PORTAGE BIOTECH INC.

THREE MONTHS ENDED JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prepared as at August 12, 2014

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 June 30, 2014 should be read in conjunction with the unaudited Consolidated Interim Financial Statements for the three months ended June 30, 2014 and audited consolidated financial statements for the year ended March 31, 2014 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 June 30, 2014. 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 was issued a certificate of Continuance by the Registrar of Corporate Affairs of the British Virgin Islands (“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 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 Over the Counter Bulletin Board of NASDAQ 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”.

Portage develops pharmaceutical & 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 & 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.

Our research and development work is primarily carried out through two subsidiaries:

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 PPL, which has been incorporated in the BVI..

PPL’s focus is in discovering and developing innovative cell permeable peptide therapies to normalize gene expression, restore 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 holds exclusive license in non-oncology fields for patents relating to the use and know how of Antennapedia cell permeable peptide. PPL has also patented in June 2013 proprietary structures in human-derived cell permeable peptides with demonstrated in vitro and in vivo activity and no therapeutic area.

In May 2014, PPL has entered into a Collaborative Research Agreement with Yale University to study the biological activity and cell penetrating properties of peptides developed by Portage and by Professor Alanna Schepartz of Yale’s Department of Chemistry. These studies will compare the ability of these peptides to cross cell membranes and deliver biologically active cargo to an intracellular target.

In May 2014, PPL also has entered into a materials collaborative research and development agreement (M-CRADA) with the National Eye Institute, one of the National Institutes of Health. PPL will provide its lead cell permeable peptide targeting inflammatory diseases to Dr. Robert B. Nussenblatt to investigate its efficacy in animal models of uveitis.

In July 2014, PPL has successfully validated a new proprietary cell permeable peptide platform technology derived from human genes. This proprietary platform technology has been shown to efficiently deliver an active pharmacological agent or cargo into a cell without disrupting the cell membrane.

Along with demonstrating that the delivery system is capable of carrying biologically active cargo to intracellular sites of action, the platform has favorable pharmaceutical properties simplifying formulation development for systemic and locally administered conjugates which will allow more rapid development of drug products.

PPL has converted its previously filed provisional patent application for this delivery system to an international patent application that includes a variety of structures utilizing cargos that address important areas of medical need.

PPL has prioritized inflammation as an area with a large therapeutic opportunity.

Using a cargo peptide against an anti-inflammatory target, PPL has demonstrated not only cell penetration but also convincing in-vitro and in-vivo pharmacological effects mediated intracellularly. The lead compound is being evaluated in several animal models of human inflammatory disease that will determine its first indication.

Biohaven Pharmaceutical Holding Company Limited (Biohaven)

On January 6, 2014, the Company acquired approximately 54% equity in Biohaven, a private corporation incorporated on September 25, 2013 under the laws of the British Virgin Islands for $3.5 million, payable as $ 1.75 million upfront and the balance in three instalments over the next eleven months. Biohaven's founder shareholders include originators at Yale University who discovered the therapeutic potential of glutamate modulation in anxiety and depression and have track record of successful registrational trials..

Biohaven is engaged in the development of clinical stage neuroscience compounds targeting the glutamatergic system. The company obtained a license from Yale University regarding intellectual property for the use of certain glutamate modulating agents in the treatment of neuropsychiatric disorders.

The first drug candidate being developed is for treatment-resistant mood and anxiety disorders. The lead drug candidate is in formulation development at present and once the final formulation is selected, clinical testing will begin next year.

A second unique drug candidate also targets the glutamatergic system with a well-established safety profile. Biohaven could begin begin optimization of its formulation this year providing sufficient funds are available..

In May 2014, Biohaven was issued by the U.S. Patent and Trademark Office ("USPTO") a notice of allowance related to Biohaven's intellectual property licensed from Yale University (U.S. Patent Application No. 11/399,188). The patent claims cover the use of certain glutamate modulating agents in the treatment of Generalized Anxiety Disorder (GAD).

GAD affects approximately 6.8 million adults or 3% of the U.S. population. GAD is characterized by excessive anxiety and uncontrollable worry that interferes with an individual's daily functioning. Anxiety symptoms are often accompanied by restlessness, fatigue, difficulty concentrating, irritability, muscle tension and increased sleep. GAD is more common in women than men and is often characterized by a chronic course. Current medication treatments are fully effective in only half of patients. Preclinical and clinical studies suggest that dysfunction in glutamatergic neurotransmission plays a central role in the pathophysiology of mood and anxiety disorders. Directly targeting the glutamatergic system may lead to more effective treatments for mood and anxiety disorders that fail to respond to current monoamine based therapies.

The patent being issued by the USPTO will provide strong IP protection for Biohaven's lead candidate in GAD. Biohaven expects to enter initial clinical studies within a year.

We also have a wholly owned subsidiary, Portage Services Ltd.,(PSL) which was incorporated in Ontario, Canada under the name 1843343 Ontario Inc. and changed its name to the present name on July 11, 2013. PSL acts as a local agent for the Company as per the requirements of the Ontario Securities Commission. PSL maintains an office in Toronto, Canada and looks after all corporate, financials and regulatory matters.

We have developed a comprehensive website – www.portagebiotech.com which provide information on our people, activities and other corporate details.

Summary of Results

The following table summarizes financial information for the quarter ended June 30, 2014 and the preceding quarters since May 23, 2012, the date of incorporation of PPL: (All amounts in '000 US$ except net loss per share, which are actual amounts)

Quarter ended	June 30, 2014	March31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013*	December 31, 2012*	September 30, 2012*	May 23,2012 to June 30, 2012*
Net loss	(1,033)	(2,391)	(292)	(348)	(3,596)	(29)	-	-	-
Working capital	1,174	2,067	4,246	3,243	3,591	474	503	503	503
Shareholder's equity	1,746	2,393	4,251	3,248	3,596	474	503	503	503
Net loss per share - basic and diluted	(0.00)	(0.04)	(0.00)	(0.00)	(0.03)	-	-	-	-

* Details relate to those of PPL

Number of common shares, options and warrants

These are as follows:

As at,	June 30, 2014	August 12, 2014
Shares issued and outstanding	180,775,790	180,775,790
Warrants issued and outstanding (a)	114,281,420	114,281,420
Options granted but not yet exercised (b)	5,010,000	5,010,000

(a) Warrants are convertible into equal number of common shares of the Company within two to five years of their issuance, at the average exercise price of $0.31. These warrants have a weighted average remaining contractual life of 1.08 years as at June 30, 2014.

(b) Options are exercisable into equal number of common shares at an average exercise price of US$0.22 and have a weighted average remaining contractual life of approximately 4.08 years as at June 30, 2014.

Business Environment

Risk factors

Please refer to the Annual Report in the form F-20 for the fiscal 2014 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 to work with a wide range of partners, in all phases of development through in-licensing or other types of alliances. The collaboration may include direct funding or investing in human capital from our extensive pool of talented scientists and physicians. Specifically, Portage will invest sweat equity as well as, or instead of, capital. This internal pool of drug developers, financiers, scientists and physicians will provide unique value-add for our partners including but not limited to mitigating risks, clinical trial design, regulatory expertise and maximizing the rewards.

Development plans for our operating subsidiaries are as follows:

PPL

- In July 2014, PPL has successfully validated a new proprietary cell permeable peptide platform technology derived from human genes. This proprietary platform technology has been shown to efficiently deliver an active pharmacological agent or cargo into a cell without disrupting the cell membrane.
- The lead compound is being evaluated in several animal models of human inflammatory disease that will determine its first indication.
- Based on positive results management will have a pre-ind meeting with the fda to understand their requirements for that drug candidate to be approved for human testing [approximately 10 months].
- Additional testing will be required in the lab and in animals while scaling the manufacturing to make more of the drug candidate under GMP standards [approximately 17months].
- based again on positive outcome file an IND [approximately 19 months]
- upon opening of an IND (the FDA approves testing in humans), POC studies will begin in 12 to 18 months depending on several factors.

Biohaven

- The first drug candidate being developed is for treatment-resistant mood and anxiety disorders. The lead drug candidate is a Phase 2 ready compound and will enter clinical testing for treatment-resistant mood or anxiety disorders next year.

- A second unique drug candidate also targets the glutamatergic system with a well-established safety profile. Biohaven will begin optimization of its formulation in 2014.

Results of operations

Three months ended June 30,	**2014**	2013
	In 000's US$	
Income	**-**	-
Expenses	**(1,034)**	(3,998)
Net loss for period, attributable to	**(1,034)**	(3,998)
Portage shareholders	**(786)**	(3,998)
Non-controlling interest	**(248)**	-
Deficit at end of period	**(7,120)**	(4,028)-

Expenses

The overall analysis of the expenses is as follows:

	Three months ended June 30,	
	2014	2013
Research and development	**$ 771,519**	$ 92,778
Consulting fee & payroll	**194,372**	24,948
Professional fees	**41,907**	45,655
Operating expenses	**25,817**	8,740
Acquisition related costs	**-**	3,826,325
	$ 1,033,615	$ 3,998,446

Acquisition related costs

There were no acquisitions related costs during the three months ended June 30, 2014.

The acquisition cost during the three months to June 30, 2013 related to advisory fee paid in common shares in connection with acquisition of PPL. Pursuant to Share Exchange Agreement, the Company issued approximately 9.8 million shares to Culminant Capital Inc. as compensation for financial advisory services rendered in connection with the acquisition transaction. The shares were issued on June 4, 2013 and were accounted for at the quoted market value of $0.39 per share as their fair value. These costs were expensed as acquisition related costs as per IFRS 3.

Research and development costs

These costs comprised the following:

	Three months ended June 30,	
	2013	2013
ANTP License renewal		7,710
Legal regarding Patents registration	**9,791**	19,982
Consultants – scientists and researchers	**115,025**	64,256
Other	**646,703**	830
	$ 771,519	$ 92,778

During the three months ended June 30, 2014, significant development work was carried out both at PPL and Biohaven. At PPL, costs included cash fee of $ 72,470 and value of options granted and vested to the management, as more fully explained in Note 7 (d) to the consolidated interim financial statements for the period ended June 30, 2014. Third party outsourcing costs were $146,703 related mainly to testing on four peptides developed by the PPL management. Biohaven costs related to third party outsourcing cost of $ 500,000 under a master service agreement dated January 31, 2014, as amended.

Brief description of development work at operating subsidiaries during the three montsh ended June 30, 2014:

PPL

- Completed experimental work on the ANTP and additional transporter proteins. Based on these experimental results, PPL decided to focus its future preclinical development efforts on a proprietary cell penetrating peptide to carry therapeutic cargos as treatments for unmet medical needs. The company's lead candidate, targeting inflammation utilizing a human-derived transporter protein platform, was found active in isolated cells and in mice. The company now plans further animal disease model studies to confirm the activity of the lead candidate and to determine the most efficient path to clinical proof of concept in the highest confidence indication among a short list of clear therapeutic opportunities that will address a large market and an unmet clinical need.

- *Signed a collaborative research and development agreements with Yale University to study the biological activity and cell penetrating properties of peptides developed by PPL and by Professor Alanna Schepartz of Yale's department of Chemistry. These studies will compare the ability of these peptides to cross cell membranes and deliver biologically active cargo to an intracellular target.*
- *Entered into a materials collaborative research and development agreement with the National Eye Institute, one of the National Institutes of Health. PPL will provide its lead cell permeable peptide targeting inflammatory diseases to Dr. Robert B. Nussenblatt to investigate its efficacy in animal models of uveitis. PPL will also provide financial support for these studies.*

BIOHAVEN

- *Biohaven has been issued by the U.S. Patent and Trademark Office ("USPTO") a notice of allowance related to Biohaven's intellectual property licensed from Yale University (U.S. Patent Application No. 11/399,188). The patent claims cover the use of certain glutamate modulating agents in the treatment of Generalized Anxiety Disorder (GAD).*

- Signed a Master Service Agreement to conduct, on behalf of Biohaven, research and development services relating to identification and development of clinical stage neuroscience compounds targeting the glutamatergic system.

During the three months ended June 30, 2013, the focus was to evaluate the know-how and intellectual properties attached to the license acquired with a view to formulate plans for identifying potential ANTP based products.

Consulting fees and payroll

During the three months ended June 30, 2014, consulting fee totalled $ 184,917 and payroll was 9,455. Consulting fee included cash fee of $45,000 to CFO and value of options vested of $139,438, of which $105,031 were issued to directors and key management.

Consulting fees during the period ended June 30, 2013 included a fee of $14,658 charged by the CFO and $5,814 charged by the outgoing director. The Company had only one employee who assists the CFO. The payroll cost was approximately $ 3,600 for the period under review.

Professional fees

Professional fee for the three months ended June 30, 2014 consisted of legal fees of approximately $ 47,000, $ 37,000 incurred by Biohaven and balance on review of private placement documents by the corporate lawyers of the Company. Audit fee accrual of approximately $ 10,000 was offset by reversal of over accrual for the fiscal 2014 resulting in a negative charge fo approximately $ 5,000.

Professional fees for the three months ended June 30, 2013 consisted mainly of legal fees in connection with the acquisition transaction, continuation of the Company's jurisdiction to BVI and related matters.

Liquidity and Capital Resources

Working Capital

As at June 30, 2014, the Company had a net working capital of approximately $ 1.2 million (June 30, 2013: $3.8 million) compared to a working capital of approximately $2 million as at March 31, 2014.

Cash on hand as at June 30 2014 was approximately $ 1.6 million compared to $2 million as at March 31, 2014. The decrease was entirely due to net operating cash outflow of approximately $ 400,000.

The Company is in the pre-clinical stage, and as such no revenue has been generated from its operations. The Company has accumulated losses of approximately $7.1 and has negative cash flows from operating activities.

The Company continues to obtain financing, although there are no assurances that the management's plan will be realized. Management believes the Company will be able to secure the necessary financing to continue operations in the future and meet all its obligations as they fall due. However, there is no certainty that required financing can be obtained on time Note 1 to the consolidated interim financial statements for the three m ontsh ended June 30, 2014 reflects this concern.

Operating cash flow

During the three months ended June 30, 2014, operating activities required a net cash outflow of approximately $0.4 million (June 30, 2013: $0.2 million), which was met from the existing cash.

Financing cash flows

There was no financing activity during the three months ended June 30, 2014.

Cash inflow of approximately $3.7 million during the three months ended June 30, 2013 arose from cash of approximately $ 3 million received on reverse acquisition of PPL and balance of $0.7 million from the exercise of options and warrants.

Key Contractual obligations

The following are the key contractual obligations as at June 30, 2014:

(a) The Company entered into a consulting contract with Mr. Kam Shah, the Chief Financial Officer on April 1, 2005 for a five-year term. This term was extended by another five years to March 31, 2015 by the audit committee on April 1, 2010. Mr Shah's monthly fee is $15,000 plus taxes. Further, the contract provides for a lump sum compensation of US$250,000 for early termination of the contract without cause. The contract also provides for entitlement to stock compensation and stock options under appropriate plans as may be decided by the board of directors from time to time.

(b) PPL has signed a contract with an independent contract research and manufacturing organization to manufacture certain proprietary peptides for a total costs currently estimated at between $ 169,000 and $272,000 of which $ 182,763 has already been incurred and paid for as at June 30 2014.

(c) Under the terms of the License Agreement dated January 25, 2013, PPL is required to reimburse to the Licensor, Trojan Technologies Limited, 50% of all maintenance costs of the US Patent # 7,968,512 and to pay royalties of 3% on Net Receipts from sales of the Licensed Product and 5% on Net Receipts from third parties in respect of development or other exploitation of Licensed Intellectual Property and/or Licensed Products up to a maximum of $ 30 million. Total amount that may be payable in future under the terms of the Agreement cannot be reasonably estimated at this time.

(d) PPL has signed consulting contracts with its Chief Executive Officer and Chief Scientific Officer expiring in or around March 2015 and carrying a total monthly commitment of $21,250.Early termination without cause would require a lump sum compensation of $ 75,000 to be paid to the two consultants.

(e) Under a Securities Purchase Agreement signed on January 6, 2014 with Biohaven, the Company agreed to pay $ 3.5 million for 54% equity in Biohaven of which $ 1,750,000 was paid on January 6, 2014. Of the balance, $ 750,000 will be payable on August 1, 2014, $ 500,000 will be payable on December 3, 2014 and the balance $ 500,000 will be payable on February 4, 2014. Failure to pay will result in the Company forfeiting its equity in Biohaven proportionate to the unpaid amount.

(f) Biohaven has signed a Master Service Agreement on January 31, 2014, as subsequently amended in April 2014, with Biohaven Pharmaceuticals Inc, a private Delaware incorporated research and development company (“BPI”). BPI is owned by non-controlling shareholders of Biohaven and is engaged by Biohaven to conduct, on behalf of Biohaven, research and development services relating to identification and development of clinical stage neuroscience compounds targeting the glutamatergic system. The agreement expires on December 31, 2018 and will automatically renew on a year to year basis. Either party can terminate the agreement upon ninety days prior notice. Agreed fee for the period up to June 30, 2015 is $ 3 million payable in quarterly instalment commencing from March 1, 2014.

(g) On March 3, 2014, Biohaven signed a contract with an independent contract research and manufacturing organization to investigate technical feasibility of developing a new formulation for Bio haven using nanosuspension and emulsion formulation approaches. The contract is approximately for fifty five weeks involving several agreed milestones for a total price of approximately $ 345,000.

(h) Under the terms of the License Agreement dated September 16, 2013 signed with Yale University, Biohaven is required to pay to the Licensor a milestone royalty of $ 2 million within six months of receiving approval of an NDA (New Drug Application) and pay earned royalty at 3% on worldwide annual net sales of the licensed products, subject to minimum royalty payment of $ 300,000 in the year one, $ 600,000 in year two, $ 750,000 in year three and $ 1 million from year four onwards subject to reduction ranging from 33% to 95% depending on sales of generic exceeding an agreed market share on a country by country basis and further reduction by 50% is licensee is required to pay third party royalties. Total amount that may be payable in future under the terms of the Agreement cannot be reasonably estimated at this time. Licensor also has right to purchase in cash up to 10% of any securities offered in future financing.

Off balance sheet arrangements

At June 30, 2014 and 2013, 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

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Related party transactions and balances have been listed below, unless they have been disclosed elsewhere in the consolidated interim financial statements.

(i) Business expenses of $3,867 (June 30, 2013: 2,941) were reimbursed to directors of the Company.

(ii) Consulting fees include cash fee paid to key management for services of $45000 (June 30, 2013: $.14,658)

(iii) Accounts payable and accrued liabilities include $3,159 (June 30, 2013: Nil) payable to directors.

Financial and derivative Instruments

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

	June 30, 2014		March 31, 2014	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Cash	**1,649,740**	**1,649,740**	2,032,058	2,032,058
Advances and other receivable	**20,038**	**20,038**	227,233	227,233
Financial liabilities				
Accounts payable and accrued liabilities	**496,395**	**496,395**	191,972	191,972

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, advances and receivable and, accounts payable and accrued liabilities.

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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.

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, liquidity risk, other price risk and market 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 a major international financial institution in Canada and a major law firm in the USA and therefore the risk of loss is minimal.
b. Other receivable – The Company is not exposed to major credit risk attributable to customers. A significant portion of this amount is prepaid to BPI under a master service agreement.

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 its existing cash will allow it to finance the drug development work apart from meeting its operational needs for at least another year. However, the exact need for additional cash cannot be reasonably ascertained at this stage Should the Company require further funding, it intends to secure it through further rounds of equity financing.

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 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 9 - *Financial Instruments*

The IASB intends to replace IAS 39, Financial Instruments: Recognition and Measurements, with IFRS 9, Financial Instruments. IFRS 9 will be published in six phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 (2014) is effective for the Company for annual periods beginning on April 1, 2018, but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

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 two independent directors plus the CFO.. 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.