taiwan. He has received numerous business achievement awards in Taiwan, and has been awarded 44 patents in USA and 41 patents in Taiwan.

On March 14, 2011, we announced that we have initiated a corporate transformation by integrating a diagnostics division into our corporate platform. As part of the corporate transformation, we have entered into agreement with General Biologicals Corporation (“GBC”) for exclusive distribution right to market and distribute the entire product portfolio of GBC in regions of North America and China. We have also signed a non-binding letter of intent to acquire the business and operating assets of CurieMed Corporation (“CurieMed”), a wholly owned subsidiary of GBC. CurieMed provides molecular diagnostics testing and imaging services such as PET/CT scans. We plan to leverage these arrangements to transform into a self-sustained revenue generating company. This acquisition remains subject to the negotiation of a definitive agreement between the Company and CurieMed, and certain other conditions. We plan to raise a bridge financing to finance our operations to the completion of the acquisition. We expect that the acquisition of CurieMed would generate cash to finance our business operations and financial obligations.

On March 31, 2011, we issued an additional 149,125 common shares in connection with the settlement of approximately \$14,000 of indebtedness for the remaining part of the Financial Restructuring. Following the issuance of these common shares, we had 41,839,619 common shares issued and outstanding.

The global economic crisis in recent years has led to a substantial reduction in capital in the credit markets, especially for companies in the development stage. Despite improvements in the credit markets in the recent months, smaller biotechnology companies, which are generally viewed as higher risk investments, continue to encounter difficulty in raising new capital. This economic environment has also significantly affected our ability to secure collaborative partnership that provides upfront licensing revenue or immediate funding for product development. There is significant competition within our industry for partnering research and development projects since smaller biotechnology companies have insufficient capital to carry their own product development without collaborative partners. In view of these challenges, we continue to focus our operations exclusively in business development seeking for joint-venture partners for our research and development projects, as well as assessing new business opportunities. We plan to continue to seek additional collaborative partners to finance and develop our drug candidates.

RESEARCH AND DEVELOPMENT UPDATE

Due to financial constraints, we have not conducted any new research and development studies since late 2008. There are currently no ongoing research and development studies. The current development status of each of our research and development programs is as follows:

PAC-113

In May 2007, we completed a Phase I/II proof of concept trial which involved 107 seropositive HIV patients with oral Candidiasis. The clinical trial was conducted at sites in the United States and South Africa. The results showed that PAC-113 was generally safe, well tolerated, and active in the treatment of oral Candidiasis with clinical cure rates comparable to the current standard of care. Based on these results, we initiated a Phase IIb dose-ranging trial to optimize PAC-113 dose and formulation.

In June 2008, we completed the Phase IIb dose-ranging trial. The results demonstrated that PAC-113 was effective in the treatment of oral Candidiasis and compared favorably to the efficacy demonstrated by Nystatin, a current standard of care.

The Phase IIb dose-ranging trial involved 223 seropositive HIV patients with oral Candidiasis, and was conducted at sites in the United States and South Africa. The objectives of the trial were to identify an optimal dose of PAC-113 from among the three doses studied, and to determine the relative efficacy of this PAC-113 dose as compared to Nystatin in eliminating clinical signs and symptoms of oral Candidiasis. Additionally, safety and tolerance and the microbiological response of *Candida albicans* to treatment were also measured.

The optimal dose of PAC-113 demonstrated a 34% increase in the primary endpoint efficacy level (complete clinical cure rate at Day 19) for the Per Protocol analysis as compared to Nystatin, and a 50% increase in the corresponding

Intent to Treat analysis. Secondary efficacy endpoints showed similar trends among the three PAC-113 doses and the Nystatin group. The results also confirmed that PAC-113 was generally safe and well-tolerated.

The next development milestone in the United States is to meet with the Food and Drug Administration of the United States (“FDA”) to discuss the requirements of the final stage of development. We are currently seeking for a collaborative partner to develop and market for the North American regions, as well as other regions outside of China.

The development plan for PAC-113 for the market in China is expected to be finalized by our collaborative partner following a meeting with the China State Food and Drug Administration (“sFDA”). New Summit Bio and Pacgen are currently focusing on fund raising activities in China, and plan to schedule a meeting with the sFDA shortly after the completion of fund raising. Based on the analysis of New Summit Bio, we expect that certain bridging studies are required prior to initiation of a pivotal clinical trial in China. These bridging studies would include studies, at both the pre-clinical and clinical level, conducted in accordance to the standards of sFDA.

PAC-G31P

We previously conducted certain preclinical studies primarily through our collaboration with the University of Saskatchewan, St. Michael’s Hospital and the University of Iowa. The results from these studies provided additional preclinical data to confirm the mechanism of action of PAC-G31P and the potential use of PAC-G31P in different animal models. We also conducted proof of concept formulation work through contract manufacturing organizations.

The next development milestone is to conduct necessary studies to enable an investigational new drug application (“IND”) filing with the FDA. We expect these studies to include preclinical safety and toxicology studies at Good Laboratory Standards (“GLP”) level, as well as manufacturing and formulation work at Good Manufacturing Practice Standards (“GMP”) level. We plan to out-license PAC-G31P program to a collaborative partner to undertake these IND enabling studies. Currently, we are seeking for a joint-venture partner to conduct certain preclinical studies to add data to our package for out-licensing purposes.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth consolidated financial data for the fiscal years ended March 31, 2011, 2010, and 2009:

	For the year ended March 31,		
	2011	2010	2009
Net loss for the period	\$(421,468)	\$(1,625,315)	\$(2,282,640)
Per share loss, basic and fully diluted ⁽¹⁾	\$(0.01)	\$(0.04)	\$(0.06)
Total assets	\$64,398	\$707,927	\$1,676,523
Total long-term liabilities	\$328,559	—	\$216,459

⁽¹⁾ *Per share amounts have been retroactively restated in this MD&A to reflect the Share Consolidation.*

Since our inception, we have not generated any revenue, other than income from interest earned on our excess cash balances. The primary factors affecting the magnitude of our net losses in these fiscal years were the scope of our product developments, and the level of internal operational activities to support our corporate and business development objectives. We have scale-downed our operations since the fiscal year ended March 31, 2008 (“Fiscal 2008”) due to financial constraints. In the year ended March 31, 2009 (“Fiscal 2009”), following the completion of our PAC-113 Phase IIb clinical trial in June 2008, we further tighten up our operating expenditures, deferred further research and development studies, and focused our operational activities primarily in financing and business development. In the year ended March 31, 2010 (“Fiscal 2010”) and the year ended March 31, 2011 (“Fiscal 2011”), we continued our operational focus in financing and business development activities.

RESULTS OF OPERATIONS

For Fiscal 2011, we recorded a net loss of \$421,468 (\$0.01 per common share), compared to a net loss of \$1,625,315 (\$0.09 per common share) for Fiscal 2010. The decrease in net loss by \$1,203,847 in Fiscal 2011, as compared to Fiscal 2010, was mainly due to cash payment discounts and debt forgiveness resulted from our financing restructuring efforts, as well as our reduced operating expenditures. Following our negotiations in connection with the Financial Restructuring, we recovered \$400,841 of our previous operating expenditures through cash payment discounts and debt forgiveness from our creditors, where \$338,046 was research and development expenditures and \$62,795 was general and administration related. Operating expenditures include non-recurring expense recoveries and financial restructuring credits of \$400,841 and write-down of intangible assets of \$271,872 in Fiscal 2011, and in Fiscal 2010 non-recurring write-down of intangible assets of \$244,408 and write-off of prepaid expenses and other of \$192,958. Operating expenditures, excluding these non-recurring charges, were \$554,491 in Fiscal 2011, compared to \$1,143,964 in Fiscal 2010. The reduced operating expenditures was mainly due to the decline in general and administration expenses, as well as amortization of intangible assets. Other income for Fiscal 2011 were \$4,054, compared to other loss of \$43,985 in Fiscal 2010. The increase in other income was primarily due to a decrease in financing and interest expenses, which was offset by an increase in foreign exchange losses.

Research and Development Expenditures

Research and development expenses for Fiscal 2011 were \$194,809, compared to \$202,399 for Fiscal 2010. We have not conducted any new research and development studies since late 2008 due to financial constraints. Research and development expenditures were primarily related to patent filing and maintenance fees as well as license maintenance fees. Our current operations are primarily focused on business development, working with existing partner, New Summit Bio, and seeking for additional collaborative and joint venture partners to finance and develop our drug candidates. The following provides a summary of the research and development expenditures by programs for the two most recent fiscal years and since inception:

By project, excluding recoveries	Year ended March 31, 2011	Year ended March 31, 2010	Cumulative from Inception to March 31, 2011
	\$	\$	\$
PAC-113	154,532	84,472	5,708,150
PAC-G31P	40,277	120,496	2,260,376
Other Projects	—	(2,569)	193,177
	194,809	202,399	8,161,703

PAC-113

Development expenditures for Fiscal 2011 increased by \$70,060, as compared to those incurred in Fiscal 2010. The increase was due to milestone extension fees to extend our development timelines, offset by a decline in expenses related to the completion of our stability studies and amortization of clinical insurance.

As part of the Financial Restructuring, we entered into a license amendment agreement with our licensor and issued 150,000 of our common shares as payment for the milestone extension fee of US\$50,000. In addition, the agreement also provides us with a right to further extend the development milestone timeline to June 30, 2012 at a fee of US\$50,000, payable in cash or equivalent number of our common shares.

Development expenditures in Fiscal 2011 include annual license fees and milestone extension fees of US\$50,000 (\$52,849) to extend our development timeline from June 30, 2010 to June 30, 2011 and US\$50,000 (\$48,480) to further extend our development timeline to June 30, 2012. The development expenditures in Fiscal 2010 include annual license fees, as well as expenditures associated with the continuation of stability studies and clinical trial insurance.

For the fiscal year ending March 31, 2012 (“Fiscal 2012”), other than license maintenance fees, we do not expect to incur any research and development expenditures for PAC-113. New Summit Bio and Pacgen are currently focusing on fund raising activities in China, and plan to schedule a meeting with the sFDA shortly after the

completion of fund raising. Based on the analysis of New Summit Bio, we expect that certain bridging studies are required prior to initiation of a pivotal clinical trial in China. These bridging studies would include studies, at both the pre-clinical and clinical level, conducted in accordance with the standards of sFDA

PAC-G31P

Research expenditures for Fiscal 2011 decreased by \$80,219, as compared to those incurred in Fiscal 2010. Research expenditures were primarily related to patenting PAC-G31P due to the conversion of PAC-G31P patent applications to issued patents in different jurisdictions. Research expenditures in Fiscal 2010 were primarily related to patenting and balance of research commitment under license.

For the remaining period of Fiscal 2011, other than patenting related expenditures, we do not expect to incur any research and development expenditures for PAC-G31P until a joint-venture partner is secured.

The PAC-G31P license (“the US License”) is held by our wholly owned subsidiary, IL Therapeutics, Inc. (“ILT”). In August 2010, ILT entered into a license amendment and settlement agreement with its licensor to amend certain terms of the US License and arrange settlement for its indebtedness (the “US License Amendment”). The US License Amendment was effective on March 31, 2010. Pursuant to the US License Amendment, the parties agreed to convert ILT’s indebtedness of \$315,672, consists of balance of research funding commitment of \$165,904 and patenting expense reimbursements of \$149,768, into a loan due on June 30, 2012 (the “US Loan”). The licensor agreed to finance all patenting related cost until December 31, 2010 with a 10% surcharge to ILT, which was added to the US Loan. The US Loan bears interest at a rate of prime plus 2% per annum, compounded monthly until repayment, inclusive of interest, in full. As of March 31, 2011, interest and accrued surcharges totalling \$12,887 were recorded and added to the US Loan.

General and Administration Expenditures

General and administration expenditures for Fiscal 2011 were \$177,475, compared to \$581,420 for Fiscal 2010. The decrease of \$403,945 was primarily attributable to our reduced operating activities. The following provides a summary of the general and administration expenditures for the two most recent fiscal years and since inception:

By type of expenses, excluding recoveries	Year ended March 31, 2011 \$	Year ended March 31, 2010 \$	Cumulative from Inception to March 31, 2011 \$
Consulting fees	4,286	2,939	846,339
Professional fees	65,695	80,821	1,130,681
Management fees	—	189,408	189,408
Market studies and business development	—	58,490	194,639
Salaries and benefits	—	—	2,440,714
Travel and accommodation	27,433	54,198	419,039
Overhead and other	80,061	195,564	1,564,875
	177,475	581,420	6,785,695

Other than consulting fees which remained relatively the same, all expense items declined in Fiscal 2011 as compared to the same line item in Fiscal 2010 due to our reduced operating activities. Management fees in Fiscal 2010 were related to management services acquired through Xphase Pharmaceuticals Inc. The decrease in overhead and other expense was primarily due to the relocation of our Vancouver office to a part-time packaged office following the end of our operating lease on September 30, 2010.

For Fiscal 2012, we expect our general and administration expenditures to be lower than those incurred in Fiscal 2011. We have arranged part-time packaged office facilities in both Toronto and Vancouver to meet our current operating requirements. These arrangements which require no fixed commitments are flexible and cost effective since charges are based on usage.

Stock-based Compensation

Stock-based compensation, a non-cash item included in operating expenses, reduced to \$104,720 in Fiscal 2011, compared to \$146,053 in Fiscal 2010. Stock-based compensation attributable to research and development operations and general administration for Fiscal 2011 was \$31,875 [2010 - \$27,314] and \$72,845 [2010 - \$118,739], respectively. The decrease in stock-based compensation was primarily due to the reduced number of options vested during Fiscal 2011 as compared to Fiscal 2010.

	Year ended March 31, 2011	Year ended March 31, 2010	Cumulative from Inception to March 31, 2011
Stock-based Compensation	\$	\$	\$
Research and development	31,875	27,314	456,547
General and administration	72,845	118,739	882,086
	104,720	146,053	1,338,633

Amortization and Write-Downs

Amortization related to property and equipment for Fiscal 2011 reduced to \$20,512 from \$22,118 for Fiscal 2010. The decrease of \$1,606 was due to the disposition of certain property and equipment during Fiscal 2011. Amortization related to technology, licenses and rights for Fiscal 2011 reduced to \$56,975 from \$191,974 for Fiscal 2010 for a difference of \$134,999 due to write-down of intangible assets in the current fiscal year and preceding fiscal year.

As a result of our impairment test of long-lived assets, we recorded a write-down of \$271,872, the remaining net book value of PAC-113 technology, and \$244,408, the remaining net book value of PAC-G31P technology, in Fiscal 2011 and Fiscal 2010, respectively. In Fiscal 2010, we also wrote off \$192,958 of advance paid to a vendor as a result of the uncertainty surrounding continuation of our planned research and development studies.

Other Income (Loss)

Other income in Fiscal 2011 was \$4,054, compared to other loss of \$43,985 in Fiscal 2010. The increase of \$48,039 in other income was mainly due to the decreased financing and interest expenses by \$209,118 in Fiscal 2011, as compared to those in Fiscal 2010. This favorable variance was offset by the reduced interest and other income by \$6,593, increased loss on disposal of property and equipment by \$9,753, and increased foreign exchange losses by \$144,733.

The decrease in financing and interest expenses in Fiscal 2011 was due to the settlement of other payable and convertible debentures following the maturity of these financial instruments. The decrease in interest and other income in Fiscal 2011 was due to the decreased rental income from the termination of the sublease of part of our office facilities following the expiry of our lease on September 30, 2010. The increased foreign exchange losses was mainly due to the settlement of our US denominated indebtedness, offset by the appreciation of the Canadian dollar, in comparison with the US dollar, on our US denominated other payable as well as accounts payable and accrued liabilities.

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, 2011	3rd Quarter Ended Dec 31, 2010	2nd Quarter Ended Sep 30, 2010	1st Quarter Ended Jun 30, 2010
	(“Q4 2011”)	(“Q3 2011”)	(“Q2 2011”)	(“Q1 2011”)
Research and development	\$(75,464)	\$(13,542)	\$(14,123)	\$(91,680)
General and administration	(48,777)	(25,534)	(61,276)	(41,888)
Expense recoveries and credits	(185,087)	69,622	—	516,306
Stock-based compensation	(104,720)	—	—	—
Amortization and write-downs	(286,907)	(15,058)	(23,697)	(23,697)
Other income (loss)	13,375	(10,460)	19,211	(18,072)
Net income (loss) for the period	(687,580)	5,028	(79,885)	340,969
Basic and diluted loss per common share	\$(0.02)	\$0.00	\$0.00	\$0.01

	4th Quarter Ended Mar 31, 2010	3rd Quarter Ended Dec 31, 2009	2nd Quarter Ended Sep 30, 2009	1st Quarter Ended Jun 30, 2009
	(“Q4 2010”)	(“Q3 2010”)	(“Q2 2010”)	(“Q1 2010”)
Research and development	\$(131,102)	\$(19,675)	\$(14,916)	\$(36,706)
General and administration	(164,284)	(103,445)	(259,210)	(54,481)
Expense recoveries and credits	—	—	—	—
Stock-based compensation	(19,316)	(109)	(95,933)	(30,695)
Amortization and write-downs	(217,256)	(307,675)	(63,341)	(63,186)
Other income (loss)	17,127	(37,277)	100	(23,935)
Net income (loss) for the period	(514,831)	(468,181)	(433,300)	(209,003)
Basic and diluted loss per common share	\$(0.03)	\$(0.02)	\$(0.02)	\$(0.01)

Summary of Quarterly Results

The primary factors affecting the magnitude of our losses in the various quarters were (i) certain non-routine write-downs and charges in Q3 2010, Q4 2010 and Q4 2011, (ii) expense recoveries and credits associated with Financial Restructuring in Q1 2011, Q3 2011 and Q4 2011, and (iii) timing associated with granting and vesting of stock options. Otherwise, our net loss is in declining trend due to the limited working capital on hand.

Research and development expenditures in Fiscal 2011 were primarily related to license maintenance and extension and patenting. The higher research and development expenditures in Q1 2011 was due to the additional licensing fee of US\$50,000 (\$52,849) we incurred to extend our development timeline for PAC-113. In Q4 2011, we also recorded additional licensing fee of US\$50,000 (\$48,480) for the further extension of our development timeline for PAC-113. General and administration expenditures were higher in Q2 2011, as compared to those incurred in the other quarters in Fiscal 2011, due to the cost associated with our AGM. As part of the Financial Restructuring, we recovered \$516,306 and \$69,622 of our operating expenditures through cash payment discounts and debt forgiveness from our creditors in Q1 2011 and Q3 2011, respectively. In Q4 2011, we reversed expense recoveries and credits of \$185,087 as we recognized contingency payments payable to vendors. We recorded stock-based compensation of \$104,720 in Q4 2011, as an aggregate of 2,234,000 of new options were granted to directors and consultants in February 2011, all of which were vested and recognized immediately upon grant. There was no stock-based compensation in the other quarters in Fiscal 2011 since all options previously granted were fully vested and recognized. Except in Q3 2011 and Q4 2011, amortization and write-downs were relatively the same for the quarters in Fiscal 2011. The decrease in amortization and write-downs in Q3 2011 was due to the disposition of office furniture and equipment. The increase in amortization and write-downs in Q4 2011 was due to the write-

down of \$271,872, the remaining net book value of the PAC-113 technology as a result of our impairment test of long-lived assets.

Research and development expenditures were maintained at relatively the same level throughout Fiscal 2010, except in Q4 2010 when we recorded the remaining research commitments of \$100,000 under the US License. Research and development expenditures were primarily related to patenting, license maintenance and continuation of stability studies and clinical insurance. There was no new research and development study initiated since June 2008. General and administration expenditures were higher in Q2 2010, as compared to Q1 2010, primarily due to (i) inclusion of six-month amortization of management fees of \$94,704 following the completion of the Xphase Acquisition in June 2009 and (ii) an extension fee of \$58,490 paid to preserve a right to acquire certain intellectual properties, which we subsequently abandoned. Stock based compensation was higher in Q2 2010 due to the 1.9 million options granted to management consultants, including Xphase principals, to support our ongoing operations. These options were vested immediately upon grant. The increased amortization and write-downs in Q3 2010 was due to the write-down of \$244,408, the remaining net book value of the PAC-G31P technology as a result of our impairment test of long-lived assets. The increased amortization and write-downs in Q4 2010 was due a wrote-off of \$192,958 of advance paid to a vendor as a result of the uncertainty surrounding continuation of our planned research and development studies.

FOURTH QUARTER RESULTS

	4th Quarter Ended Mar 31, 2011 ("Q4 2011")	4th Quarter Ended Mar 31, 2010 ("Q4 2010")
Research and development	\$(75,464)	\$(131,102)
General and administration	(48,777)	(164,284)
Expense recoveries and credits	(185,087)	—
Stock-based compensation	(104,720)	(19,316)
Amortization and write-downs	(286,907)	(217,256)
Other income (loss)	13,375	17,127
Net loss for the period	(687,580)	(514,831)
Basic and diluted loss per common share	\$(0.02)	\$(0.03)

The increase of \$172,749 in net loss in Q4 2011 was primarily due to the recognition of contingency payments payable to vendors and stock-based compensation during the period. The increase in net loss was offset by decreases in research and development and general and administration expenses in Q4 2011, as compared to those in Q4 2010. .

Research and development expenditures decreased by \$55,638 in Q4 2011, as compared to Q4 2010. Development expenditures in Q4 2011 include the recognition of additional licensing fee of US\$50,000 (\$48,480) for the further extension of our development timeline for PAC-113, while research expenditures in Q4 2010 include the recognition of the remaining research commitments of \$100,000 under the US License. There was no new research and development study initiated since June 2008. Further development on PAC-113 and PAC-G31P would be subject to funding from existing partner or new partners.

General and administration expenses decreased by \$115,507 in Q4 2011, as compared to Q4 2010. This was primarily attributable to the termination of our operating lease for our original office premises in Vancouver on September 30, 2010, and the switch to a more flexible and cost effective part-time packaged office facilities requiring no fixed commitments. The decrease was also attributable to the quarterly amortization of management fees of \$47,352 from the Xphase Acquisition and the extension fee paid to preserve a right to acquire certain intellectual properties, which was subsequently abandoned in Q4 2010.

Stock-based compensation increased by \$124,036 due to the immediate recognition of expenses in relation to the grant of an aggregate of 2,234,000 of new options to directors and consultants in February 2011.

The increase in amortization and write-downs by \$68,859 was primarily due to the write down of the net book value of the PAC-113 technology in Q4 2011.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Since inception, our operational activities were financed mainly from equity financings, other than issuance of convertible debentures in Fiscal 2009 and the cash acquired from IL Therapeutics Inc. in fiscal year ended March 31, 2007.

Cash used in operating activities for Fiscal 2011 was \$542,222, compared to \$272,671 for Fiscal 2010. Cash used in operating activities was comprised of net loss, add-backs or adjustments not involving cash, and net change in non-cash working capital items. The increase of \$269,551 in cash used in operating activities in Fiscal 2011, as compared to Fiscal 2010, was primarily due to the add-back of expense recoveries and credits and settlements of our indebtedness pursuant to the Financial Restructuring during Fiscal 2011. These were partially offset by our reduced operating losses.

Cash provided by investing activities of \$10,000 in Fiscal 2011 was related to the disposition of our office furniture and equipment in October 2010. Cash used in investing activities of \$22,654 in Fiscal 2010 was related to the Xphase Acquisition in the preceding year.

Cash provided by financing activities in Fiscal 2011 was \$567,102, compared to \$5,286 cash used in financing activities in Fiscal 2010. Cash provided by financing activities in Fiscal 2011 was from the Private Placement Financing. In connection with the Private Placement Financing, we initiated the Financial Restructuring and agreed to seek shareholder approval for the Share Consolidation. Under the Private Placement Financing, we issued an aggregate of 10 million Subscription Receipts at a price of \$0.06 per Subscription Receipt for gross proceeds of \$600,000. We incurred \$16,703 of professional expenses and listing fees in connection with the Private Placement Financing. We also incurred \$21,481 of transaction cost in connection with the Financial Restructuring.

We obtained shareholder approval for the Share Consolidation at the special meeting of shareholders on May 25, 2010. Following shareholder and regulatory approval, our common shares commenced trading on the TSX Venture Exchange on the consolidated basis on June 8, 2010. All Subscriptions Receipts were automatically converted into 10,000,001 common shares on June 8, 2010.

As of March 31, 2011, we had a working capital deficiency of \$270,924 (March 31, 2010 - \$2,112,280). Given the working capital deficiency, there is a risk that we may not be able to meet our financial obligations and sustain our operations over the next year without raising new capital.

As of the date of this MD&A, we have completed all of our negotiations with our creditors under the Financial Restructuring, which involves restructuring of approximately \$2.4 million of indebtedness and commitments as detailed in *note 10* to our audited consolidated financial statements for Fiscal 2011 and summarized in the following table:

	Form of Restructuring							
	Restructuring Amount	Common Shares	Cash		Non-refundable		Extension fee	
			Cash	Discounts and others	payments [a] [ii]	Contingency Payments	Extension to Long-term	settled in common shares
\$	\$	\$	\$	\$	\$	\$	\$	\$
Convertible Debentures [note 12]	658,289	658,289	-	-	-	-	-	-
Other Payable [note 11]	611,599	-	210,800	303,839	-	96,960	-	-
Demegen Sublicense [note 15][c][i]]	186,384	110,855	22,680	-	-	-	-	52,849
University of Saskatchewan License [note 13]	328,559	-	-	-	-	-	328,559	-
Other Indebtedness [a]	589,022	71,338	135,717	97,002	195,343	89,622	-	-
	2,373,853	840,482	369,197	400,841	195,343	186,582	328,559	52,849

Note: Settlement amounts in USD were converted into CAD at the exchange rate on the date of settlement when settled.

Contractual Obligations

As of March 31, 2011 and in the normal course of business we have obligations to make future payments, representing contracts and other commitments that are known, committed and non-cancellable.

	Contractual Obligations Payment Due by Period				
	Total	2012	2013-2014	2015-2016	Thereafter
	\$	\$	\$	\$	\$
Operating Leases	—	—	—	—	—
License Agreements ⁽¹⁾	290,880	48,480	96,960	96,960	48,480
	290,880	48,480	96,960	96,960	48,480

⁽¹⁾ Pursuant to the Demegen Sublicense, we have a commitment to pay minimum annual royalties of US\$50,000 as described in note 15[c][i] of our audited consolidated financial statements for Fiscal 2011. This commitment is converted into Canadian Dollars at the closing rate on March 31, 2011 of CAD\$1.00 = US\$1.0314. On June 8, 2010, we issued 50,000 common shares as payment for US\$20,000 (\$20,316) of the minimum annual royalties for Fiscal 2011.

Capital Risk Management

Our objectives when managing capital are to ensure our ability to continue as a going concern in order to pursue the development of our drug candidates and the ultimate sale or out-license of these drug candidates to pharmaceutical companies. We attempt to maximize return to shareholders by minimizing shareholder dilution and, when possible, utilizing non-dilutive funding arrangements, such as collaborative partnership arrangements.

We include 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 Fiscal 2009, we have financed our capital requirements primarily through share issuances since inception.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. We may issue new shares or raise debt. We are 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 21, 2011, there were (i) 41,839,619 common shares issued and outstanding, (ii) 2,311,367 common share purchase warrants outstanding at a weighted average exercise price of \$0.60 per common share, and (iii) 3,639,000 incentive stock options outstanding at a weighted average exercise price of \$0.37.

OFF-BALANCE SHEET ARRANGMENTS

We have no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

Our financial instruments consist of the following:

	March 31, 2011	March 31, 2010
	\$	\$
<i>Financial assets</i>		
Cash and cash equivalents, measured at fair value	45,216	6,065
Restricted cash, measured at fair value	—	314,295
Amounts receivable, measured at amortized cost	8,211	2,277
<i>Financial Liabilities</i>		
Accounts payable, measured at amortized cost	21,356	617,100
Accrued liabilities, measured at amortized cost	120,580	316,221
Contingent payments, measured at amortized cost	186,582	—
Other payable, measured at amortized cost	—	589,164
Convertible debentures, measured at amortized cost	—	613,063
Long-term obligations, measured at amortized cost	328,559	—
Subscription receipts, measured at amortized cost	—	300,000

Cash and equivalents and restricted cash are classified as held for trading. Amounts receivable are classified as loan and receivable. Accounts payable, accrued liabilities and contingent payments, subscription receipts, convertible debentures, and other payable are classified as other financial liabilities.

Credit risk

Credit risk is the risk of a financial loss to us if counterparty to a financial instrument of ours fails to meet its contractual obligations. Credit risk arises from our cash on deposits with banks, and from time to time due to our holdings of short term investments. We have investment policies to mitigate against credit risks. The carrying value of our cash and cash equivalents, restricted cash, and amounts receivable is our maximum credit exposure as at March 31, 2011. We held our cash balances major banks in Canada and had no short term investment as at March 31, 2011. The restricted cash is cash balances held in trust accounts with major banks in Canada that is either subject to certain release conditions or the closing of a financing. Amounts receivable primarily consist of good and services tax and harmonized sales tax due from the federal government of Canada and a receivable from a previous landlord.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our obligations as they come due. Our exposure to liquidity risk is dependent on our purchasing commitments and obligations and our ability to raise funds to meet commitments and sustain operations. We manage liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. A discussion on our 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. We are exposed to interest rate risk on our convertible debentures, other payables and long-term obligations which bear floating interest rates.

Currency risk

We are exposed to the financial risk related to the fluctuation of foreign exchanges rates. We operate primarily within Canada although a portion of our expenses are incurred in United States dollars (“US dollar”). We have 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 our results of operations, financial position or cash flows.

RELATED PARTY TRANSACTIONS

We incurred \$nil for consulting services provided by directors in both the current and preceding fiscal years. Related party transactions were incurred in the normal course of business and recorded at their exchange amounts. As of March 31, 2011, we had the following amounts due to related parties:

	March 31, 2011	March 31, 2010
	\$	\$
Accounts payable to directors, officers, or contract managers in connection to business expense reimbursements	14,103	49,786
Interest payable	—	27,277
Debentures held by officers or directors ⁽¹⁾	—	386,333
	14,103	463,396

⁽¹⁾ During the year ended March 31, 2010, two debenture holders, who hold convertible debentures of \$143,333, were appointed to be our director or officer.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Our audited consolidated financial statements are prepared in accordance with Canadian GAAP. These accounting principles require us to make certain estimates and assumptions. We believe that the estimates and assumptions upon which we rely are reasonable based upon information available at the time that these estimates and assumptions are made. Actual results could differ from these estimates. Significant areas requiring the use of estimates relate to the assessment for impairment and useful lives of intangible assets, determination of share value in transactions where shares are issued as a consideration, accrued liabilities, estimation of future income tax and determination of fair value of stock-based compensation. The significant accounting policies that we believe are the most critical in fully understanding and evaluating the reported financial results include the following:

Intangible Assets

Intangible assets are comprised of technology licenses and rights acquired from third parties. Technology licenses and rights are initially recorded at the fair value based on consideration paid and are amortized on a straight-line basis over the estimated useful lives of the underlying technologies. We determine the estimated useful lives for intangible assets based on a number of factors: legal, regulatory or contractual limitations; known technological advances; anticipated market size; and the existence or absence of competition. A significant change in any of the above factors may require a revision of the expected useful life of the intangible asset, resulting in accelerated amortization or an impairment charge, which could have a material impact on our results of operations. We evaluate the recoverability of the net book value of our intangible assets whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the carrying value of the underlying technology exceeds the estimated net recoverable value, calculated based on estimated undiscounted future cash flows, then the carrying value is written down to its fair value, based on the related estimated discounted cash flows. The amounts shown for technology licenses and rights do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights.

Stock-based Compensation and Other Stock-based Payments

We grant stock options to employees, directors, and consultants pursuant to a stock option plan. We use the fair value method to account for all stock-based awards granted, modified or settled, and the Black-Scholes option pricing model to determine the fair value of stock options granted. A compensation expense is recorded based on the estimated fair value of options with a corresponding credit to contributed surplus. Any consideration received on the exercise of stock options is credited to share capital. The fair value of stock-based awards to employees and directors is measured on the date of grant and amortized over the vesting period. The fair value of stock-based awards to consultants is measured at earliest of the performance commitment date, service delivery date, or the grant date if they are fully vested and non-forfeitable.

The estimation of the fair value of stock options using the Black-Scholes option pricing model involves subjective assumptions of the expected life of the option, the expected volatility at the time the options are granted, and the risk-free interest rate. Changes in these assumptions can materially affect the measurement of the estimated fair value of our stock options, hence our results of operations.

FUTURE ACCOUNTING STANDARDS

In January 2009, the CICA issued Section 1601 “*Consolidations*” and Section 1602 “*Non-controlling Interests*”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are applicable to our interim and annual financial statements beginning on January 1, 2011. We do not expect these new standards would have material impact on our consolidated financial statements. .

In January 2009, the CICA issued Section 1582 “*Business Combinations*” replacing Section 1581 “*Business Combinations*”. The new section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The section is applicable to our interim and annual financial statements of the Company beginning on or January 1, 2011, with early adoption permitted. We We do not expect these new standards would have material impact on our consolidated financial statements..

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (the “AcSB”) confirmed that Canadian GAAP for public companies will be converged with International Financial Reporting Standards (“IFRS”) for accounting periods commencing on or after January 1, 2011. The Company will be required to report using IFRS commencing with its unaudited financial statements for the three months ended June 30, 2011, which must include the interim results for the three months ended June 30, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP, but there are some significant differences on recognition, measurement and disclosures.

In the fiscal year ending March 31, 2012, we plan to complete the process of transition to IFRS from the current Canadian GAAP. The first phase consists of an analysis of the impact of IFRS on Canadian GAAP as they apply to the Company. This analysis will take into account any potential impact on our current accounting policies, financial disclosures, information systems, internal control systems and on its business activities. An assessment of related training requirements will also be required. The second phase includes execution of changes to business processes and information systems, and completion of formal authorization processes to approve recommended accounting policy changes and training.

The most significant areas of difference applicable to the Company include stock-based compensation and the more extensive presentation and disclosure requirements under IFRS. Under Canadian GAAP, forfeitures of grants were recognized as they occur. Under IFRS stock-based compensation provisions, the Company will need to assume a forfeiture rate when it grants stock options. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. In addition, IFRS does not include the straight-line method as an alternative attribution method for stock options with a service condition and graded vesting features. The

adoption of the more extensive presentation and disclosure requirements under IFRS is not expected to have a material impact on the Company's financial position and results of operations.

At this time, we are unable to indicate the full consequences of this transition on our operations and our consolidated financial statements.

RISKS AND UNCERTAINTIES

Due to the inherent nature of our business, investing in our securities involves a high degree of risk and uncertainties. Such risk factors include, among others, our stage of development, lack of product revenues, additional capital requirements, risk associated with completion of clinical trials and obtaining regulatory approval, reliance on our collaborative partner, New Summit Bio, to raise funding for development of PAC-113 for the Chinese market, lack of collaborative partners for PAC-113 regions outside of China, lack of collaborative partners for PAC-G31P at this time, dependence on collaborative partners to develop and commercialize our products, our ability to protect our intellectual property, our ability to stay competitive in a rapid changing industry environment, and our ability to raise new capital.

We are in the early stage of development and have limited operating history. We have not generated any revenues to date from product sales, nor do we expect any product revenues for the immediate future. To achieve profitable operations, we must successfully develop our products that are currently in the research and development phase with collaborative partners. These product developments may take a number of years and involve significant risks and uncertainties. As a result, substantial capital is required to finance our product developments through collaborative partnerships.

The global economic crisis in recent years has led to a substantial reduction in capital in the credit markets, especially for companies in the development stage like Pacgen. This economic market environment has also affected our ability to secure collaborative partnerships that provide upfront licensing revenue or immediate funding for product developments. There is significant competition within the biotechnology industry for collaborative partnerships since majority of the smaller companies were unable to fund their research and development projects on their own. We are currently working with New Summit Bio to raise funding for PAC-113 development in China. We are also seeking collaborative partners for PAC-113 for regions outside of China and a joint-venture partner to conduct certain preclinical studies to add data to our PAC-G31P package for out-licensing purposes. There can be no assurance that these partnership objectives can be met on a timely basis, or at all.

Despite the completion of our recent Private Placement Financing and Financial Restructuring in June 2010, we have limited working capital on hand. We announced in March 2011 that Pacgen has initiated a corporate transformation by integrating a diagnostics division into its corporate platform. As part of our corporate transformation, we have entered into agreement with GBC to market and distribute the entire product portfolio of GBC in regions of North America and China. We have also signed a non-binding letter of intent to acquire the business and operating assets of CurieMed, a wholly owned subsidiary of GBC. CurieMed provides molecular diagnostics testing and imaging services such as PET/CT scans. We plan to leverage these arrangements to transform into a self-sustained revenue generating company. We expect that the acquisition of CurieMed would generate cash to finance our business operations and financial obligations. However, this acquisition remains subject to the negotiation of a definitive agreement between Pacgen and CurieMed, and certain other conditions. We plan to raise a bridge financing to finance our operations to the completion of the acquisition of CurieMed. There can be no assurance that such financing will be available on favorable terms, if at all. If we are unable to obtain additional financing, we may be required to curtail or discontinue our operations.

We are also subject to other significant risks and uncertainties. .