Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Phivida Holdings Inc. ("we", "our", "us", "Phivida" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended September 30, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the fiscal years ended September 30, 2019 and 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as at January 28, 2020, unless otherwise indicated.

For the purposes of preparing this 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**. In addition, public disclosure documents filed with certain Canadian securities regulatory authorities are available under the Company's profile at **www.sedar.com**.

Caution Regarding Forward-Looking Statements

This 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 MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this 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; including the Company's expectations that it may generate additional revenue through its Wikala e-commerce platform and through the quality of the Company's hemp oil products.	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 may 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, including its plans to finalize supply contracts with several retailers; plans to further optimize and improve the Company's Vida+ website; and the Company's plans to offer clinical-grade botanical-enhanced nutraceutical products targeting the natural health product market.	The operating activities of the Company for the twelve months ending September 30, 2020 will 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 law 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.
Management's belief in the commercial opportunities represented by the growth of the CBD market in the US and elsewhere as well as growth in various other markets including the autoimmune and inflammatory disease treatment market, the organic functional foods and natural health products markets, and the potential value of the Company's products in such markets.	The growth in the various markets targeted by the Company will grow as expected and the Company's products will be relevant and useful to consumers in such markets.	Projected market growth may slow or expectations of growth may prove to be inaccurate; new research, trends or consumer sentiment may not support the Company's products as being relevant or useful in such markets; competition may limit the Company's ability to take advantage of the commercial opportunity in such markets; the Company may be unable to effectively market its products; changes in legislation or regulation.

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 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 425 University Avenue, Unit 301, Toronto, Ontario, M4T 3B4 and its registered office is Suite 170 – 422 Richards Street, Vancouver, British Columbia, V6B 2Z4. The Company has eight wholly owned subsidiaries: Phivida Organics Inc. ("Phivida Organics"), Phivida Nutrition Inc. ("Phivida Nutrition"), Phivida Enhanced Distribution Inc. ("Phivida Enhanced"), Wikala.com Inc. ("Wikala"), Wikala Holdings Inc. ("Wikala Holdings"), Platform WD D.O.O. ("Platform WD"), Wikala Farms Inc. ("Wikala Farms"), and 10222933 Canada Inc.

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 is selling hemp oil infused beverages and nutraceuticals into retail markets across the US under the "OKI" and "Vida +" brand names.

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.

Through its subsidiaries Wikala, Wikala Holdings and Platform WD, the Company operates an online cannabis and hemp news site www.greencamp.com; an online market place for sale of smoke devices and accessories www.bloomgroove.com; and launched a CBD marketplace in calendar Q4 on www.wikala.com.

OUR PRODUCTS

We produce premium specialty functional natural health products made with hemp extracts. Naturally occurring cannabinoids found in hemp (such as cannabidiol and other non-psychotropic cannabinoids and terpenes) are phytochemicals widely studied to be therapeutic for their anti-inflammatory and anti-oxidant 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.

The Company has two product lines: OKI and Vida +. The OKI brand is a line of premium beverages infused with active hemp extract. OKI beverages are infused with 20 mg of active hemp extract per bottle and come in two different formulations: iced teas and flavor-infused water, with each 16oz product available in four different flavors. OKI supplements are available in tinctures or capsules that range in dosage from 600-1800 total mg of active hemp extract. All products contain non GMO, natural and organic ingredients, are plant based and Vegan friendly, and are packaged in sleek 100% recyclable glass containers. The Company's clinical brand, Vida +, consists of tinctures and capsules that are distributed to health care professionals as well as directly to consumers through the Company's online storefront.

Greencamp.com creates content, news and articles for cannabis and hemp industry.

Bloomgroove.com is an online e-commerce platform for sale of smoke devices and other accessories to the end consumer. It ships across North America.

Wikala is an online CBD marketplace platform for e-commerce sales. The CBD marketplace provides consumers with a wide array of CBD products from Phivida's line of products, in addition to third party vendors, who have an easy, accessible and responsive digital marketplace to increase their exposure and sales to CBD consumers.

Corporate developments

On October 12, 2019, the Company announced that Vito Piazza has resigned as a director of the Company.

On October 29, 2019, Phivida announced that John Caruso, an independent director of the Company, has resigned as as director. The board has appointed John Di Girolamo to the Company's board of directors as a new independent director of the Company.

On November 25, 2019, Phivida announced that the Company's Board of Directors has appointed David Moon, most recently the President of Wikala and a director of the Company, as interim Chief Executive Officer. This appointment follows the decision of James Bailey to step down as President and CEO, and as a director of the Company, to pursue other opportunities. The Phivida board will

[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.

undertake a search to identify the Company's next CEO, and will consider internal and external candidates.

In conjunction with the leadership transition, the Company is undergoing a strategic review process to consider all value-maximizing opportunities, including exploring potential corporate transactions. There can be no assurance that the strategic review will result in a transaction. Phivida does not intend on making further public announcements regarding the strategic review process unless and until a definitive transaction has been entered into or as otherwise required by applicable law

Highlights

Retail Distribution Progress

Management's focus for the last several months has been on meeting with retail store chains in the U.S. to secure retail supply contracts. Discussions are continuing and advancing to finalizing supply contracts with several retailers.

On October 28, 2019, Phivida announced that it has signed an agreement with Gotham Brands to handle sales, merchandising and distribution in New York City for its line of Oki beverages.

Rebrand of Oki and Vida+ Websites

The newly designed OKI e-store was finalized and went live April 2019. The new site, www.feeloki.com, includes a full product assortment of beverages and capsules available for sale to consumers through direct distribution online.

Re-design of the refreshed Vida+ website have also begun, with the intention of optimizing the site layout and improving search engine optimization for improved traffic and sales.

Acquisition of Wikala.com Inc.

In April 2019, the Company entered into a definitive agreement ("Transaction") to acquire Wikala, a Canadian technology firm. Under the terms of the Transaction, Phivida acquired all of the issued and outstanding common shares of Wikala (the "Wikala Shares"), in return for common shares of Phivida (the "Phivida Shares"), with each holder of Wikala Shares receiving 0.7639 Phivida Shares for each Wikala Share held, resulting in the issuance of 26,325,004 Phivida Shares to the former shareholders of Wikala. A total of 23,118,044 Phivida Shares issued in connection with the Transaction are subject to contractual lock-ups for 12 months from the closing date. The Transaction closed on May 28, 2019.

Phivida also issued 2,536,611 stock options with exercise prices ranging from $0.11 to $0.86 in exchange for Wikala's 3,320,606 issued and outstanding stock options.

On December 2, 2019, Phivida announced that Wikala, an online CBD marketplace for U.S. vendors, is now live. Phivida previously launched the private beta for its accessories site in May 2019, following its acquisition of Wikala, which was subsequently rebranded as Bloomgroove.com and released live in September 2019.

Phivida's full line of Oki and Vida+ products can now be purchased on the Wikala site as well as select CBD products sold by third parties.

Wikala's proprietary third party seller module is a key feature of the platform, which will enable a wide variety of products to be available on the site, and is expected to drive increased interest and traffic. Now live in open beta, through the sellers' portal independent businesses can register as a third party seller and, once approved, create a digital storefront.

Wikala offers CBD vendors and manufacturers a customizable out-of-the-box e-market solution with digital storefront creation, editable product listings, and powerful shopping cart features. Independent sellers benefit from selling their products across the United States through a website that is optimized for search engine visibility, without the technology headaches, and Wikala expects to generate additional revenue from hosting the storefronts and increased traffic from the product diversity.

Customers can browse and purchase quality CBD products online securely and with ease. Wikala has added comprehensive product search, comparison, and navigation features that help CBD consumers find the products they need.

Retail Distribution in California and Colorado

The Company announced that it has begun to sell and distribute beverages, tinctures and capsules in retail stores in the states of California and Colorado. This distribution complements the Company's e-commerce presence and further supports its goal of becoming a leading provider of hemp-infused products.

Wikala Signs on Third Party CBD Product Manufacturer

The Company announced that Envy Hemp, a manufacturer of water-soluble CBD tinctures and capsules, has signed on to feature its products on the Phivida-owned Wikala.com.

Market Outlook and Trends

The Company has re-oriented its business strategy under new leadership and anticipates the change in operations will better align with its go to market strategy for the OKI and Vida+ product lines.

Through a strategic mix of 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, all of which have experienced recent growth. The following section provides an overview of recent secondary research from a cross section of markets in which we, and our wholly owned subsidiaries, will be participating. 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 (d) organic functional foods markets.

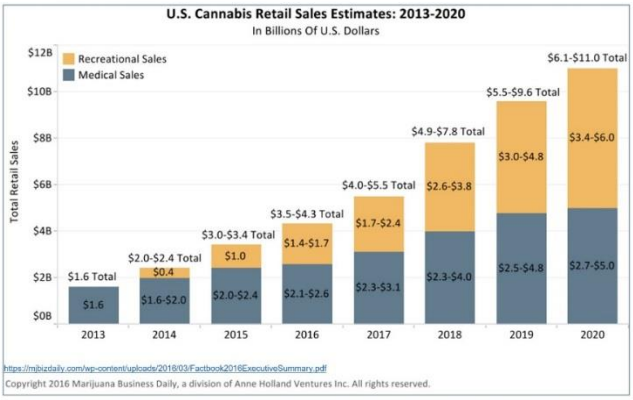
Patient Conversion: Medicinal Cannabis to Hemp Oil

Phivida products provide state registered medicinal cannabis patients with an alternative source to non-psychotropic phytocannabinoids through the licensing of its clinical and consumer product

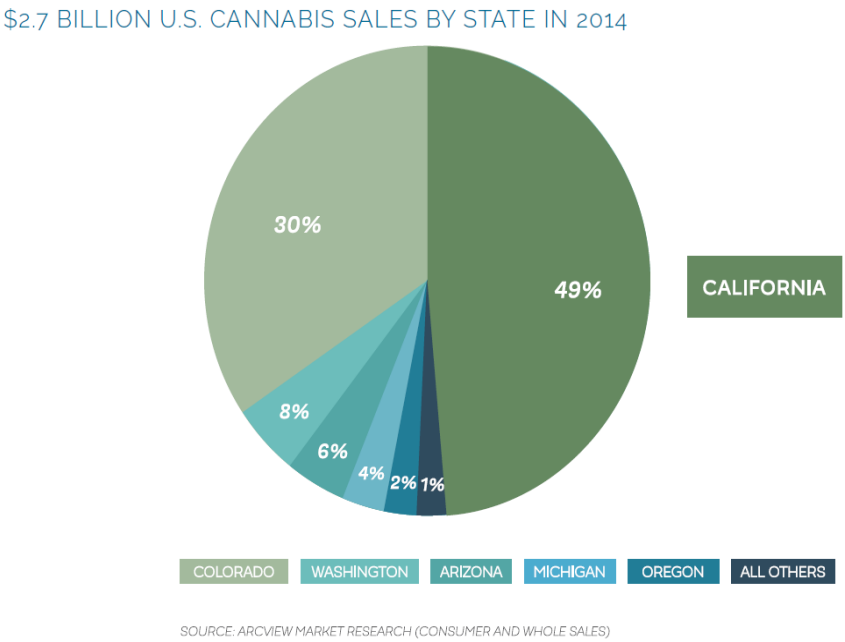
brands. The US medical cannabis market is a rapidly growing market, with estimated retail cannabis sales rising from an estimated $2.2-$2.6 billion USD in 2014 to $7.4-8.2 billion USD in 2018.[2] A 2016 Bloomberg report predicted the US cannabis market to reach $50 billion USD by 2026.[3]

Numerous US states have enacted some variation of hemp oil extract regulations, such as Colorado[4], Washington[5] and Oregon[6]. As a wholesale commodity, management believes there may be a potential for cannabinoid-rich hemp oil to reach bulk market sales such as the beer, wine and spirits sector, pet and equine supplements, and cosmetics / personal care. The four largest medical hemp oil markets in the US, and where we intend to focus our brand licensing efforts, distribution and sales efforts initially, are Oregon, Washington and Colorado, with an 89% market share as illustrated in the following graphs.[7]

U.S. Cannabis Retail Sales Estimates: 2013-2020



[2] See https://mjbizdaily.com/new-forecast-u-s-medical-marijuana-and-recreational-cannabis-sales-to-hit-8-billion-by-2018/?nomobile=1
[3] See https://www.bloomberg.com/news/articles/2016-09-12/cannabis-industry-to-expand-to-50-billion-by-2026-analysts-say
[4] See https://www.colorado.gov/pacific/agplants/industrial-hemp
[5] See https://agr.wa.gov/Inspection/Hemp
[6] See http://www.oregon.gov/ODA/programs/MarketAccess/MACertification/Pages/Hemp.aspx
[7] See https://mjbizdaily.com/wp-content/uploads/2016/03/Factbook2016ExecutiveSummary.pdf; https://www.huffingtonpost.ca/entry/marijuana-industry-fastest-growing_n_6540166



Natural Products Market

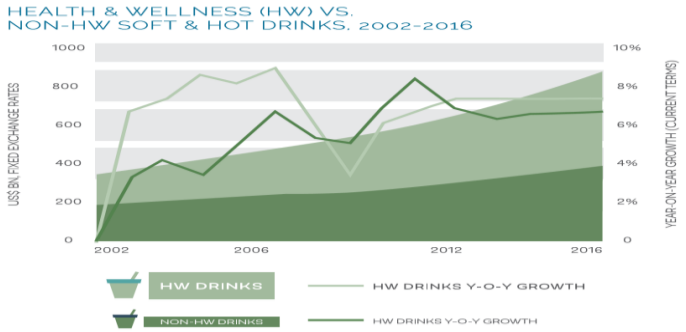
Phivida products offers a unique mix of clinical-grade botanical-enhanced nutraceutical products and target the natural health product market. The major growth drivers to these markets are increased life expectancy in an aging population, an increase in health-conscious consumer awareness, the high cost of healthcare, and innovation and disruption in biotechnology and pharmacology through ongoing research and development.[8]

The autoimmune and inflammatory diseases treatment market was valued at $40.9 billion USD in 2015 and is expected to reach $52.5 billion USD by 2022, expanding at a CAGR of 3.53%.[9] In the US, non-steroidal anti-inflammatory drugs are prescribed over 100 million times per year and are a $12 billion USD market: Ibuprofen sales are valued at $4 billion and Naproxen sales at $0.9 billion USD.[10] Natural alternatives to these drugs are experiencing significant growth as well; for example, curcumin, the active ingredient in turmeric is believed to have anti-inflammatory, antioxidant and perhaps even anti-cancer properties, and was projected to be one of the top 10 bestselling supplements as of 2016.[11] Phivida nutraceutical products are targeted in part towards the integrated health care practitioner market.

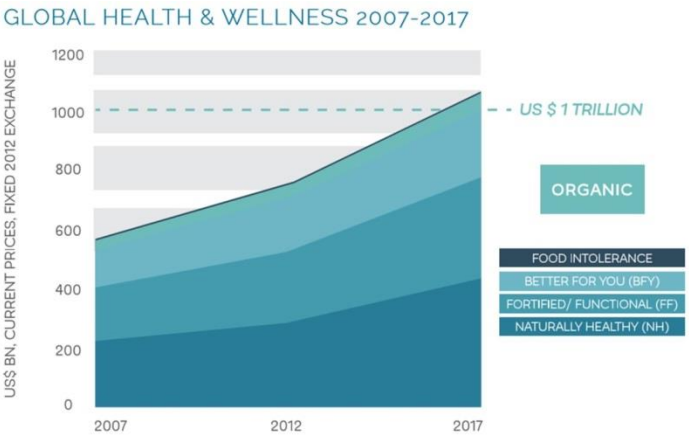
[8] Frost and Sullivan: Global Nutraceutical Industry: Investing in Harvesting Living (2009) For more, see p. 16, 27 and 44. See www.frost.com/prod/servlet/cio/236145272
[9] Credence Research Ltd., "Autoimmune Diseases Treatment Market By Type (Chemical-based Drugs, Biological Drugs) – Growth, Share, Opportunities & Competitive Analysis, 2016 – 2022". See http://www.credenceresearch.com/report/autoimmune-diseases-treatment-market
[10] Nutraceuticals World, "Getting Ahead of the Curve: Turmeric & Curcumin". See http://www.nutraceuticalsworld.com/issues/2014-03/view_trendsense/getting-ahead-of-the-curve-turmeric-curcumin
[11] http://www.nutraceuticalsworld.com/issues/2014-03/view_trendsense/getting-ahead-of-the-curve-turmeric-curcumin#sthash.xhlmPiJw.dpuf

Organic Functional Foods

Phivida products, being hemp oil infused functional and organic edibles, fall into the organic functional food market. Within the organic foods category, beverages have grown 225% from a $4 billion USD market to a $14 billion USD market since 2004.[12] As the organic functional beverage market shows significant growth trends, we believe the Phivida formulas are well-positioned to capture a share of this growth market. As illustrated in the graph below, within the greater global organic food category, the subcategory of functional (or health and wellness based) beverages have experienced significant growth from 2006 to 2016.[13] We believe that Phivida Nutrition's products are well positioned to leverage this recent rise in the functional beverage market.



Further, the global natural health and wellness market has grown by over 66% in the past decade, and is expected to scale from a $675 billion USD market in 2008 to over $1 trillion USD by the end of 2017, as illustrated in the following graph.[14]



[12] USDA, "Economic Research Service Using Data from Nutrition Business Journal",2013 See https://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview
[13] Health and Wellness Versus Non-Health and Wellness Packaged Food and Beverages, Retail Sales 2002-2017 See http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-research-highlights.html
[14] See http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-research-highlights.html

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our common shares.

See "Risk Factors" below.

Selected Annual Financial Information

The following is selected financial data derived from the audited consolidated financial statements of the Company as at September 30, 2019, 2018 and 2017 and for the years ended September 30, 2019, 2018 and 2017.

Description	Year Ended September 30, 2019 $	Year Ended September 30, 2018 $	Year Ended September 30, 2017 $
Total revenues	215,145	39,736	8,827
Total loss	(10,217,225)	(9,598,901)	(2,394,448)
Net loss per common share – basic and diluted	(0.14)	(0.20)	(0.10)

Description	As at September 30, 2019 $	As at September 30, 2018 $	As at September 30, 2017 $
Total assets	22,791,096	15,911,321	850,035
Total non-current financial liabilities	nil	nil	nil
Distribution or cash dividends	nil	nil	nil

For the year ended September 30, 2019, 2018 and 2017, Phivida Organics recorded total gross sales revenue of $215,145, $39,736 and $8,827, respectively. The Company expects to incur net losses until sales increase.

Overall Objectives

See "Liquidity and Capital Resources" below and "Risk Factors" below.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or

financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company at the date of this MD&A other than as disclosed in this MD&A.

Discussion of Operations

Year ended September 30, 2019, compared with year ended September 30, 2018

Phivida's net loss totaled $10,217,225 for the year ended September 30, 2019, with basic and diluted loss per share of $0.14. This compares with a net loss of $9,598,901 with basic and diluted loss per share of $0.20 for the year ended September 30, 2018. The increase in net loss of $618,324 was principally because:

- During the year ended September 30, 2019, the Company's sales increased by approximately 441%, even though not significant in terms of dollar amount. As at September 30, 2019, the sales activity was coordinated with its sales team. The Company is in a loss position, as the Company's expenses are greater than its sales. 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 year ended September 30, 2019, cost of goods sold of $95,854 (year ended September 30, 2018 - $4,841) included hemp oil of various potency and hemp infused beverages.

- Expenses decreased to $9,441,289 for the year ended September 30, 2019 (year ended September 30, 2018 - $9,764,180). The decrease was primarily due to the following:

    - Share-based compensation of $1,857,367 compared to $4,090,912 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.

    - Advertising of $2,187,478 compared to $1,816,139 in the comparative period. Advertising increased by $371,339 due to the Company's push to promote its brand and products to consumers and investors.

    - Consulting fees of $321,836 compared to $1,672,317 in the comparative period. Consulting fees decreased by $1,350,481 due to the Company incurring less consulting expenses for advisory services and transition of management from consultants to employees.

    - Salaries and benefits of $2,105,258 compared to $604,029 in the comparative period. Salaries and benefits increased by $1,501,229 due to increased staff

to handle the Company's expected growth and transition of management from consultants to employees.

- Professional fees of $668,483 compared to $610,691 in the comparative period. Professional fees increased by $57,792 as there was more corporate activities requiring legal services.

- Promotional samples of $263,713 compared to $116,945 in the comparative period. Promotional samples increased by $146,768 due to the Company testing its production abilities and sending samples of its product to potential customers.

- Acquisition cost of $248,093 compared to $nil in the comparative period. Acquisition cost relates to the purchase of Wikala.

- Settlement of $277,500 compared to $nil in the comparative period as a result of settlement entered into by the Company subsequent to September 30, 2019.

- The remaining expenses of $1,511,561 compared to $853,147 increased by $658,414 due to higher support costs for Phivida's business.

- Write down of investment in associate increased to $1,099,666 for the year ended September 30, 2019 (year ended September 30, 2018 - $nil). The increase was due to the write down of the Company's investment in the CanBev joint venture.

Three months ended September 30, 2019, compared with three months ended September 30, 2018

Phivida's net loss totaled $3,562,956 for the three months ended September 30, 2019, with basic and diluted loss per share of $0.04. This compares with a net loss of $3,322,878 with basic and diluted loss per share of $0.05 for the three months ended September 30, 2018. The increase in net loss of $240,078 was principally because:

- During the three months ended September 30, 2019, the Company's sales increased by approximately 437%, even though not significant in terms of dollar amount. As at September 30, 2019, the sales activity was coordinated with its sales team. The Company is in a loss position, as the Company's expenses are greater than its sales. 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 September 30, 2019, cost of goods sold of $61,980 (three months ended September 30, 2018 - $787) included hemp oil of various potency and hemp infused beverages.

- Expenses decreased to $2,552,213 for the three months ended September 30, 2019 (three months ended September 30, 2018 - $3,405,303). The decrease was primarily due to the following:

- Share-based compensation of $307,902 compared to $1,418,400 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.

- Advertising of $521,553 compared to $676,040 in the comparative period. Advertising decreased by $154,487 due to cost saving initiatives the Company has implemented.

- Consulting fees of $33,549 compared to $513,211 in the comparative period. Consulting fees decreased by $479,662 due to the Company incurring less consulting expenses for advisory services and transition of management from consultants to employees.

- Salaries and benefits of $679,007 compared to $333,160 in the comparative period. Salaries and benefits increased by $345,847 due to increased staff to handle the Company's expected growth and transition of management from consultants to employees.

- Professional fees of $206,109 compared to $53,496 in the comparative period. Professional fees increased by $152,613 as there was more corporate activities requiring legal services.

- Settlement of $277,500 compared to $nil in the comparative period as a result of settlement entered into by the Company subsequent to September 30, 2019.

- The remaining expenses of $526,593 compared to $410,996 increased by $257,179 due to higher support costs for Phivida's business.

- Write down of investment in associate increased to $1,099,666 for the three months ended September 30, 2019 (three months ended September 30, 2018 - $nil). The increase was due to the write down of the Company's investment in the CanBev joint venture.

Summary of Quarterly Information

Three Months Ended	Total Revenue $	Profit or Loss	
		Total [1] $	Basic and Diluted Loss Per Share [2] $
September 30, 2019	112,455	(3,562,956)	(0.05)
June 30, 2019	48,635	(2,118,475)	(0.03)
March 31, 2019	32,697	(2,180,686)	(0.04)
December 31, 2018	21,358	(2,355,108)	(0.04)
September 30, 2018	20,953	(3,322,878)	(0.07)
June 30, 2018	5,393	(3,136,005)	(0.05)
March 31, 2018	7,596	(2,346,252)	(0.05)
December 31, 2017	5,794	(793,766)	(0.03)

Notes:

(1) The Company expects to incur net losses until sales increase. There can be no assurance that sales will increase.

(2) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

As at September 30, 2019, the Company had assets of $22,791,096 and a net equity position of $22,080,218. This compares with assets of $15,911,321 and a net equity position of $14,078,476 at September 30, 2018. The Company had $710,878 of liabilities and no long-term debt (September 30, 2018 – $1,832,845 of liabilities and no long term debt). The Company had a gross margin of $119,291 and operating expenses of $9,441,289 during the year ended September 30, 2019 (September 30, 2018 – gross margin of $34,895 and operating expenses of $9,764,180).

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 September 30, 2019, the Company had working capital of $7,579,559, compared to $12,965,544 at September 30, 2018, a decrease of $5,385,985, or approximately 41%. The Company had cash of $6,723,080 at September 30, 2019, compared to $13,746,750 at September 30, 2018, a decrease of $7,023,670, or approximately 51%. The decrease in working capital and cash and cash equivalents was attributable to the Company's operating costs which support its operations.

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

Cash flow

At September 30, 2019, the Company had cash and cash equivalents of $6,723,080, compared to $13,746,750 at September 30, 2018. The decrease in cash and cash equivalents of $7,023,670 from the September 30, 2018 cash and cash equivalents balance of $13,746,750 was as a result of cash outflows on operating activities of $7,475,701, cash provided by investing activities of $290,303 and cash provided by financing activities of $156,500.

Operating activities were affected by adjustments of share-based compensation of $1,857,367 and depreciation of $135,586 and net change in non-cash working capital balances of $327,095 because of a decrease in receivables of $271,227, an increase in inventory of $677,996, a decrease in prepaid expenses and other assets of $10,023 and an increase in accounts payable and accrued liabilities of $69,651.

Financing activities were $156,500 through the issue of shares for cash.

Investing activities included net cash received from business combination of $750,674 offset by deferred financing cost of $341,948, the purchase of equipment of $3,998 and acquisition of intangible assets of $114,425.

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 September 30, 2019, the Company had 88,633,717 common shares issued and outstanding, 4,480,713 warrants outstanding that would raise $6,750,085 and 10,861,611 stock options outstanding that would raise $6,246,879, if exercised in full.

Accounts payable and accrued liabilities decreased to $710,878 at September 30, 2019, compared to $1,832,845 at September 30, 2018, and consist of amounts that are payable in the normal course of operations. The Company has sufficient cash to pay these liabilities as at September 30, 2019.

The table below consolidates the use of proceeds in the short form prospectus dated April 13, 2018 and the Initial Public Offering Proceeds to the revised categories that reflects the Company's new plans.

Revised Use of Proceeds

Business Objective	Amount ($)	Spent ($)	Remaining to spend ($)
Production	3,500,000	3,147,316	352,684
Salaries and consulting fees	2,200,000	2,200,000	-
Professional fees	600,000	600,000	-
Administration, travel and overhead	1,000,000	1,000,000	-
Brand launch and marketing	4,500,000	4,500,000	-
Purchase of equipment	350,000	345,977	4,023
CanBev investment	500,000	-	500,000
Offering expenses	350,000	350,000	-
Working Capital	300,000	300,000	-
Total	**13,300,000**	**12,443,293**	**856,707**

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.

New Accounting Policies

IFRS 9 – Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the completed IFRS 9 to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on October 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance at October 1, 2018.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;

- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in profit or loss for the period. Financial assets and liabilities measured at amortized cost are valued using the effective interest method.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. At October 1, 2018, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for the Company's annual periods beginning on or after October 1, 2018 or later periods. The following are new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements:

IFRS 16 Leases replaces IAS 17 and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019 and is not expected to have a material impact on the Company's consolidated financial statements.

Transactions with Related Parties

Key management personnel

(a) 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 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"), the details of which are disclosed below. The cash remuneration of directors and other members of key management personnel were as follows:

	Year Ended September 30, 2019 ($)	Year Ended September 30, 2018 ($)
Professional fees – George Kovalyov, VP of Finance	nil	21,729
Professional fees – Gowling WLG – Peter Simeon, Director	234,572	380,002
Consulting fees [(1)]	37,500	194,219
Advertising – Sid Lee – Vito Piazza, Director	364,497	nil
Salaries and benefits [(2)]	623,064	358,333
	976,314	**954,283**

(1) Year ended September 30, 2019 - John David Belfontaine, former CEO - $37,500.

Year ended September 30, 2018 - John David Belfontaine, former CEO - $155,719, and George Kovalyov, VP of Finance - $38,500.

(2) Year ended September 30, 2019 – James Bailey, former CEO - $276,912 and Michael Cornwall, Chief Marketing Officer – $184,608, and George Kovalyov, VP of Finance - $161,544.

Year ended September 30, 2018 – James Bailey, former CEO - $212,500, Michael Cornwall, Chief Marketing Officer – $133,333, and George Kovalyov, VP of Finance - $12,500.

As at September 30, 2019, $113,256 (September 30, 2018 - $102,352) was payable to various directors of the Company. The amount is included in accounts payable and accrued liabilities and is non-interest bearing, unsecured and due on demand.

- The $113,256 includes: Gowling WLG – Peter Simeon, Director - $102,287 and Michael Cornwall - $10,969.
- The $102,352 includes: John David Belfontaine, former CEO - $4,021, George Kovalyov, VP of Finance - $4,873, Michael Cornwall – $9,881, and Gowling WLG – Peter Simeon - $83,577.

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

Stock-based compensation	Year Ended September 30, 2019 ($)	Year Ended September 30, 2018 ($)
John David Belfontaine, former CEO	(89,735)	74,892
George Kovalyov, VP of Finance	198,814	232,944
William Ciprick, Director	2,131	48,799
James Bailey, former CEO	160,285	996,245
Peter Simeon, Director	133,895	99,101
Vito Piazza, Director	105,411	40,242
Michael Cornwall, Chief Marketing Officer	67,268	490,332
John Caruso, Director	98,077	nil
Joost Luecker, a director and the Vice President of Research and Development for Phivida Organics	nil	14,437
Brian Martin, a director and the Vice-President of Clinical Products for Phivida Organics	nil	11,550
David Moon, a director and the President of Wikala	197,291	nil
	873,437	**2,008,542**

(b) During the year ended September 30, 2019, the Company paid consulting fees of $30,790 (year ended September 30, 2018 - $31,545) to Marrelli Support Services Inc. ("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 September 30, 2019, Marrelli Support is owed $nil (September 30, 2018 - $2,876). In addition, share-based compensation of $2,131 (year ended September 30, 2018 - $48,799) can be attributed to Mr. Marrelli during the year ended September 30, 2019.

(c) During the year ended September 30, 2019, the Company paid professional fees of $14,502 (year ended September 30, 2018 - $23,669) to DSA Corporate Services Inc. and DSA Filing Services Limited (together "DSA"), two organizations which Mr. Marrelli controls. These services were incurred in the normal course of operations for corporate secretarial matters. As at September 30, 2019, DSA is owed $1,222 (September 30, 2018 - $3,706). This amount was included in accounts payable and other liabilities and was unsecured, non-interest bearing and due within 30 days.

(d) During the year ended September 30, 2019, the Company paid consulting fees of $nil to the VP of Business Development (year ended September 30, 2018 - $nil). In addition, share-based compensation of $2,131 (year ended September 30, 2018 - $48,799) can be attributed to the VP of Business Development for services rendered during the year ended September 30, 2019.

Critical estimates and judgments

The preparation of the consolidated 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 significantly from these estimates.

Critical judgments

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern.

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Acquisitions

Management uses judgment in determining if an acquisition is a business combination or an asset acquisition.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates made by management affecting the consolidated financial statements include:

Share-based payments and non-monetary share transactions

Estimating fair value for share based payments and granted stock options and warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. These estimates also require determining the most appropriate inputs to the valuation model, including the expected life of the option or warrant, estimated future volatility, dividend yield, and rate of forfeitures.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Financial Instruments

Classification of financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, and accounts payable and accrued liabilities. The Company measures its cash and cash equivalents and trade receivables at amortized cost. The accounts payable and accrued liabilities are are measured at amortized cost.

The carrying value of cash and cash equivalents, trade receivables and accounts payable and accrued liabilities as at September 30, 2019 approximate their fair value due to their short term nature.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying value of its financial instruments shown on the consolidated statement of financial position and arises from the Company's cash and cash equivalents, which is held with high credit quality financial institutions, and trade receivables, which are due from customers. As at September 30, 2019, $20,924 of trade receivables (2018 - $20,411) are considered past due, an allowance has been made against $20,924 (2018 - $20,411) and the remaining $52,878 (2018 - $23) was collected subsequent to year end.

Market risk:

Market risk consists of currency risk, interest rate risk and other price risk.

Interest rate risk:

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument with fluctuate because of changes in market interest rates. The Company holds cash with banks in regular business accounts that do not bear interest at significant rates that would expose the Company to any significant risk. The Company's guaranteed investment certificates bear fixed interest rates and is therefore exposed to interest rate fair value risk. The Company does not have any interest-bearing debt.

Currency risk:

Currency risk is the risk that the fair value in future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has financial risk arising from fluctuations in foreign exchange rates as the Company does hold foreign currency denominated financial assets and liabilities. In the year ending September 30, 2019 the Company has a high number of transactions in USD this creates a significant risk from fluctuations in the exchange rate.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at September 30, 2019, the Company has cash and cash equivalents of $6,723,080 (2018 - $13,746,750) to settle liabilities of $710,878 (2018 - $1,832,845) which have contractual maturities of less than 90 days and are subject to normal trade terms. As a result, management believes the Company does not have significant liquidity risk.

Share Capital

As at the date of this MD&A, the Company had 89,033,717 issued and outstanding common shares.

Warrants outstanding for the Company as at the date of this MD&A were as follows:

Warrants	Expiry Date	Exercise Price
3,480,000	April 19, 2020	$1.60
487,200	April 19, 2020	$1.15
347,000	May 2, 2020	$1.60
4,314,200		

Stock options outstanding for the Company as at the date of this MD&A were as follows:

Stock Options	Expiry Date	Exercise Price
1,300,000	May 5, 2022	$0.20
1,225,000	December 18, 2022	$0.40
700,000	February 5, 2023	$1.18

1,025,000	February 19, 2023	$1.17
25,000	February 28, 2023	$1.11
500,000	April 30, 2023	$0.92
200,000	April 30, 2023	$0.92
500,000	June 6, 2023	$0.88
450,000	July 5, 2023	$0.75
100,000	July 31, 2023	$0.83
100,000	August 2, 2023	$0.80
25,000	August 17, 2023	$0.83
25,000	August 20, 2023	$0.85
100,000	August 20, 2023	$0.85
100,000	September 9, 2023	$1.24
150,000	October 4, 2023	$0.99
500,000	October 17, 2023	$0.85
200,000	December 20, 2023	$0.60
1,000,000	May 28, 2024	$0.56
100,000	June 17, 2024	$0.43
1,077,336	January 26, 2023	$0.09
119,703	October 15, 2023	$0.09
56,529	February 8, 2024	$0.11
1,062,156	May 14, 2024	$0.11
144,497	June 12, 2024	$0.11
76,390	April 24, 2024	$0.86
10,861,611		

Contingency

Certain former consultants of the Company commenced litigation against the Company for amounts claimed to be owed for past services. The claims against the Company include requests for options, shares and cash.

Subsequent to September 30, 2019, the Company issued an aggregate of 400,000 shares and cash of $207,500 pursuant to settlement entered into by the Company on November 18, 2019, in settlement of certain outstanding litigation. An amount of $277,500 was accrued at September 30, 2019.

Risk Factors

History of Operating Losses

We have a history of operating losses and may not achieve or sustain profitability. We cannot guarantee investors that we will become profitable, and even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be unable to sustain or increase profitability and our failure to do so could adversely affect our business, including our ability to raise additional funds.

Going-Concern Risk

Our consolidated financial statements have been prepared on a going concern basis which contemplates we will be able to realize our assets and satisfy our liabilities in the ordinary course of business. Our future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that we will be successful in completing additional equity or debt financing or in achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should we be unable to continue as a going concern.

Competition

We face competition in the markets in which we operate and intend to operate in the near future. Some of our competitors may be better positioned to develop superior product features and technological innovations, and able to better adapt to changing market conditions than us. Our ability to compete depends on, among other things, consistent high product quality, short lead-time, timely delivery, competitive pricing, range of product offerings and superior customer service and support. Increased competition in the markets in which we operate may force us to reduce our product prices or may result in increased costs, and may have a material adverse effect on our business and operating results. Any decrease in the quality of our products or level of service to customers, or any forced decrease in product pricing may adversely affect our business and operating results.

Limited Operating History and No Established Financing Sources

Although we believe our management team has extensive knowledge of the hemp oil industry and closely monitors changes in legislation, we operate in an evolving industry that may not develop as expected. Furthermore, we were incorporated in 2015 and have a limited operating history and established financing sources. We are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives as described in this MD&A. Our financial condition and results of operations will depend on many factors, including our ability to bring our products to commercial production, marketing success and continued legality of our products.

Agricultural Operations Risk

Our business is dependent on the growth and production of industrial hemp, an agricultural product. As such, the risks inherent in engaging in agricultural businesses apply to us. Potential risks include the risk that crops may become diseased or victim to insects or other pests and contamination, or subject to extreme weather conditions such as excess rainfall, freezing temperature, or drought, all of which could result in low crop yields, decreased availability of industrial hemp, and higher acquisition prices. Although we source our CBD-hemp oil from hemp grown in permitted environments, there can be no guarantee that an agricultural event will not adversely affect our business and operating results.

Success of Quality Control Systems

The quality and safety of our products are critical to the success of our business and operations. As such, it is imperative that our, and our service providers' quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although we strive to ensure that all of our service providers have implemented and adhere to high-caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on our business and operating results.

Domestic Supply Risk

We use only hemp oil extract with full compliance under FDA and DEA regulations to be sold across the US. Phivida may license its brand to state-licensed companies who may source cannabinoids directly from marijuana in legalized states; however, these sources are limited to the sale of products within such state, are subject to intensive regulations and an excise sales tax. The regulation of third party suppliers may have a significant impact upon our business. Any enforcement activity or any additional uncertainties which may arise in the future, could cause substantial interruption or cessation of our business, including adverse impacts to our supply chain and distribution channels, and other civil and/or criminal penalties at the federal level.

Reliance on Third-Party Suppliers and Manufacturers

We intend to maintain a full supply chain for the production of wholesale bulk CBD-hemp oil, extracts, oils and isolates; and hemp oil extract-infused consumer and clinical products. Despite maintaining full federal compliance and legality, our co-packers and ingredient and packaging suppliers may elect, at any time, to cease to engage in production agreements for products containing hemp oil extracts. Sourcing cGMP and organic and kosher contract manufacturers willing to produce hemp oil extracts has provided challenges to management to date, and although we have identified and contacted alternatives for contract manufacturers and ingredient suppliers, there is a risk of losing our current manufacturers and our alternative manufacturers. Loss of our manufacturers and suppliers would have a material adverse effect on our business and operational results.

Relationships with Retailers, Suppliers and Manufacturers

We intend to establish relationships with large retailers, suppliers and manufacturers who may seek to use our e-commerce platform to sell their products. The Company may not be able to sustain its existing relationships or establish new relationships with retailers, suppliers and manufacturers. If we are unable to develop and sustain relationships with large retailers, suppliers and manufacturers then this will impede our ability to develop brand and product recognition and increase sales volume, which may have a material adverse effect on our business and operational results.

Existing or Future Vulnerabilities in Internet Security Poses a Risk to e-Commerce Sales

The Company is and intends to continue to generate sales through its e-commerce platforms such as Wikala. Any cyber-security compromise or misappropriation of our proprietary information could have a material adverse effect on the business, financial condition and results of our operations. Anyone who is able (whether now or in the future) to circumvent our security measures could compromise or breach the technology used by us to protect client transaction data, which would

cause material interruptions in our operations. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that our activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss and/or litigation. Our security measures may not prevent security breaches and our failure to prevent a security breach may result in consumer distrust and may adversely affect our business, results of operations and financial condition.

Product Recalls

Product manufacturers and distributors are sometimes required to recall or initiate returns of their products for various reasons, including product defects such as contaminations, unintended harmful side effects or interactions with other products, packaging safety and inadequate or inaccurate labeling disclosure. If any of our products are recalled, we could incur unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. We may lose significant revenue due to loss of sales and may not be able to compensate for or replace that revenue. Although we strive to contract cGMP-certified manufacturers for the production of raw products for wholesale and finished goods, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory actions or lawsuits. A recall of our products could lead to adverse publicity of us, decreased demand for our products and could have a material adverse effect on our results of operations and financial condition.

Product Liability

Our food products will be produced for sale both directly and indirectly to end consumers, and therefore we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of hemp oil infused products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that our products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation, and could have a material adverse effect on our business and operational results.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

Our future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including our ability to (i) create greater awareness of our products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of our technologies or products. In addition, no assurance can be given that we will be able to manage our advertising and promotional expenditures on a cost-effective basis.

Maintaining and Promoting Our Brand

We believe that maintaining and promoting our brand is critical to expanding our customer base. Maintaining and promoting our brand will depend largely on our ability to continue to provide quality, reliable and innovative products, which we may not do successfully. We may introduce new products that our customers do not like, which may negatively affect our brand and reputation. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and financial results from operations could be materially adversely affected.

Changing Consumer Preferences

As a result of changing consumer preferences, many nutraceutical and other innovative products attain financial success for a limited period of time. Even if our products find retail success, there can be no assurance that any of our products will see extended financial success. Our success will be dependent upon our ability to develop new and improved product lines. Even if we are successful in introducing new products or developing our current products, a failure to continue to update them with compelling content could cause a decline in our products' popularity that could reduce our revenues and harm our business, operating results and financial condition. Our failure to introduce new features and product lines and to achieve and sustain market acceptance could result in us being unable to meet consumer preferences and generate revenue which would have a material adverse effect on our profitability and financial results from operations.

Key Personnel Risk

Our success and future growth will depend, to a significant degree, on the continued efforts of our directors and officers to develop the business and manage operations and on their ability to attract and retain key technical, scientific, sales and marketing staff or consultants. The loss of any key person or the inability to attract and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, scientific, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future. Our inability to retain and attract the necessary personnel could materially adversely affect our business and financial results from operations.

Fluctuations in Foreign Currency Exchange Rates

We are subject to foreign currency risk. The strengthening or weakening of the Canadian or US dollar versus each other will impact the translation of our net revenues generated in US dollars into Canadian dollars. We purchase certain ingredients in our products in US dollar, and so may become forced to pay higher rates for our ingredients as a result of the weakening of the Canadian dollar.

Risks Related to our Prices

As the market for our products matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model or reduce our prices, which could harm our revenue, gross margin, and operating results.

Requirement to Generate Cash Flow for Financial Obligations

We currently have negative operating cash flows. Our ability to generate sufficient cash flow from operations to make scheduled payments to our contractors, service providers and merchants will depend on future financial performance, which will be affected by a range of economic, competitive, regulatory, legislative, and business factors, many of which are outside of our control. If we do not generate sufficient cash flow from operations to satisfy our contractual obligations, we may have to undertake alternative financing plans. Our inability to generate sufficient cash flow from operations or undertake alternative financing plans would have an adverse effect on our business, financial condition and results or operations, as well as our ability to satisfy our contractual obligations. Any failure to meet our financial obligations could result in termination of key contracts, which could harm our ability to provide our products.

Uninsured or Uninsurable Risk

We may become subject to liability for risks which are uninsurable or against which we may opt out of insuring due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which insurance is not carried may have a material adverse effect on our financial position and operations.

Conflicts of Interest Risk

Certain of our directors and officers are, and may continue to be, involved in other business ventures in the hemp products and nutraceutical industry through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors to us. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from our interests. In accordance with the *BCBCA*, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to us. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

Regulatory Risks

Changes to State Laws Pertaining to Industrial Hemp

The US federal Controlled Substances Act, ("CSA") classifies "marihuana" as a Schedule I controlled substance and makes "marihuana" use and possession illegal on a national level. The United States Supreme Court has ruled that it is the Federal Government that has the right to regulate and criminalize "marihuana," even for medical purposes, and thus federal law criminalizing the use of "marihuana" preempts state laws that legalize its use. On February 7, 2014, the Agricultural Act of 2014 (also known as the Farm Bill) became law, and Section 7606 ("Legitimacy of Industrial Hemp Research") authorized state departments of agriculture and entities like universities (in states that legalized hemp cultivation) to grow the crop for various research

purposes and pilot programs. Since the Farm Bill became law, thirty plus states passed laws regarding industrial hemp. On December 20, 2018, President Donald J. Trump signed into law the Agriculture Improvement Act of 2018 ("2018 Farm Bill"). Prior to its passage, hemp and hemp derived CBD were classified as Schedule 1 controlled substances, and illegal under the CSA. With the passage of the 2018 Farm Bill, hemp cultivation is broadly permitted. The 2018 Farm Bill explicitly allows the transfer of hemp-derived products across state lines for commercial or other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law. Under Section 10113 of the 2018 Farm Bill, hemp cannot contain more than 0.3 percent THC. THC refers to the chemical compound found in cannabis that produces the psychoactive "high" associated with cannabis. Any cannabis plant that contains more than 0.3 percent THC would be considered non-hemp cannabis—or marijuana—under federal law and would thus have no legal protection under this new legislation and would be an illegal Schedule 1 drug under the CSA. As implementation of the 2018 Farm Bill occurs, other regulatory agencies, such as the Food and Drug Administration, may choose to regulate the industry and promulgate rules and regulations concerning under what conditions hemp may be grown, cultivated and processed into CBD and other derivatives. As of the date of this filing, no federal or state regulations implementing the 2018 Farm Bill have been promulgated. Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. Any one of these factors could slow or halt use of industrial hemp, which would negatively impact our business up to possibly causing us to discontinue operations as a whole.

The 2018 Farm Bill recently passed, and undeveloped shared state-federal regulations over hemp cultivation and production may impact our business.

Under the 2018 Farm Bill there will be significant, shared state-federal regulatory power over hemp cultivation and production. Under Section 10113 of the 2018 Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the United States Department of Agriculture ("USDA"). A state's plan to license and regulate hemp can only commence once the Secretary of USDA approves that state's plan. In states opting not to devise a hemp regulatory program, USDA will need to construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. The details and scopes of each state's plans are not known at this time and may contain varying regulations that may impact our business. Even if a state creates a plan in conjunction with its governor and chief law enforcement officer, the Secretary of the USDA must approve it. There can be no guarantee that any state plan will be approved. Review times may be extensive. There may be amendments and the ultimate plans, if approved by states and the USDA, may materially limit our business depending upon the scope of the regulations.

Laws and regulations affecting our industry to be developed under the 2018 Farm Bill are in development

As a result of the 2018 Farm Bill's recent passage, there will be a constant evolution of laws and regulations affecting the hemp industry which could detrimentally affect our operations. Local, state and federal hemp laws and regulations may be broad in scope and subject to changing

interpretations. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. Furthermore, violations of these laws, or alleged violations, could disrupt our business and result in a material adverse effect on our operations. In addition, we cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to our business.

The possible FDA Regulation of hemp and industrial hemp derived CBD, and the possible registration of facilities where hemp is grown and CBD products are produced, if implemented, could negatively affect the cannabis industry generally, which could directly affect our financial condition

The 2018 Farm Bill established that hemp containing less the .03% THC was no longer a Schedule 1 drug under the CSA. Previously, the U.S. Food and Drug Administration ("FDA") did not approve hemp or CBD derived from hemp as a safe and effective drug for any indication. The FDA considered hemp and hemp-derived CBD as illegal Schedule 1 drugs. Further, the FDA has concluded that products containing hemp or CBD derived from hemp are excluded from the dietary supplement definition under sections 201(ff)(3)(B)(i) and (ii) of the U.S. Food, Drug & Cosmetic Act, respectively. However, as a result of the passage of the 2018 Farm Bill, at some indeterminate future time, the FDA may choose to change its position concerning products containing hemp, or CBD derived from hemp, and may choose to enact regulations that are applicable to such products, including, but not limited to: the growth, cultivation, harvesting and processing of hemp; regulations covering the physical facilities where hemp is grown; and possible testing to determine efficacy and safety of hemp derived CBD. In this hypothetical event, hemp-based products containing CBD may be subject to regulation. In the hypothetical event that some or all of these regulations are imposed, we do not know what the impact would be on the hemp industry in general, and what costs, requirements and possible prohibitions may be enforced. If we are unable to comply with the conditions and possible costs of possible regulations and/or registration as may be prescribed by the FDA, we may be unable to continue to operate our business.

We may have difficulty accessing the service of banks until the 2018 Farm Bill is fully implemented

On February 14, 2014, the U.S. government issued rules allowing banks to legally provide financial services to state-licensed cannabis businesses. A memorandum issued by the Justice Department to federal prosecutors re-iterated guidance previously given, this time to the financial industry, that banks can do business with legal cannabis businesses and "may not" be prosecuted. We assume this applies to hemp. The Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued guidelines to banks that "it is possible to provide financial services"" to state-licensed cannabis (and hemp) businesses and still be in compliance with federal anti-money laundering laws. These provisions created barriers to our banking operations. With the passage of the 2018 Farm Bill, we expect that the banking industry will be more open to doing business with compliant hemp businesses. However, this may take time and may not result in a more open banking climate. We expect that banks will be more open to serving hemp businesses, but there is no guarantee – even with the passage of the 2018 Farm Bill.

<u>Potential Changes in Federal and State Laws and Regulations</u>

If state and/or federal legislation changes or regulatory agencies amend their practices or interpretive policies, or expended their resources enforcing existing state and/or federal laws, such action(s) could have a materially adverse effect on; (a) our ability to obtain lawfully sourced raw materials; and, (b) the manufacturing, marketing, distribution and sale of our products in one or multiple jurisdictions, up to and including a complete interruption of our business. Further, additional government disruption in the industrial hemp industry could cause potential customers and users to be reluctant to purchase our products, which would be detrimental to us. We cannot predict the nature of any future federal, state and/or laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Regulatory Approval and Permits

We may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where our products are licensed, although we do not currently anticipate that such approvals will be necessary. There can be no assurance that we will be able to obtain or maintain any necessary licenses, permits or approvals, and in particular, should the DEA succeed in the pending litigation on the Final Rule, suppliers of CBD hemp oil products could be required to obtain a CSA permit, which would likely not be a feasible option for retail products. Any material delay or inability to receive these items is likely to delay and/or inhibit our ability to conduct our business, and would have an adverse effect on our business, financial condition and results of operations.

Intellectual Property Risks

Risks Related to Potential Inability to Protect Intellectual Property

Our success is heavily dependent upon our intangible property and technology. We license certain of our technology from third parties and there can be no assurance that we will be able to continue licensing these rights on a continuous basis. We rely upon copyrights, trade secrets, unpatented proprietary know-how and continuing technology innovation to protect the technology that we consider important to the development of our business. We rely on various methods to protect our proprietary rights, including confidentiality agreements with our consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of our confidential information. However, despite our efforts to protect our intangible property rights, unauthorized parties may attempt to copy or replicate our technology. There can be no assurances that the steps taken by us to protect our technology will be adequate to prevent misappropriation or independent third-party development of our technology. It is likely that other companies can duplicate a production process similar to ours. To the extent that any of the above could occur, our revenue could be negatively affected, and in the future, we may have to litigate to enforce our intangible property rights, which could result in substantial costs and divert our management's attention and our resources.

Risks Related to Potential Intellectual Property Claims

Companies in the retail and wholesale consumer product industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. We may be subject to intangible property rights claims in the future and our products may not be able to withstand any third-party claims or rights against their use.

Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent us from offering our products and services to others and may require that we procure substitute products or services for these members.

With respect to any intangible property rights claim, we may have to pay damages or stop using intangible property found to be in violation of a third party's rights. We may have to seek a license for the intangible property, which may not be available on reasonable terms and may significantly increase our operating expenses. The technology also may not be available for license to us at all.

As a result, we may also be required to pursue alternative options, which could require significant effort and expense. If we cannot license or obtain an alternative for the infringing aspects of our business, we may be forced to limit our product and service offerings and may be unable to compete effectively. Any of these results could harm our brand and prevent us from generating sufficient revenue or achieving profitability.

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 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 consolidated financial statements; and (ii) the 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.

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.

Additional Disclosure for Venture Issuers Without Significant Revenue

Office expenses

Detail	Year Ended September 30, 2019 ($)	Year Ended September 30, 2018 ($)
Administration and general	154,499	94,436
Rent	142,424	46,352
Total	**296,923**	**140,788**

Commitments

Detail	2020 ($)	2021 ($)	2022 ($)	2023 ($)	2024 ($)
Office rent	96,312	47,182	42,392	42,392	38,860
Legal advisory services	30,000	Nil	Nil	Nil	Nil
Brand ambassador	10,765	Nil	Nil	Nil	Nil
Total	**133,077**	**47,182**	**42,392**	**42,392**	**38,860**

Subsequent events

Subsequent to September 30, 2019, 166,513 warrants expired unexercised.

On December 18, 2019, Phivida issued an aggregate of 400,000 shares, on a private placement basis, and cash of $207,500 pursuant to settlement entered into by the Company on November 18, 2019, in settlement of certain outstanding litigation. The shares were issued to certain arm's length parties at a deemed price per share of $0.175, being the closing price of the Company's shares on the Canadian Securities Exchange on the trading day prior to the date that the Company entered into the minutes of settlement. The shares will be subject to statutory and contractual resale restrictions, including a four month hold period pursuant to Canadian securities laws.