

Introduction

The following interim Management's Discussion & Analysis ("Interim MD&A") of Phivida Holdings Inc. ("Phivida" or the "Company") for the three months ended December 31, 2017 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the fiscal year ended September 30, 2017. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the year ended September 30, 2017 and September 30, 2016, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended December 31, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of February 26, 2018, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or from <http://phivida.com>.

Caution Regarding Forward-Looking Statements

This Interim MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Interim

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MD&A speak only as of the date of this Interim MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Company may be able to have positive revenue and profit margins.	The Company has anticipated all material costs and the operating activities of the Company, and such costs and activities may be consistent with the Company’s current expectations; the Company may be able to obtain equity funding when required.	Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of the estimation; and capital markets not being favourable for funding resulting in the Company not being able to obtain financing when required or on acceptable terms.
The Company may be able to carry out anticipated business plans.	The operating activities of the Company for the twelve months ending December 31, 2018 may be consistent with the Company’s current expectations.	The Company’s inability to make the technological development of its product lines and improve monetization; sufficient funds not being available; increases in costs; the growth of the market for hemp and cannabinoid products is not as expected; the Company may be unable to retain key personnel; the Company’s inability to launch its products in an efficient manner; competition; legal requirements and limitations and the possibility that the laws relating to the Company’s business could change in a manner that materially adversely affects the Company’s business; the Company’s inability to enter into advantageous agreements and business relationships; the Company’s inability to attract customers for its products; general economic conditions and those economic conditions specific to the hemp and cannabinoid industry are negative.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different

from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Phivida was incorporated under the Business Corporations Act (British Columbia) on April 24, 2015 as "Icarus Capital Corp."; and subsequently changed its name on November 18, 2015 to "Phytofarms Holdings Inc." and on January 16, 2017 to "Phivida Holdings Inc." The head office is located at Suite 1070 – 1200 West 73rd Avenue, Vancouver, BC V6P 6G5 and its registered office is Suite 200 – 1238 Homer Street, Vancouver, BC V6B 2Y5. The Company has three wholly-owned subsidiaries: Phivida Organics Inc. ("Phivida Organics"), Phivida Nutrition Inc. ("Phivida Nutrition") and Phivida Enhanced Distribution Inc. ("Phivida Enhanced").

The Company is a Canadian-based corporation operating in the US functional food and natural health products market with a focus on custom formulated hemp oil extracts and hemp oil infused beverages and nutraceuticals. The Company's current focus is on the sale of hemp extracts for wholesale brokerage and for use in our proprietary hemp oil infused consumer branded formulation. The Company plans to begin selling hemp oil infused beverages and nutraceuticals into retail markets across the US under the "Phivida" brand name and is currently engaged in commercial production and sale of our wholesale hemp oil products.

Each of our three subsidiaries represents a unique division of our business, with separate yet complementary product lines. Our wholesale hemp extracts are currently manufactured and sold through Phivida Organics as the operating company, but we are planning for our Phivida Nutrition and Phivida Enhanced product lines to be manufactured and sold through the Phivida Holdings parent company as the operating entity. Our Phivida Organics business consists of acting as a wholesale commodity broker of hemp oil extracts, and our Phivida Organics products are currently available for purchase. One of our subsidiaries, Phivida Nutrition, owns and licenses to us the formulas for several product lines of custom blended hemp oil infused functional beverages. One of our subsidiaries, Phivida Enhanced, owns and licenses to us the formulas for several product lines of custom blended hemp oil infused nutraceutical formulations. We intend that both our Phivida Nutrition and Phivida Enhanced products will be produced and marketed through Phivida Holdings.

Our products are aimed at the mass consumer preventative health and wellness markets, the professional alternative healthcare markets and clinician markets. Management believes the emergence of phytocannabinoid based functional foods and natural health products will have a significant impact on the global pain management market and represents a significant commercial opportunity for us.

OUR PRODUCTS

We produce premium wholesale hemp oil products and intend to begin producing specialty functional natural health products made with organic hemp extracts. Naturally occurring

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cannabinoids found in hemp (such as cannabidiol and other non-psychoactive cannabinoids and terpenes) are phytochemicals widely studied to be therapeutic for their anti-inflammatory and antioxidant properties.¹ Cannabinoid-rich hemp oils are sought after for a range of consumer product categories, such as pharmaceuticals, nutraceuticals, supplements, functional foods and beverages, topical ointments, and cosmetics, as alternatives for e-juice and vape pen products, and pet and animal supplements, among others.

Phivida Organics

Our principal product as of the date of this Interim MD&A is hemp oil containing naturally occurring cannabinoids. Sold by our subsidiary, Phivida Organics, in bulk, this product is a whole plant nutraceutical extract made using a supercritical CO₂ fluid extraction process, which is a cold filtered manufacturing process used to refine the key constituents found in the hemp plant. The resulting product can be used by manufacturers of consumer packaged goods, such as pet supplements, e-juice, topical ointments, cosmetics and pharmaceuticals.

Phivida Nutrition

Phivida Nutrition owns and licenses to Phivida a portfolio of custom formulated hemp oil infused beverages. Our product formulations include a proprietary blend of nutraceuticals (vitamins, minerals, antioxidants, etc.) and are infused with nanoencapsulated hemp oil extracts. Each formula also contains a proprietary blend of all-natural colours, flavours, and stability for heightened consumer marketability.²

Phivida Nutrition beverage formulations are ready for commercial production and Phivida intends to begin manufacturing the Phivida Nutrition products.

Phivida Enhanced

Phivida Enhanced owns and licenses to Phivida the formulas for two categories of phytocannabinoids-based nutraceuticals. Phivida Enhanced products will be formulated from proprietary blends of botanical nutraceuticals and hemp oil extracts. Phivida Enhanced product formulas contain hemp oil extracts and proprietary blends of all-natural colours, flavours and appearance-enhancing ingredients. Certain products will also contain botanical based vitamins, minerals and anti-oxidants.

Phivida Enhanced products are ready for commercial production and Phivida intends to begin manufacturing the Phivida Enhanced products.

¹ Robert, Zurier "Cannabinoids, inflammation, and fibrosis" (2016) 30:11 The FASEB journal 3682-3689; Fitzcharles, MA. & W Hauser "Cannabinoids in the Management of Musculoskeletal or Rheumatic Diseases" (2016) 18: 76 Current Rheumatology Reports; Robert, Grundy "The therapeutic potential of the cannabinoids in neuroprotection" (2005) 11:10 Expert opinion on Investigational Drugs at 1365 – 1374; P, Mukhopadhyay, Rajesh M et al "Cannabinoid-2 receptor limits inflammation, oxidative/nitrosative stress, and cell death in nephropathy" (2010) 48:3 Free Radical Biology Medicine at 457 – 467.

² For more information about product mix, see <https://phivida.com/pages/extracts>.

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MARKET

Through a strategic mix of wholesale, consumer and clinical products and by way of a multi-channel distribution model, we will be participating at the intersection of four separate channel markets. Our range of clinical and consumer based products include participation in the (a) CBD-hemp oil and medical cannabis markets, (b) plant based nutraceuticals and Integrative Alternative Healthcare markets, (c) non-steroidal anti-inflammatory drug markets, and the (d) organic functional foods markets.

DISTRIBUTION MODEL

Several different distribution models are available for our products, which we intend to leverage at different stages in the development lifecycle of the Company to ensure maximum profitability and productivity. In the initial stages, we will be focusing our distribution efforts on ecommerce direct-to-retail for both bulk hemp oil extract products and our packaged goods.

As an initial launch strategy, we intend to target online bulls-eye consumer and clinical markets and regional niche distribution channels along the Pacific US coastal states rather than mass market channels for a greater penetration and market share in established markets. Beyond ecommerce, we plan to focus distribution on a front office management system that will train and motivate field agents with established relationships in targeted channels for a focused, representative approach to retail. We believe this approach is ideal for the hemp products market as it provides an opportunity to focus our marketing resources on educating targeted customers about the potential health benefits of CBD and other key ingredients in our products.

We have identified five core channels along the Pacific US distribution network, as follows:

1. Ecommerce and Web Affiliates: targeting online consumers;
2. Dispensaries & Vape Shops;
3. Integrated Health – Naturopathy Clinics & Retail
4. Natural and Specialty Grocery; and
5. Mass Marketing.

Highlights

- On December 18, 2017, the Company completed its initial public offering (the "Offering") and its common shares commenced trading on the Canadian Securities Exchange (the "CSE") on December 19, 2017 under the ticker symbol "VIDA".

Pursuant to the Offering, Phivida issued 14,375,000 units (the "Units"), including the full over-allotment option, with each Unit comprising one common share (each, a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant") at a price of \$0.40 per Unit for gross proceeds of \$5,750,000.

Each Warrant is exercisable at a price of \$0.75 per Common Share for a period ending 24 months from the closing date of the Offering, subject to accelerated expiry by the Company upon 20 days' notice in the event the Common Shares trade at a price equal to or greater than \$1.00 for a period of 20 consecutive trading days. A value of \$nil was estimated for the 7,187,500 warrants using the residual value method.

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Pursuant to the Offering, the Agents received a cash commission of \$333,025, a corporate finance fee of \$75,000 and 187,500 Common Shares valued at the Unit offering price for a total of \$75,000, and 832,563 broker warrants exercisable at a price of \$0.40 per share for a period of 24 months from the closing date. The Company also incurred legal and agent expenses of \$145,000. Commissions and a portion of the legal and agent expenses were recorded as share issue costs totaling \$383,313. Corporate finance fees and a portion of legal and agent expenses were recorded as listing expense totaling \$244,712.

A value of \$213,835 was estimated for the 832,563 broker warrants on the date of grant using a relative fair value method based on the Black-Scholes option pricing model. The fair value of broker warrants were recorded as share issue costs.

- During the three months ended December 31, 2017, 768,748 warrants with an exercise price of \$0.75 and expiry date of December 18, 2019 were exercised for gross proceeds of \$576,561.
- On January 24, 2018, Phivida announced that the Company has elected to exercise its right under the warrant indenture (the "Indenture") governing the common share purchase warrants of the Company (the "Warrants") issued on December 15, 2017. Pursuant to the terms of the Indenture, the Company may accelerate the expiry date of the Warrants when the closing price of the common shares of the Company (the "Common Shares") on the Canadian Securities Exchange exceeds \$1.00 for a period of 20 consecutive trading days (the "Acceleration Event").

An Acceleration Event occurred as of January 17, 2018. Accordingly, the Company accelerated the expiry time of the Warrants to 4:00 p.m. (Toronto time) on February 13, 2018. Any Warrants remaining unexercised after the new expiry date were cancelled.

Subsequent to December 31, 2017, 6,406,252 Warrants with an exercise price of \$0.75 were exercised for cash proceeds of \$4,804,689 and 12,500 Warrants expired unexercised.

- On January 30, 2018, Phivida appointed health care veteran Mr. Richard Greatrex as the Company's Vice President of Clinical Education.
- On February 1, 2017, Phivida reported the inaugural mass scale production of Phivida's Nano-CBD™ infused functional foods, beverages and natural health products in preparation of a state-wide roll-out into the California retail market.

Phivida Nutrition produces Nano-CBD™ hemp oil infused beverages with a proprietary blend of phytonutraceuticals, including three flavours of iced teas, vitamin juices (Focus, Protect and Relax) and vitamin shots. Phivida Enhanced products include clinical grade sublinguals, and a new specialty muscle, bone joint hard-cap pill, both sold under the Vida+ label. A total of fifteen product SKUs are now slotted for manufacturing.

Mass production of Phivida's CBD infused beverages is expected to yield over 135,000 total units in inventory, including fifteen thousand finished packaged units for each SKU of Nano-CBD™ hemp oil infused vitamin juices, iced teas and vitamin shots. Phivida is currently producing 5,000 units of CBD sublinguals, and 5,000 units of its new CBD infused

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capsules for muscle, bone and joint pain. When combined, Phivida's inaugural mass scale production is expected to yield a total estimated wholesale inventory value of \$2,500,000 USD.

Phivida is also pleased to announce the appointment of its new Vice President of Operations and Sales, Mr. Graham Magee. Mr. Magee will be managing the procurement and logistics of packaging and raw goods ingredient supply and overseeing mass production at Phivida's cGMP and organic certified contract manufacturing facilities.

Green Reef LLC is also overseeing mass production, logistics and distribution. Green Reef is Phivida's preferred California distribution partner.

- On February 5, 2018, Phivida announced a partnership with Superheroes Management (SHM) sports marketing agency; and the signing of World Surfing League gold medalist, Ms. Malia Manuel as Phivida's Lead Brand Ambassador.
- On February 6, 2018, Phivida announced the formal appointment of Mr. Michael Cornwell to the senior executive team as Chief Marketing Officer (CMO).
- On February 12, 2018, Phivida announced that Phivida Organics Inc., a wholly owned US operating subsidiary, has entered into an agreement with Artelo Biosciences to carry out a Pharmacokinetic (PK) study on its hemp derived nanoencapsulated cannabidiol (CBD) at the University of Nottingham, School of Medicine at the Royal Derby Hospital, England.

The study will test encapsulated-CBD and measure how fast and how much CBD enters the blood stream after oral consumption with each of the different formulations. The study is a healthy volunteer pharmacokinetic study based on a four-arm cross over design in healthy volunteers measuring the plasma levels of encapsulated CBD after a single dose (100 mg) of CBD in four formulations. The investigators will also analyze a variety of cardiovascular measurements in response to dose.

Study results will be documented in a whitepaper written by researchers at the University of Nottingham and are expected to be submitted to a peer reviewed journal for publication. This whitepaper will be incorporated in communications materials for the Phivida Clinical Advisory and Education Team to present to health care practitioners at major medical conferences around the world.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the condensed interim consolidated financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the condensed interim consolidated financial statements; and (ii) the condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

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In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Financial Performance

Three months ended December 31, 2017, compared with three months ended December 31, 2016

Phivida's net loss totaled \$793,766 for the three months ended December 31, 2017, with basic and diluted loss per share of \$0.027. This compares with a net loss of \$1,409,653 with basic and diluted loss per share of \$0.081 for the three months ended December 31, 2016. The decrease in net loss of \$615,887 was principally because:

- During Q1 2018, the Company's sales increased by 100%, even though not significant in terms of dollar amount. The Company distributed its Phivida Nutrition and Phivida Enhanced products to its customer. As at December 31, 2017, this activity was coordinated with its sales team in conjunction with the closing of its Offering. Due to the quality of the Company's hemp oil products, management believes that future sales will increase based on the Company's objectives outlined in "Liquidity and Capital Resources" below.
- During the three months ended December 31, 2017, cost of goods sold of \$1,241 (three months ended December 31, 2016 - \$nil) included hemp oil of varied potency.
- Foreign exchange gain increased by \$32,538 for the three months ended December 31, 2017 compared to a loss of \$1,095 in the comparative period due to fluctuations in the United States dollar exchange rate.

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- Expenses decreased to \$831,912 for the three months ended December 31, 2017 (three months ended December 31, 2016 - \$1,408,558). The decrease was primarily due to the following:
 - Finance fee of \$nil compared to \$1,266,325 in the comparative period. The Company encountered a cash flow shortfall due to: (i) investing in its brand; and (ii) late collections from its receivables. As a result, the Company required funds to continue operations and pursuant to a subscription agreement dated December 15, 2016, the Company issued 3,750,000 units of the Company at \$0.02 per unit. Each unit consists of one common share and ½ share purchase warrant. Each whole warrant is exercisable at \$0.05 per common share for a period of 36 months from the date of issuance of the units. The fair value of the warrants was determined to be \$403,825 calculated using the Black-Scholes Option Pricing Model and was expensed in profit or loss as a finance fee. The fair value of the common shares was determined to be \$0.25. The difference between the proceeds received of \$75,000 and the fair value of the shares issued of \$937,500, being \$862,500, was expensed in profit or loss as a finance fee. In connection with the unit offering, each shareholder entered into a call option agreement with the Company whereby the Company had the option to purchase all of the units from the shareholders in the event that none of the set milestone events were reached by December 9, 2017 (milestones were set out within the call option agreements). The call option agreements were terminated as a milestone event was reached prior to the December 9, 2017 deadline.
 - Share-based compensation of \$159,990 compared to \$nil in the comparative period. Share-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.
 - Corporate finance fees and a portion of legal and agent expenses were recorded as a listing expense totaling \$244,712 for the three months ended December 31, 2017 compared to \$nil in the comparative period.
 - The remaining expenses increased by \$284,977 due to higher support costs for Phivida's business.

As at December 31, 2017, the Company had assets of \$6,316,322 and a net equity position of \$6,107,408. This compares with assets of \$850,035 and a net equity position of \$717,167 at September 30, 2017. The Company had \$208,914 of liabilities and no long term debt (September 30, 2017 – \$132,868 of liabilities and no long term debt). The Company had a gross margin of \$4,553 and operating expenses of \$831,912 during the three months ended December 31, 2017 (three months ended December 31, 2016 – gross margin of \$nil and operating expenses of \$1,408,558).

Phivida is at an early stage of purchasing, packaging and selling holistic hemp infused remedies and, as is common with many start-up companies, it raises financing for its initial sales activities. At December 31, 2017, the Company had working capital of \$6,107,408, compared to \$717,167 at September 30, 2017, an increase of \$5,390,241, or approximately 752%. The Company had cash of \$6,100,906 at December 31, 2017, compared to \$749,964 at September 30, 2017, an increase

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of \$5,350,942, or approximately 713%. The increase in working capital and cash was attributable to the Company's Offering that closed on December 18, 2017 for gross proceeds of \$5,750,000 offset by the Company's operating costs which support its operations.

Management, in its normal course of activities, reviews funding opportunities as they arise, to meet the Company's cash flow requirements and support increased sales.

Cash flow

At December 31, 2017, the Company had cash of \$6,100,906, compared to \$749,964 at September 30, 2017. The increase in cash of \$5,350,942 from the September 30, 2017 cash balance of \$749,964 was as a result of cash outflows on operating activities of \$609,566, cash inflows from investing activities of \$9,530 offset by cash provided by financing activities of \$5,971,248. Operating activities were affected by adjustments of a listing expense of \$75,000 and share-based compensation of \$159,990, and net decrease in non-cash working capital balances of \$50,790 because of an increase in receivables of \$2,742, an increase in inventory of \$151,974, a decrease in prepaid expenses and other assets of \$28,538 and an increase in accounts payable and accrued liabilities of \$75,388. Financing activities increased to \$5,971,248 through the issue of shares for cash in the amount of \$6,326,561 offset by share issue costs of \$383,313. In addition, subscriptions received in advance amounted to \$28,000. Investing activities included the repayment of a promissory note in the amount of USD\$7,500 (\$9,530 using the average exchange rate for the period).

Liquidity and Capital Resources

The activities of the Company are financed through the completion of equity transactions such as equity offerings to support its initial sales activities. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk Factors" below.

The Company has minimal recurring operating revenues and therefore must utilize its current cash reserves, funds obtained from the issuance of share capital and other financing transactions to maintain its capacity to meet ongoing operating activities. As of December 31, 2017, the Company had 42,405,199 common shares issued and outstanding, 9,704,015 warrants outstanding that would raise \$5,734,431 and 4,410,000 stock options outstanding that would raise \$1,174,000, if exercised in full.

Accounts payable and accrued liabilities increased to \$208,914 at December 31, 2017, compared to \$132,868 at September 30, 2017, and consist of amounts that are to be payable in the normal course of operations. The Company has sufficient cash to pay these liabilities as at December 31, 2017.

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

The following describes our business objectives and milestones using our total funds available as at December 31, 2017:

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Business Objective	Milestones	Estimated Time Period	Funds Spent (\$)	Expected Plans (\$)	Remaining to Spend (\$)
Set up General Administrative platform	Set up office(s), organize US legal and accounting, acquire corporate collateral	3 - 6 Months	93,665	254,400	160,735
Implement Phivida products to be sold in the following identified locations: 40 Dispensaries, 20 Clinics, 10 Grocery Stores (70 total stores)	Launch digital brand marketing, and multimedia advertising and retail sales merchandising campaigns in major urban centers across the Pacific USA coastal states	12 - 18 Months	198,334	1,006,650	808,316
Develop / create Phivida Enhanced product formulas / brands / labels	Determine packaging design and production details	3 - 6 Months	nil	210,750	210,750
Develop / create Phivida Nutrition product formulas / brands / labels	Determine packaging design and production details	3 - 6 Months	nil	224,600	224,600
Launch large scale manufacturing of Phivida Nutrition and Phivida Enhanced products for sale into USA Pacific states	Pilot production run – 25,000 x 12 SKUs	6 - 9 Months	164,015	2,462,493	2,298,478
Operations and Processing Centre	Source and build out operational infrastructure with processing laboratory, offices and fulfillment center	12 - 18 Months	nil	1,500,000	1,500,000
Maintain reserve of operational cash flow	Set up and maintain contingency account	n/a	nil	50,000	50,000
Complete clinical study to prove enhanced bioavailability of nanoencapsulated hemp oil	Engage clinical resources to undertake PhiClinics Study – White paper	12 - 18 Months	nil	154,500	154,500
Total			456,014	5,863,393	5,407,379

We have not yet reached profitability and we are currently dependent on financing to execute our business plan.

See “Risk Factors” below and “Caution Regarding Forward-Looking Statements” above.

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Transactions with Related Parties

(a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Except as disclosed elsewhere in this Interim MD&A, the Company has determined that key management personnel consist of executive and non-executive members of the Company’s Board of Directors and corporate officers, excluding the Chief Financial Officer (“CFO”) and VP of Business Development, for details of which are disclosed below. The cash remuneration of directors and other members of key management personnel were as follows:

Salaries	Three Months Ended December 31, 2017 (\$)	Three Months Ended December 31, 2016 (\$)
Professional fees – George Kovalyov, VP of Finance	6,220	nil
Consulting fees ⁽¹⁾	48,621	66,188
	54,841	66,188

⁽¹⁾ Three months ended December 31, 2017 - John David Belfontaine, Chief Executive Officer (“CEO”) - \$38,121 and George Kovalyov, VP of Finance - \$10,500.

⁽²⁾ Three months ended December 31, 2016 - John David Belfontaine, CEO - \$19,688, Kyle Johnston, Director - \$22,500, George Kovalyov, VP of Finance - \$18,000, and Joost Luecker, Director - \$6,000.

As at December 31, 2017, \$81,148 (September 30, 2017 - \$52,028) was payable to various directors and officers of the Company. The amount is included in accounts payable and accrued liabilities and is non-interest bearing, unsecured and due on demand.

- The \$81,148 at December 31, 2017 includes: John David Belfontaine, CEO - \$36,975, George Kovalyov, VP of Finance - \$42,525, Schindler & Company, a company controlled by George Kovalyov - \$1,648.
- The \$52,028 at September 30, 2017 includes: John David Belfontaine, CEO - \$12,480, George Kovalyov, VP of Finance - \$32,754, Brian Martin, a director and the Vice-President of Clinical Products for Phivida Organics - \$2,650, Marrelli Support - \$2,876 (refer to “Transactions with Related Parties” subsection “b”, below), and DSA - \$1,268 (refer to “Transactions with Related Parties” subsection “c”, below).

As at December 31, 2017, \$12,550 (September 30, 2017 - \$nil) was included in prepaid expenses for consulting fees provided by John David Belfontaine, CEO, which were paid in advance for which services had yet to be rendered.

The non-cash remuneration of directors and other members of key management personnel were as follows:

Phivida Holdings Inc.
Interim Management's Discussion & Analysis – Quarterly Highlights
For the three months ended December 31, 2017
Discussion dated: February 26, 2018

	Three Months Ended December 31, 2017 (\$)	Three Months Ended December 31, 2016 (\$)
Stock-based compensation		
John David Belfontaine, CEO	20,419	nil
George Kovalyov, Director	13,643	nil
William Ciprick, Director	13,643	nil
James Bailey, Director	13,643	nil
Peter Simeon, Director	13,643	nil
Joost Luecker, a director and the Vice President of Research and Development for Phivida Organics	8,508	nil
Brian Martin, a director and the Vice-President of Clinical Products for Phivida Organics	6,806	nil
	90,305	nil

(b) During the three months ended December 31, 2017, the Company paid consulting fees of \$7,590 (three months ended December 31, 2016 - \$nil) to Marrelli Support, an organization of which Carmelo Marrelli is President. Mr. Marrelli is the Chief Financial Officer ("CFO") of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at December 31, 2017, Marrelli Support is owed \$2,825 (September 30, 2017 - \$2,876). In addition, share-based compensation of \$13,643 (three months ended December 31, 2016 - \$nil) can be attributed to Mr. Marrelli during the three months ended December 31, 2017.

(c) During the three months ended December 31, 2017, the Company paid professional fees of \$7,002 (three months ended December 31, 2016 - \$nil) to DSA, an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. As at December 31, 2017, DSA is owed \$3,341 (September 30, 2017 - \$1,268). This amount was included in accounts payable and other liabilities and was unsecured, non-interest bearing and due within 30 days.

(d) During the three months ended December 31, 2017, the Company paid consulting fees of \$nil to the VP of Business Development (three months ended December 31, 2016 - \$22,500). In addition, share-based compensation of \$13,643 (three months ended December 31, 2016 - \$nil) can be attributed to the VP of Business Development for services rendered during the three months ended December 31, 2017.

(e) On December 30, 2016, the Company entered into a debt conversion agreement with the VP of Business Development of the Company. On January 6, 2017, the Company issued 450,000 common shares at a price of \$0.20 per common share to settle a debt of \$90,000.

(f) During the three months ended December 31, 2016, the Company issued 158,951 common shares to certain directors and to a former director for consulting services of \$39,738, at a fair value of \$0.25 per common share.

Outlook

Although there can be no assurance that additional funding will be available to the Company, management is of the opinion that the hemp industry will be favourable, and hence it may be possible to obtain additional funding.

Notwithstanding, the Company is mindful that the hemp industry could change with little or no warning. Accordingly, its plans for the near term are to proceed with the Company's business plan, to monitor market fundamentals, and to ensure that the Company is well positioned to weather any possible resurgence of a market downturn. See "Risk Factors".

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended September 30, 2017, available on SEDAR at www.sedar.com.

Subsequent Events

(a) Subsequent to December 31, 2017, 577,700 warrants with an exercise price of \$0.35 and expiry date of January 29, 2018 were exercised for gross proceeds of \$202,195.

(b) Subsequent to December 31, 2017, 1,875,000 warrants with an exercise price of \$0.05 and expiry date of December 15, 2019 were exercised for gross proceeds of \$93,750.

(c) Subsequent to December 31, 2017, 6,406,252 Warrants with an exercise price of \$0.75 and expiry date of December 18, 2019 were exercised for cash proceeds of \$4,804,689 and 12,500 Warrants expired unexercised.

(d) Subsequent to December 31, 2017, 83,256 broker warrants with an exercise price of \$0.40 and expiry date of December 18, 2019 were exercised for cash proceeds of \$33,302.

(e) Subsequent to December 31, 2017, 1,050,000 options with an exercise price of \$0.20 and expiry date of May 5, 2022 were exercised for gross proceeds of \$210,000.

(f) On February 5, 2018, 950,000 stock options were granted with an exercise price of \$1.18 per share expiring on February 5, 2023. Options vest 25% three, six, nine and twelve months after grant date.

(g) On February 19, 2018, 1,025,000 stock options were granted with an exercise price of \$1.17 per share expiring on February 19, 2023. Options vest 25% three, six, nine and twelve months after grant date.