

PORTAGE BIOTECH INC.

(Formerly known as Bontan Corporation Inc.)

THREE MONTHS ENDED SEPTEMBER 30, 2013

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

Prepared as at November 21, 2013

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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 and six months ended September 30, 2013 should be read in conjunction with the unaudited Consolidated Financial Statements for the three and six months ended September 30, 2013 and for the three months ended June 30, 2013 together with Management Discussion and Analysis dated August 28, 2013 relating to the three months ended June 30, 2013.

Nature of Operations

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 Ontario incorporated subsidiary, Portage Services Ltd., which acts as its 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 Quotation Board ("OTCQB") 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". Further, effective October 28, 2013, the Company's shares are also listed for trading in US Currency on the Canadian National Stock Exchange under the symbol "PBT.U".

Since December 2012, the Company changed the focus of its business activities to biotechnology. On June 4, 2013, it acquired Portage Pharma Ltd ("PPL"), a private limited company, formed under the laws of the BVI on May 23, 2012, through an exchange of shares. The acquisition has been accounted for as a reverse acquisition as explained further in this report.

The Company's financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as issued by the International Accounting Standards Board. The interim financial statements for the three and six months ended September 30, 2013 take into account the effect of an acquisition of Portage Pharma Ltd ("PPL") on June 4, 2013 which has been treated as reverse acquisition for accounting purposes. As a result, the financial statements basically reflect:

- a. The assets and liabilities of PPL as at September 30, 2013 and expenses for the six months ended on that date.
- b. The assets and liabilities of Portage Biotech Inc. as entity and of Portage Services Inc. as at September 30, 2013 and expenses from June 4, 2013 to September 30, 2013.
- c. Share capital representing total number of shares issued by the Company.
- d. Value of the share capital comprising of the value of the share capital of PPL plus a fair value of Bontan and any warrants and options exercised during the period ended September 30, 2013.
- e. Comparative figures are those of PPL. However, PPL was incorporated in BVI on May 23, 2012 and had no transactions during the period from the inception date to September 30, 2012.

This management discussion and analysis is prepared by management as at November 21, 2013, and have not been review by the Company's auditors.

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

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 September 30, 2013. 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.

Overview

Reverse Acquisition Transaction

On June 4, 2013, the Company completed an acquisition with PPL pursuant to which, a wholly owned subsidiary of the Company, Portage Acquisition Inc. and PPL amalgamated, resulting in the Company owning all of the issued and outstanding shares of the amalgamated entity.

Pursuant to a Share Exchange Agreement, Bontan issued 81,759,076 common shares and 71,456,420 warrants to PPL shareholders in exchange for PPL shareholders transferring all their shares in favour of Portage Acquisition Inc. Warrants can be exercised within two years at an exercise price of US\$0.29 to acquire equal number of common shares of the Company. In addition, Bontan also issued 9,811,089 shares to Culminant Capital Inc. as compensation for financial advisory services rendered in connection with the transaction. The fair value of these shares of \$ 3,826,325 was expensed.

Although the transaction resulted in PPL becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of PPL own a substantial (approximately 46%) majority of the outstanding common shares of the Company and three out of four members of the Board of Directors of the Company are PPL shareholders.

As a result, the transaction has been accounted for as a reverse acquisition in accordance with guidance provided in International Financial Reporting Standards (“IFRS”) 3 *Business Combinations* and IFRS 10 *Consolidated Financial Statements*.

For consolidation purposes, PPL, the legal acquiree, became the accounting acquirer and Bontan, the legal acquirer, became the accounting acquiree. The consolidated financials basically reflect the financials of PPL with the equity structure of Bontan, as explained above. All comparatives relate to those of the PPL. PPL was incorporated on May 23, 2012 and had no transactions during the period from the date of inception to September 30, 2012.

Functional and Presentation Currency Changes

On June 4, 2013, the Company did an analysis applying the primary and secondary indicators in IAS 21 and determined that, as a result of the reverse acquisition transaction discussed above and change of its jurisdiction to BVI, its economic circumstances have changed. It is expected to incur substantially all expenses in US Dollars and expects its future revenues in US Dollars.

The management therefore concluded that the US Dollar is the most appropriate functional currency for all its operations. The Company also decided to change its presentation currency to the US Dollar.

The effect of the above change in functional currency has been accounted for prospectively as provided under IAS 21 *the effect of changes in foreign exchange rates*. Accordingly all non-US dollar items were translated into US dollars using the exchange rate as of June 4, 2013. The resulting translated amounts for non-monetary items were treated at their historical costs.

Summary of Results

The following table summarizes financial information for the quarter ended September 30, 2013 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	September 30, 2013	June 30, 2013	March 31, 2013*	December 31, 2012*	September 30, 2012*	May 23,2012 to June 30, 2012*
Net loss	(348)	(3,596)	(29)	-	-	-
Working capital	3,243	3,591	474	503	503	503
Shareholder's equity	3,248	3,596	474	503	503	503
Net loss per share - basic and diluted	(0.00)	(0.03)	-	-	-	-

* Details relate to those of PPL

Number of common shares, options and warrants

These are as follows:

As at,	September 30, 2013	November 21, 2012
Shares issued and outstanding	176,275,790	176,275,790
Warrants issued and outstanding (a) (c)	136,577,840	136,577,840
Options granted but not yet exercised (b)(c)	3,388,453	3,388,453

- (a) Warrants are convertible into equal number of common shares of the Company within two to five years of their issuance, at average exercise price of \$0.29. These warrants have weighted average remaining contractual life of 0.80 year.
- (b) Options are exercisable into equal number of common shares at an average exercise price of US\$0.18 and have a weighted average remaining contractual life of approximately 1.95 years.
- (c) As required under listing requirements by Canadian National Stock Exchange, the Company signed, on October 25, 2013, an escrow agreement with TMX Equity Transfer Services to have 89,941,793 of its common shares and 69,524,447 of its warrants issued to four insiders under an escrow arrangement. The escrowed shares and warrants will be released in agreed tranches over the period of three years.

Business Environment

Risk factors

Please refer to the Annual Report in the form 20-F for the fiscal 2013 for detailed information as the economic and industry factors that are substantially unchanged.

Business plan

The company is in the business of licensing, researching and developing potential drug candidates through to proof of concept (POC). Proof of concept is generally defined as post A, phase 2A clinical trial.

Management has extensive experience in in-licensing products and executing the requisite tests to prepare an investigational new drug application ("IND") to the FDA (US food and drug administration) and if approved to run the human trials. Our lead candidate is based on a license the company has acquired for the non-oncology fields of use for antennapedia ("ANTP"): which is a novel drug delivery platform. The company is currently evaluating new drug candidates that involve an active drug the "cargo" being bound to the ANTP protein. The resulting new compound could more effectively deliver the active drug into cells. The candidates are currently being evaluated in vitro and in animal studies to support the safe and effective use in humans. If these tests are successful then the company will file an IND to start human trials. Should a drug candidate be successful in human trials, the company will seek to partner with a larger pharmaceutical company.

Results of operations

Three months ended September 30,	2013	2012
	In 000's US\$	
Other Income	-	-
Expenses	348	-
Net loss for period	348	-
Deficit at end of period	(4,376)	-

Overview

Three months ended September 30, 2013 was the first quarter after the acquisition of PPL and appointment of new board members and management in June 2013. During this period, the Company went through further organizational changes – it completed a name change and change of jurisdiction from Ontario, Canada to British Virgin Islands on July 5, 2013. On August 23, 2013, The Company also changed its trading symbol to PTGEF on OTCQB. The company also commenced listing formalities for listing and trading on Canadian National Stock Exchange (“CNSX”). This was completed on October 28, 2013 when the Company’s common shares got listed on CNSX and began trading in US currency under a symbol “PBT.U”.

On the operational side, the Company’s subsidiary, PPL began evaluating our proprietary constructs with ANTP for certain identified indications.

Income

The Company had no revenue during the three months ended September 30, 2013 and 2012

Expenses

The overall analysis of the expenses is as follows:

	Three months ended September 30,	
	2013	2012
Operating expenses	\$ 33,628	\$ -
Consulting fee & payroll	54,727	-
Exchange gain	(428)	-
Research and development	195,965	-
Professional fees	64,425	-
	\$ 348,317	\$ -

Research and development costs

	Three months ended September 30,	
	2012	2011
Legal regarding Provisional Patents registration	\$ 8,981	\$ -
Consultants	90,993	-
Other	95,991	-
	\$ 195,965	\$ -

During the three months ended September 30, 2013, the focus continued to be on evaluation of the know-how and intellectual properties attached to the license acquired with a view to formulate plans for identifying potential ANTP based products. The work involved discussions with third party experts, developing and filing provisional patent applications and answering scientific questions in fields of interest relating to provisional patent applications.

Consulting fees and payroll

These costs include the fee paid to the CFO and the salary cost of one employee who assists the CFO. Fees paid to PPL consultants are included in the research and development costs.

Professional fees

The fees include accrual of audit fee of approximately \$ 20,000 and balance legal fees in connection with continuance of the Company's jurisdiction to BVI, CNSX application and related matters.

Liquidity and Capital Resources

Working Capital

As at September 30, 2013, the Company had a net working capital of approximately \$3.2 million compared to a working capital of approximately \$0.5 million as at March 31, 2013.

Cash on hand as at September 30, 2013 was approximately \$ 3.3 million compared to \$0.2 million as at March 31, 2013. The increased cash was due to the acquisition transaction which brought in approximately \$ 3 million in cash balance.

Management believes that its current cash position is more than sufficient to meet all its operating and research and development requirements for the next year.

Operating cash flow

During the six months ended September 30, 2013, operating activities required a net cash outflow of approximately \$0.2 million, which was met from the cash on hand.

Investing and financing cash flows

The Company acquired approximately \$3 million in cash on June 4, 2013, the date of acquisition transaction. Cash was part of the fair value of consideration of \$2,869,815, allocated as follows:

Cash	\$3,006,593
Office equipment and furniture	5,528
Other assets	153,721
Liabilities	<u>(296,027)</u>
Fair value of consideration	<u>2,869,815</u>

Cash flow of approximately \$0.4 million resulted from the exercise of 950,000 warrants and approximately 2 million options.

Key Contractual obligations

- (a) Under the terms of the Licence Agreement dated January 25, 2013, the Company's subsidiary 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.
- (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 \$ 80,439 has already been incurred and paid for.

Off balance sheet arrangements

At September 30, 2013 and 2012, 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 financial statements. Amounts are for six months ended September 30, 2013.

- (i) Business expenses of \$6,408 were reimbursed to directors of the Company.
- (ii) Consulting fees include cash fee paid to key management for services of \$58,655

Key event after September 30, 2013

As a condition to listing our shares on CNSX, we were asked to have the shares and warrants issued in connection with the PPL acquisition under an escrow arrangement with an independent escrow agent. Accordingly, the Company entered into an escrow agreement on October 25, 2013 with Equity Financial Trust Company to have 89,941,793 of its common shares and 69,524,447 of its warrants issued to four insiders under an escrow arrangement to be released in agreed tranches over the period of three years. These shares and warrants will however, continue to be restricted under the US securities laws until they are registered or exempt as provided under the US securities laws.

Financial and derivative Instruments

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

	September 30, 2013		March 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
<u>Financial assets</u>				
Cash	3,282,851	3,282,851	190,960	190,960
Other receivable	59,851	59,851	295,441	295,441
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities	99,671	99,671	12,392	12,392

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, amounts receivable, prepaid expenses, accounts payable and accrued liabilities.

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 therefore the risk of loss is minimal. However, the Company does have a concentration risk since all funds are held with one bank.

- b. Other receivable – The Company is not exposed to major credit risk attributable to customers. A significant portion of this amount is due from the Canadian government.

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 has changed its business focus to biotechnology as explained in Note 1. 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 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 interim 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 is effective for annual periods beginning on April 1, 2015, but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IAS 32 (Amendment) – *Financial Instruments*

The amendment relates to offsetting financial assets and financial liabilities and is effective for periods beginning on or after April 1, 2014. 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 and compensation committee which comprises two independent directors plus the CFO. CFO is assisted by one employee. 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.