PORTAGE BIOTECH INC.

THREE MONTHS ENDED DECEMBER 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prepared as at February 20, 2019

Index

Management Discussion and Analysis

The following discussion and analysis by management of the financial condition and financial results for Portage Biotech Inc. for the three months ended December 31, 2019 should be read in conjunction with the unaudited Consolidated Interim Financial Statements for the three and nine months ended December 31, 2019 and for the three and six months ended September 30, 2018 and for the three months ended June 30, 2018 together with the related Management Discussion and Analysis and audited consolidated financial statements for the year ended March 31, 2018 and annual report in form 20-F for the same period.

Forward looking statements

This document includes forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities laws. These forward-looking statements include, among others, statements with respect to our objectives, goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", "hope" and "continue" (or the negative thereof), and words and expressions of similar import, are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. We caution readers not to place undue reliance on these statements as a number of important factors, many of which are beyond our control, could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to; the applicability of patents and proprietary technology; possible patent litigation; approval of products in the Company's pipeline; marketing of products; meeting projected drug development timelines and goals; product liability and insurance; dependence on strategic partnerships and licensees; concentration of the Company's revenue; substantial competition and rapid technological change in the pharmaceutical industry; the publication of negative results of clinical trials of the Company's products; the ability to access capital; the ability to attract and retain key personnel; changes in government regulation or regulatory approval processes; dependence on contract research organizations; third party reimbursement; the success of the Company's strategic investments; the achievement of development goals and time frames; the possibility of shareholder dilution; market price volatility of securities; and the existence of significant shareholders.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When reviewing our forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions applied in making forward-looking statements, may be found in the "Risk Factors" section under "Business Environment" and elsewhere in the following Management's Discussion and Analysis of Operating Results and Financial Position for the three months ended December 31, 2018. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

In this report the words "us", "we", "our", "the Company", and "Portage" have the same meaning unless otherwise stated and refer to Portage Biotech Inc. and its subsidiaries.

Nature of Operation and overview

Portage Biotech Inc. ("the Company") was operating as an Ontario, Canada incorporated company, Bontan Corporation Inc. ("Bontan") until July 5, 2013. On July 5, 2013, the Company changed its name to the current name and moved its jurisdiction to the British Virgin Islands (BVI) under a certificate of Continuance issued by the Registrar of Corporate Affairs of BVI.

The Company now continues as a BVI incorporated company with its registered office located at FH Chambers, P.O. Box 4649, Road Town, Tortola, BVI. Its Toronto agent, Portage Services Ltd., is located at 47 Avenue Road, Suite 200, Toronto, Ontario, M5R 2G3, Canada.

The Company continues to be a reporting issuer with the Ontario Securities Commission and the US Securities and Exchange Commission and its shares trade on the OTC Markets under the trading symbol "PTGEF," effective August 23, 2013. Prior to this date, it was trading as Bontan Corporation Inc. under the trading symbol "BNTNF". Effective October 28, 2013, the Company's shares are also listed for trading in US currency on the Canadian Securities Exchange under the symbol "PBT.U".

Portage develops pharmaceutical and biotech products through to clinical "proof of concept" focussing on unmet clinical needs. Following proof of concept, Portage will look to sell or license the products to large pharmaceutical companies for further development through to commercialization. Portage seeks products and co-development partners in cancer, infectious disease, neurology and psychiatry with novel targeted therapies, or reformulations that can be patented.

Portage will work with a wide range of partners, in all phases of development. The collaboration may include direct funding or investing human capital/sweat equity from our extensive pool of talented scientists and physicians to value-add by mitigating risks, clinical trial design and regulatory expertise. Summary of our portfolio companies including our subsidiaries is provided below:

Portage Pharmaceuticals Ltd (PPL)

On June 4, 2013, following the acquisition of Portage Pharma Ltd, the Company's wholly owned subsidiary, Portage Acquisition Inc. and Portage Pharma Ltd amalgamated. The amalgamated company was named Portage Pharma Limited and was incorporated in the BVI.

PPL focuses on discovering and developing innovative cell permeable peptide (CPP) therapies to normalize gene expression, restore protein function, and improve medical outcomes. Its core technology involves delivering biologically active "cargo" to intracellular and intranuclear targets to normalize cell and tissue function, improve the immunogenicity of vaccines and enable better treatment of intracellular pathogens.

PPL tested a number of different cell penetrating peptides (CPPs)CPPs and found one that they derived from human genes that was superior to the others tested including the Antennapedia fruit fly-derived CPP PPL previously licensed from Trojantec and Imperial College in London. PPL selected this human-based CPP to be the basis of their CellPorter® platform. PPL strategy was and still is exploring the ways it can be used therapeutically. The CPP platform is protected until 2034 by international patent filings for its proprietary human-derived cell penetrating peptide structures without any therapeutic restrictions.

In July 2014, PPL successfully validated CellPorter®, a new proprietary cell permeable peptide platform technology derived from human proteins. CellPorter® has been shown to efficiently deliver an active pharmacological agent or cargo into cells without disrupting the cell membrane. In a collaboration with the Pirbright Institute (UK), a CellPorter® conjugated CD8 T-cell antigenic epitope derived from mycobacterium tuberculosis was demonstrated to provoke a specific CD8 T-cell immune response in Balb/c mice suggesting possible application of this technology for vaccines.

PPL pursued other collaborations to bring world-class subject area expertise to some of their research questions. PPL collaborated with scientists at Yale to evaluate its cell penetrating properties, with scientists at the National Eye Institute to evaluate its penetration into eye tissues when given as eye drops, and with a scientist at the University of Michigan to investigate blood brain barrier penetration.

Through these collaborations PPL management learned that CellPorter® enhances immune reactions to vaccines, did get inside eye tissues, and did penetrate the blood brain barrier. PPL also conducted its own studies that demonstrated CellPorter® can be used to dose peptides systemically by inhalation, and has ongoing work using CellPorter® to deliver peptide cargos that regulate gene function in cancer and other diseases.

Over the last two years PPL developed PPL-003 ophthalmic solution, a topical eye drop intended to treat dry eye disease, uveitis, and other inflammatory eye diseases. After completing animal efficacy studies in models of these diseases and developing a commercializable formulation, PPL put together a non-clinical and clinical development plan for PPL-003 ophthalmic solution and held a pre-IND meeting with FDA on September 15, 2017. After this very successful meeting, PPL-003 ophthalmic solution now has a clear path to Phase I and Phase II studies in healthy volunteers and patients with dry eye disease.

PPL is now focusing on licensing or collaborating its CellPorter® platform with other pharmaceutical companies to develop new drugs (See Portage Glasgow Ltd. below)

Portage Glasgow Ltd. (PGL)

On January 31, 2018, PPL, formed a new joint venture company, Portage Glasgow Limited (“PGL”), incorporated in Scotland, to develop more effectively-targeted drugs to treat chronic conditions including cancer.

PPL acquired 65% equity in PGL. The CEO of PPL, Dr. Frank Marcoux is the CEO of PGL and the chairman of the Board of Directors PGL, which currently consists of two persons.

The University of Glasgow is providing therapeutic peptides developed through the research of Prof. George Baillie and access to a therapeutic peptide discovery platform.

PGL will focus on the commercialisation of new therapies aimed at disrupting protein-protein interactions (PPI) in disease pathways which give therapeutic benefit. Candidate peptides and PPI targets have already been identified from existing research at the University.

Till the date of this document, PGL management has been working on its development plans and budget.

EYGEN Ltd (EyGen)

EyGen was incorporated on September 20, 2016 under the laws of the British Virgin Islands.

Since the final preclinical and clinical development of PPL-003 would be substantially more capital intensive than prior work on the CellPorter® platform, Portage management decided to spin out its lead asset with the aim of independently financing PPL-003 and building a company in ophthalmology while retaining an interest in the company. EyGen was therefore created as a new ophthalmic company focused on developing preclinical ophthalmology assets through proof of concept. In addition to a license for PPL-003 in ophthalmic indications, EyGen will also have an exclusive license for the use of the CellPorter® technology for other ophthalmic drugs.

EyGen’s lead asset is PPL-003, a potent anti-inflammatory created by PPL and being developed for topical ophthalmic delivery in patients with ocular surface and anterior segment diseases. PPL-003 has demonstrated steroid-like efficacy in animal disease models without steroid-like side effects.

EyGen has put together a seasoned management team with both business and drug development expertise in this area and will develop PPL-003 ophthalmic solution for dry eye disease before exploring other ocular inflammatory diseases. EyGen is seeking financing of approximately $10 million to reach the end of a Phase II trial in dry eye disease to confirm its target profile of corticosteroid-like efficacy without the adverse effects of steroids such as increased intraocular pressure (glaucoma).

Stimunity S.A.S.

On February 28, 2018, the Company made an initial investment of €500,850 ($680,662) by subscribing to 3,780 new Class A shares at a price of €132.50 per share of Stimunity SAS ("Stimunity"), a Paris based immune-oncology company. The investment gave Portage 27% equity in Stimunity.

Stimunity is an early-stage research and development company focused on the development of STING agonists in cancer. The technology, licensed from Institut Curie, Inserm, and the University of Oxford, is based on a unique biologic approach which encapsulates endogenous STING-activating molecules in a Virus-Like Particle (VLP). These VLPs will fuse with immune cells and induce a potent T-cell response against tumor cells that are poorly immunogenic. The lead program is now at the early phase of preclinical validation. Stimunity's seed round will help the company complete its preclinical package and advance the manufacturing process used to create its virus-like particles to pharmaceutical grade.

Sentien Biotechnologies, Inc. (Sentien)

Portage invested $700,000 in Sentien in August 2015 to acquire 210,210 series A preferred stock, which is fully convertible into equal number of Sentien's common shares, currently representing approximately 5.06% of Sentien's equity.

Sentien is a privately-owned, clinical-stage company pioneering new approaches to cell therapy. Sentien's technology harnesses the power of cell therapy with innovative drug delivery systems to treat a wide range of systemic inflammatory diseases. Sentien's lead product, SBI-101, is designed to allow for controlled, sustained delivery of mesenchymal stromal cell (MSC) secreted factors. This approach immobilizes the MSCs in an extracorporeal device, allowing for doses of therapeutic factors that are unattainable by direct injection.

SBI-101 is the first product application of Sentien's platform blood-conditioning technology that has the potential to restore balance to the immune system after acute vital organ injury, such as acute kidney injury.

Sentien raised $15 million up to January 2018 and commenced its Phase 1/2 clinical trial in June 2017 of its lead product SBI-101, a cell-containing dialysis device for the treatment of Acute Kidney Injury and have so far enrolled seven patients, passing the mid-point of the low dose cohort enrolment. The data safety monitoring board concluded that there were no safety issues and recommended continuation of enrolment. In February 2018, Sentien had a pre-IND meeting with the FDA to use SBI-101 for another indication – proposed acute liver failure.

Portage Services Ltd (PSL)

PSL is a wholly owned subsidiary, incorporated in Ontario, Canada under the name 1843343 Ontario Inc. which changed its name to the present name on July 11, 2013. PSL acts as a local agent for the Company under requirements of the Ontario Securities Commission. PSL maintains an office in Toronto, Canada and administers the corporate, financials and regulatory matters of Portage and its direct and indirect subsidiaries and investments.

Major event since December 31, 2018 – SalvaRx Limited ("SalvaRx")

On August 13, 2018, the Company reached a definitive agreement to acquire 100% of SalvaRx Limited (the "SalvaRx Acquisition") in exchange for 805,070,067 common shares of the Company at a deemed price of US$0.089 per share for an aggregate consideration of US$71.70 million. The vendors are SalvaRx Group plc, (94.2%) an AIM listed company, James Mellon (2.9%) and Gregory Bailey (2.9%) (collectively, the "Vendors").

SalvaRx Limited ("SalvaRx") is a company incorporated in the British Virgin Islands on May 6, 2015 and formed for the purposes of investing in and acquiring businesses focused on novel cancer immunotherapies and to develop clinical proof of concept.

The SalvaRx Acquisition constituted a related party transaction under Multilateral Instrument 61-101 (the "Instrument") and, as a consequence, was subject to minority shareholder approval requirements under the Instrument.

On January 8, 2019, minority shareholders of the Company approved the acquisition of SalvaRx Limited. On January 9, 2019 the Company issued an aggregate of 805,070,067 common shares at a deemed price of US$0.089 to the Vendors in exchange for 100% of the common shares of SalvaRx Limited. On the same day, following receipt of its consideration shares, SalvaRx Group plc distributed 660,593,556 of these shares to its shareholders on a pro rata basis as part of a corporate re-organization. As a result of the SalvaRx Acquisition, SalvaRx Limited became a wholly-owned subsidiary of Portage.

Further details regarding the SalvaRx Acquisition are contained in Portage's information circular dated November 26, 2018 and news releases issued on December 19, 2018 and January 8, 2019.

DESCRIPTION OF PORTFOLIO ASSETS OF SALVARX LIMITED

Set out below is an overview of the portfolio assets of SalvaRx Limited ("SalvaRx") as at the date of this Document.

(i) IOX Therapeutics Ltd.

iOx was incorporated in England and Wales on February 10, 2015 by Oxford University Innovation Limited, Oxford University's technology transfer subsidiary, together with the Ludwig Institute. As at the date of this Document, SalvaRx holds an equity stake of 60.49%. iOx's strategy is to develop a new type of immunotherapy against cancer, originally discovered through a partnership between the Ludwig Institute and Professor Cerundolo, director of the MRC Human Immunology Unit and head of the Department of Investigative Medicine at the University of Oxford.

On 1 July 2015, iOx obtained an exclusive licence (with the right to sub-licence) from the Ludwig Institute to use, research, develop and commercialise iNKT cell agonists, including compounds IMM47 and IMM60, for the treatment of various forms of human disease, including cancer, under the Ludwig Institute's intellectual property and know-how.

SalvaRx has entered into a collaborative research agreement with Oxford University to support a Phase I Study and Phase II Study that will allow the first human testing of the lead compound under licence to iOx. This initial trial is aiming to recruit approximately 60 participants in order to evaluate the safety and efficacy of the lead compound.

In April 2016, the company was also recipient of a Horizon 2020 grant which covers the development of a second compound (IMM65). IMM65 is a nanoparticle formulation of IMM60 combined with a NY-ESO1 vaccine. All development work including two clinical trials are supported by funding from this grant to iOx and to the centers conducting this work on their behalf.

In March 2018, iOx issued US$1 million of unsecured convertible loan notes (the "Notes") to fund its ongoing research and development activities. Portage subscribed for US$950,000 of the Notes with an existing iOx shareholder, Oxford Sciences Innovation plc, subscribing for the balance of the Notes.

On 24 July 2018, iOx suffered a delay in manufacturing its lead drug candidate IMM60 due to quality failures in the manufacturing process. iOx is planning to initiate multiple human clinical studies in 2019. On December 10, 2018, Portage doubled its convertible loan investment into iOx to US$1.9 million by subscribing for an additional US$950,000 unsecured promissory note. iOx will use the proceeds to facilitate preparing regulatory submissions for two first in human studies in 2019.

(ii) Nekonal Oncology Limited

On February 28, 2017 SalvaRx entered into an investment and collaboration agreement with Nekonal SARL ("Nekonal Agreement"), a Luxembourg-based company holding intellectual property rights for therapeutics and diagnostics in the field of autoimmune disorders and oncology.

As part of the agreement, SalvaRx and Nekonal have formed a joint venture company, Nekonal Oncology Ltd., which is working to utilise SalvaRx's management and drug development expertise to exclusively explore the applications of Nekonal's technology in cancer immunotherapy.

Under the terms of the Nekonal Agreement, SalvaRx invested an initial €600,000, with agreement to fund up to an additional €300,000, subject to certain milestones being achieved. The initial investment comprised a €300,000 convertible loan in Nekonal to participate in the funding of its auto-immune programs and a €300,000 equity investment in Nekonal Oncology giving SalvaRx a 33% equity interest.

Nekonal Oncology is focusing on the development of first-in-class antibodies against a novel T-cell based target having potential for use as a monotherapy and combination therapy for solid and haematological malignancies. SalvaRx is overseeing a work plan to advance multiple therapeutic antibodies towards the clinic for use in oncology. Ian Walters, the CEO of SalvaRx, is the current CEO of Nekonal Oncology.

(iii) Rift Biotherapeutics Inc.

On March 20, 2017 SalvaRx entered into an agreement to invest in Rift Biotherapeutics Inc. a private, Delaware-domiciled biotechnology company focused on the development of antibodies for use in oncology.

Rift, an early stage research and development company, was founded in 2015 in order to discover and develop first-in-class antibodies implicated in the inflammatory tumour and tumour infiltrating immune cells microenvironment. Rift has a small lab space in San Diego, California. Rift recently won the Boehringer Ingelheim Innovation prize, entitling it to additional lab space at BioLabs San Diego, a Southern California based incubator for biotech start-ups.

Under the terms of the agreement, SalvaRx has invested US$1,000,000 for an initial holding of approximately 30%. Subject to Rift achieving certain development milestones with this initial funding, SalvaRx has the option to invest up to an additional US$1,500,000 at the same valuation and to acquire all outstanding shares of Rift in exchange for new shares in SalvaRx on the same basis. On December 15, 2017, SalvaRx invested an additional US$350,000, raising their equity to 34.99%.

For the six month period ended 30 June 2018, the investment in Rift was reported by SalvaRx's parent company, SalvaRx Group plc, as impaired to NIL as activities were placed on hold while it sought further investment funds.

(iv) Saugatuck Therapeutics, Ltd.

On September 25, 2017, SalvaRx entered into a joint venture agreement with Immunova, LLC, a private, Delaware-domiciled biotechnology company focused on use of nanolipogel (NLG) technology

(the “Saugatuck JV Agreement”). NLG technology, invented in the lab of Dr. Tarek Fahmy at Yale University, allows different combinations of drugs to be encapsulated in a single nanomedicine and delivered selectively to the tumour microenvironment, thus potentially minimizing systemic side-effects.

The joint venture company, Saugatuck Therapeutics Ltd., has acquired an exclusive licence from Yale University via Immunova for use of the NLG platform for delivering DNA aptamers and certain aptamer-based combination products.

Under the terms of the Saugatuck JV Agreement, SalvaRx has initially invested US$1 million, to be released in tranches on the completion of milestones. The first tranche of US$300,000 is to be used by Saugatuck Therapeutics to establish proof of concept for the joint venture.

(v) Intensity Therapeutics Inc.

On April 22, 2016, SalvaRx announced its investment in US-based Intensity, a private biotechnology company pioneering a new approach to treating solid tumours.

SalvaRx has invested US$2 million in cash for a 9.2% interest in Intensity as part of a Series A funding round.

Intensity’s platform, DfuseRx SM, identifies novel formulations that can be comprised of currently approved and effective cytotoxic or other anti-cancer agents for direct injection into solid tumours. The Intensity products not only directly kill tumour cells, but also improve the presentation of tumour antigen to the immune system.

Intensity’s lead product, INT230-6, shows strong efficacy in preclinical models against the primary injected tumour without the devastating systemic exposure normally associated with cytotoxic compounds. Moreover, this lead compound can stimulate a potent systemic immune response that affects distal tumours.

On February 27, 2018, Intensity report positive safety data from its ongoing Phase 1/2 first in human trial of INT230-6 in multiple solid tumours. Following intratumoral drug injections into superficial lesions in six patients with either ovarian, thyroid, head and neck or skin cancers, there were no dose limiting toxicities. The investigators reported three drug-related, local, mild-to-moderate reversible adverse events, no drug-related series adverse events, no systemic adverse events and no procedure-related adverse events. These results were consistent with the observed low systemic exposure levels of the active agents comprising INT230-6.

On October 22, 2018, Intensity announced the results from its clinical trial IT-01 at the European Society for Medical Oncology (ESMO) 2018 Congress in Munich, Germany. The preliminary data from a Phase 1/2 clinical study demonstrated that INT230-6, Intensity's novel lead product candidate designed for direct intratumoral injection, was well tolerated in patients with advanced solid tumors.

On November 2, 2018, Intensity announced the completion of a US$6.5 million Series B financing. Intensity plans to use the proceeds of the financing to advance the clinical development of lead product candidate INT230-6, a direct intratumoral injection that is currently being evaluated in a Phase 1/2 clinical study in patients with various advanced solid tumors. Intensity also intends to expand the study by adding clinical sites outside the U.S. and Canada, as well as adding combination arms with an anti-PD-1 antibody. Following the completion of the Series B financing, SalvaRx now has an interest of approximately 7 per cent in the equity of Intensity.

On November 8, 2018, Intensity released a further announcement that data from the 1/2 clinical study of INT230-6 and preclinical research highlighting the proprietary DfuseRx SM technology will be presented in a poster (P622) at the Society for Immunotherapy of Cancer’s 33rd annual meeting in Washington D.C.

Summary of Results

The following table summarizes financial information for the quarter ended December 31, 2018 and the preceding eight quarters: (All amounts in '000 US$ except net loss per share, which are actual amounts)

Quarter ended	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016
	in 000'$	in 000'$	in 000'$	in 000'$	in 000'$	in 000'$	in 000'$	in 000'$	in 000'$
Net loss (income) - attributable to the owners of the Company	283	208	219	124,766	(351)	(341)	(333)	(8,779)	(6,073)
Working capital	6,015	7,157	7,378	7,378	171,097	237,128	158,919	59,027	167
shareholders equity	8,979	9,229	9,436	9,436	171,597	37,642	159,435	59,594	39,640
Net profit (loss) per shares - basic and diluted (Actual)	$(0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.06	$ (0.03)

Number of common shares, options

These are as follows:

As at,	December 31, 2018	February 20, 2019
Shares issued and outstanding	280,719,920	1,085,789,987
Options granted but not yet exercised (a)	595,842	595,842

(a) Options are exercisable into equal number of common shares at an average exercise price of US$0.15 and have a weighted average remaining contractual life of approximately 2.97 years as at December 31, 2018.

Business environment

Risk factors

Please refer to the Annual Report in the form F-20 for the fiscal 2018 for detailed information as the economic and industry factors that are substantially unchanged.

Business plan

Portage is in the business of licensing, researching and developing potential drug candidates. The Company would like to assemble a portfolio of products: diversified as to their stage of development and pathology. Then inexpensively take them through to phase 2b clinical trial often called proof of concept ("POC").

Upon a successful POC we will monetize the products through sale or license to big Pharma.
We are seeking discovery and co-development partners in areas such as cancer, infectious disease, neurology and psychiatry developing novel targeted therapies, stem cell therapy and even older marketed products that have been found to have novel patentable characteristics that bring new value to patients.

The goal is to grow Portage by carefully selecting compelling products to license, acquire or position as a joint venture. The product portfolio will be carefully selected to be at various stages in drug development but with an overriding characteristic of being attractive to large pharmaceutical companies. Portage has a strong team with extensive experience in drug development that will be leveraged to source the aforementioned products, to undertake the due diligence and guide them through drug development to monetization. Furthermore, the team's track record of drug development success will be utilized to gain equity in lieu of cash in third party products.

Portage seeks products & co-development partners in cancer, infectious disease, neurology and psychiatry with novel targeted therapies, or reformulations that can be patented.

Portage will work with a wide range of partners, in all phases of development. The collaboration may include direct funding or investing human capital/sweat equity from our extensive pool of talented scientists and physicians to value-add by mitigating risks, clinical trial design and regulatory expertise.

As explained above under Major Event Since December 31, 2018, Portage acquired SalvaRx. The acquisition represents the next evolution of Portage as we acquire interest in 10 products in the exciting area of immuno-oncology.

Development plans for our operating subsidiaries are detailed under "Nature of operations and overview "section of this report.

Results of operations

Following details analyze major expenses for the three months ended December 31, 2018 ("2018 quarter") compared to those for the three months ended December 31, 2017 ("2017 quarter").

Three months ended Dec. 30,	**2018** In 000's US$	2017 In 000's US$
Income	**-**	-
Expenses - operating	**(280)**	(351)
Share of losses in associate	**(53)**	-
Interest earned on convertible loan notes	**42**	-
Net loss for period	**(291)**	(351)
Net income (loss) for period, attributable to Portage shareholders	**(283)**	(351)

Expenses

The overall analysis of the operating expenses is as follows:

Three months ended Dec. 31,	**2018**	2017 In 000's US$
Research and development	**94**	152
Consulting fee	**77**	123
Professional fees	**75**	51
Operating expenses	**34**	25
	280	351

Research and development costs

These costs comprised the following:

Three months ended Sept. 30,	**2018**	2017 In 000's US$
Legal regarding Patents registration	**15**	2
Consultants – scientists and researchers	**60**	95
Other outside services – lab testing, peptide handling etc.	**19**	55
	94	152

2018 quarter

PGL incurred approximately $19,000 in material procurement for research activities. Other operating subsidiaries did not incur any outside costs. Consultant costs relates to the fees charged by the CEO of PPL who also acts as CSO (chief scientific officer) and included value of options granted to him and vested during the quarter of $12,015. The CEO was mainly involved in analyzing results and overseeing development plan at PGL and PPL.

Decline in costs from 2017 quarter costs was mainly due to elimination of separate CEO and CSO positions and consolidating them into one position and overall reduction in research activities. Patent costs increase was due to additional patents applications related to PGL. Further research activities at PPL and EyGen will depend on these subsidiaries being able to raise additional funding required.

2017 quarter

Three consultants – CEO, CSO and another consultant – charged fee totaling to approximately $95,000. Main activities during the quarter continued to advance PPL's lead early staged program, aimed at cancers with high medical need. The most advanced program was investigating at an expert contract research organization the effects of a novel compound comprised of PPL's proprietary cell penetrating carrier (CellPorter) and a high confidence cargo (with a collaborator) in a pharmacodynamic study using a mouse tumor model.

Further details regarding development activities are provided under "nature of operations and overview "section of this report.

Consulting fees

2018 quarter

Consulting fee comprised cash fee of $51,000 including fee of $45,000 charged by the CFO and the balance of the consulting fee represented value of options vested during the period to others.

2017 quarter

Consulting fees included cash fee of $51,000 including fee of $45,000 charged by the CFO. The balance of the consulting fees consisted of value of options vested during the period to management and others, which was approximately $70,000.

Professional fees

2018 quarter

Professional fee was made up of $65,952 towards legal fee and $9,000 towards annual audit fee. Approximately $62,000 of the legal fee related to the legal work in connection with the acquisition of SalvaRx and included preparation of documents for regulatory approval and shareholders distribution.

2017 quarter

Professional fee for the three months ended December 31, 2017 included accrual for audit fee of $19,000 and the balance of approximately $32,000 consisted of legal fees. Legal fee of approximately $27,000 was incurred in initiating exemption from prospectus for stock dividend sought from Ontario Securities Commission and matters regarding disposal of Biohaven shares. $5,000 was incurred on legal advice from the lawyer in British Virgin Islands in respect of revising the Articles and Memorandum and other corporate matters. The balance of the legal fee was incurred by PPL in due diligence on a prospective business collaboration.

Other operating costs

Other operating costs include Toronto office costs, transfer agent costs, press releases, directors and officer's liability insurance premium, web site related costs and bank charges.

2018 quarter

Operating costs included costs included costs of approximately $9,500 relating to shareholders meeting which was delayed from the usual July month to January 8, 2019 and costs of press releases and transfer agent of approximately $6,300. Increase in these costs related to SalvaRx acquisition matters.

All other costs are relatively consistent for both the quarters.

Share of losses in affiliate

2018 quarter

In February 2018, the Company acquired 27% equity interest in a French entity, Stimunity SAS. The investment is accounted for on an equity basis since Portage does have a significant influence due to its holding and also its representation on the board of directors of Stimunity but not control since the management and majority of the board of directors' vest in the hands of the other shareholders.

Equity accounting requires the Company to ascertain and account for its share of the net profit or loss of Stimunity for the 2018 quarter. Stimunity reported a net loss of approximately €172,000 ($196,000) for the period. Portage accounted for 27% of this loss, being €46,400 ($53,000) and reduced it from the carrying value of the investment.

2017 quarter

During the three months ended December 31, 2017, the Company had no associate. Biohaven ceased to be an associate since February 15, 2017.

Interest earned on convertible loans

2018 quarter

Interest income for the quarter consisted of interest of $21,863 on convertible loan notes and $20,253 earned on short term deposit.

On March 7, 2018, Portage invested $950,000 in a convertible note issued by IOX Therapeutics Ltd ("IOX"), a subsidiary of SalvaRx and on December 3, 2018, Portage invested a further $950,000 in second convertible note issued by IOX. These notes carry interest at 7%.

On October 24, 2018, Portage placed $5,000,100 on a 30-day term deposit, renewed for another 30-day term, with Julius Bar, a bank in Channel Islands carrying interest rates from 2.23% to 2.45%

2017 quarter

Portage did not give any loan or placed any term deposit during the quarter.

Liquidity and Capital Resources

Working Capital

As at December 31, 2018, the Company had a net working capital of approximately $6 million compared to a working capital of approximately $ 7.5 million as at March 31, 2018. Net funds used for operating activities were approximately $476,000 for the nine months ended December 31, 2018.

Cash on hand, including short term deposits as at December 31, 2018 was approximately $6 million compared to $ 7.5 million as at March 31, 2018.

As at December 31, 2017, the Company had a net working capital of approximately $171 million compared to a working capital of approximately $ 59.8 million as at March 31, 2017. Significant increase is due to increase in the value of 6,341,500 Biohaven shares held as investment available for sale from $9.29 per share as at March 31, 2017 to $26.98 per share as at December 31, 2017, while net funds used for operating activities were approximately $861,000 for the nine months to December 31, 2017.

Cash on hand as at December 31, 2017 was approximately $2.1 million compared to $ 159,000 as at March 31, 2017.

Operating cash flow

During the nine months ended December 31, 2018, operating activities required a net cash outflow of approximately $476,000 compared to $861,000 for the same period in 2017. The decline was mainly due to reduced R & D activities. R & D costs for the nine months ended December 31, 2018 reduced to approximately $220,000 compared to $489,000 for the same period in the prior year. The cash outflow was met from the existing cash.

During the nine months ended December 31, 2017, operating activities required a net cash outflow of approximately $861,000 compared to $4.4 million for the same period in 2016. The cash outflow primarily included research and development costs which were met from additional cash raised through proceeds from exercise of options, advances towards further options to be exercised and debt financing by PPL through issuance of additional loan notes. Significant difference in operating cash out flow was due to consolidation of Biohaven during the nine months ended December 31, 2016 which usually had high research and development costs.

The Company is required to support further research and development at its subsidiaries –PPL and EyGen are looking for partner for further development of its PPL-003 as explained elsewhere in this report. The cash requirement in future will also increase significantly to support development activities among the SalvaRx portfolio companies acquired recently on January 8, 2019 for which the Company will be seeking additional financing.

The Company has not yet determined whether costs incurred and to be incurred are economically recoverable. The Company's continuing operations are dependent upon any one of:

1. The existence of economically recoverable medical solutions;
2. The ability of the Company to obtain the necessary financing to continue and complete the research work on various products in its portfolio;
3. Securing partnership with other Pharma companies
4. future profitable production from or proceeds from the disposition of intellectual property.

Although there are no assurances that management's plan will be realized, management believes the Company will be able to secure the necessary financing to continue operations and successfully monetize SalvaRx portfolio, into the future.

Investing cash flows

The Company invested additional $950,000 in convertible note issued by IOX as explained earlier. The terms of the Note are detailed in Note 6 to the unaudited consolidated financials for the three and nine months ended December 31, 2018.

There was no new investing activity during the nine months ended September 30, 2017.

Financing cash flows

During the nine months ended December 31, 2018, Portage settled two of the unsecured notes payable totalling to $50,000 plus accumulated interest of $4,243.15 in cash at the request of the lender.

During the nine months ended December 31, 2017, Portage parent received $485,938 from exercise of options by a director and further $2.1 million towards exercise of options by directors and other consultants in 2018 and PPL and EyGen raised additional $25,000 each by issuance of loan notes carrying 7% interest coupon and warrants convertible into common shares of PPL.

Key Contractual obligations

Details of contractual obligations, commitments and contingent liabilities are provided in note 15 to the unaudited consolidated financials for the three and nine months ended December 31, 2018.

Off balance sheet arrangements

At December 31, 2018 and 2017, the Company did not have any off-balance sheet arrangements, including any relationships with unconsolidated entities or financial partnership to enhance perceived liquidity.

Transactions with related parties

There were no significant related party transactions during the nine months ended December 31, 2018 and 2017 other than fees and options to key management as detailed in Note 16 to the unaudited consolidated financials for the three and nine months ended December 31, 2018.

Financial and derivative Instruments

The Company's financial instruments recognized in the balance sheet consist of the following:

	As at December 31, 2018		As at March 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
	in 000'$	**in 000'$**	**in 000'$**	**in 000'$**
Financial assets				
Cash (level 1)	**6,044**	**6,044**	7,520	7,520
Prepaid expenses and other receivable (level 2)	**123**	**123**	100	100
Investments, investment in associate and convertible loan note receivable (level 3)	**3,281**	**3,126**	2,331	2,331
Investment, available for sale (level 3)	**19**	**74**	19	52
Financial liabilities				
Accounts payable and accrued liabilities (level 2)	**181**	**181**	127	127
Unsecured notes payable (Level 2)	**200**	**192**	250	250
Warrant liability (Level 3)	**24**	**24**	24	24

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) Fair value of financial instruments

The Company's financial assets and liabilities are comprised of cash, receivable and investments in equities and private entities, accounts payable and accrued liabilities, warrant liability and unsecured notes payable.

The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data. Investment is classified as level 3 financial instrument.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The Company's financial instruments are exposed to certain financial risks: credit risk and liquidity risk.

b) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a. Cash– Cash is held with major international financial institutions in Canada and Channel Islands and therefore the risk of loss is minimal.
b. Other receivable – The Company is exposed to credit risk attributable to customers since a significant portion of this amount represents the amount agreed on a settlement of a claim by PPL (Note 5) payable over the next five years. The debtor has so far been diligent in paying the amounts on due dates and PPL management will be monitoring the account on a regular basis.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company holds sufficient cash to satisfy obligations under accounts payable and accruals.

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to take care of its operating needs and needs for investing in new projects. The Company believes that it has sufficient funding to finance the committed drug development work apart from meeting its operational needs for the foreseeable future.

However, as a biotech company at an early stage of development and without significant internally generated cash flows, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual drug development expenditures may exceed those planned. The current uncertainty in global markets could have an impact on the Company's future ability to access capital on terms that are acceptable to the Company. There can be no assurance that required financing will be available to the Company.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Significant areas where estimation uncertainty and critical judgments are applied include valuation of financial instruments, valuation of property, plant and equipment, impairment losses, depletion and depreciation, and measurement of stock based compensation.

Future Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's consolidated interim financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16 which requires lessees to recognize assets and liabilities for most leases. Lessees will have a single accounting model for all leases, with certain exemptions. The new standard is effective January 1, 2019, with limited early application permitted. The new standard permits lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs. The Company does not believe that the above standard will have any impact on its financial statements.

New Interpretation IFRIC 23
On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company does not believe that the above standard will have any impact on its financial statements.

Internal Controls Over Financial Reporting

Our Chief Executive Officer and our Chief Financial Officer ("the Management") are primarily responsible in establishing and maintaining controls and procedures concerning disclosure of material information and their timely reporting in consultation and under direct supervision of the audit committee which comprises three independent directors. We have also instituted controls involving dual signatures and approval processes. We plan to introduce more rigorous controls as our activities expand. However,

given the size and nature of our current operations and the involvement of independent directors, significantly reduces the risk factors associated with the inadequate segregation of duties.

The Management has instituted a system of disclosure controls for the Company to ensure proper and complete disclosure of material information. The limited number of consultants and direct involvement of the Management facilitates access to real time information about developments in the business for drafting disclosure documents. All documents are circulated to the board of directors and audit committee according to the disclosure time-lines.

Public securities filings

Additional information, including the Company's annual information form in the Form 20-F annual report is filed with the Canadian Securities Administrators at www.sedar.com and with the United States Securities and Exchange Commission and can be viewed at www.edgar.com.