

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

<input type="checkbox"/>	REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR	
<input checked="" type="checkbox"/>	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
<b>For the fiscal year ended March 31, 2017</b>	
OR	
<input type="checkbox"/>	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR	
<input type="checkbox"/>	SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **0-30314**

**Portage Biotech Inc.**

(Exact name of Registrant as specified in its charter)

Inapplicable

(Translation of Registrant's name into English)

**British Virgin Islands**

(Jurisdiction of incorporation or organization)

**47 Avenue Road, Suite 200, Toronto, Ontario, Canada, M5R 2G3**

(Address of principal executive offices)

**Kam Shah, 416.929.1806, ks@portagebiotech.com, Fax: 416.929.6612**

**47 Avenue Road, Suite 200, Toronto, Ontario, Canada M5R 2G3**

(Name, telephone, e-mail and/or facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<b>Not applicable</b>	<b>Not applicable</b>

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**Common shares without par value**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**Not applicable**

(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**Common shares without par value - 260,688,894 as at March 31, 2017**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes [ ] No [X]

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes [ ] No [X]

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [X]
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Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP [ ]	International Financial Reporting Standards as issued by the International Accounting Standards Board [X]	Other [ ]
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If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow Item 17 [ ] Item 18 [ ]

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

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## FORWARD LOOKING STATEMENTS

This annual report includes “forward looking statements”. All statements, other than statements of historical facts, included herein or incorporated by reference herein, including without limitation, statements regarding our business strategy, plans and objectives of management for future operations and those statements preceded by, followed by or that otherwise include the words “believe”, “expects”, “anticipates”, “intends”, “estimates” or similar expressions or variations on such expressions are forward-looking statements. We can give no assurances that such forward-looking statements will prove to be correct.

Each forward-looking statement reflects our current view of future events and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from any results expressed or implied by our forward-looking statements.

Risks and uncertainties include, but are not limited to:

- our plans and ability to develop and commercialize product candidates and the timing of these development programs;
- clinical development of our product candidates, including the results of current and future clinical trials;
- the benefits and risks of our product candidates as compared to others;
- our maintenance and establishment of intellectual property rights in our product candidates;
- our need for additional financing and our estimates regarding our capital requirements and future revenues and profitability;
- our estimates of the size of the potential markets for our product candidates;
- our selection and licensing of product candidates;

These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments based on the focus of our business activities on Biotechnology, as well as other factors we believe are appropriate in particular circumstances. However, whether actual results and developments will meet our expectations and predictions depends on a number of risks and uncertainties, which could cause actual results to differ materially from our expectations, including the risks set forth in "Item 3-Key Information-Risk Factors."

We do not currently have the marketing expertise needed to commercialize our products; we will be primarily a pharmaceutical development business subject to all of the risks of a pharmaceutical development business;

Consequently, all of the forward-looking statements made in this annual report are qualified by these cautionary statements. We cannot assure you that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected effect on us or our business or operations.

Unless the context indicates otherwise the terms "Portage Biotech Inc." the "Company", "Portage", “we”, “us”, “our” are used interchangeably in this Annual Report and mean Portage Biotech Inc. and its subsidiaries.

## **FOREIGN PRIVATE ISSUER STATUS AND REPORTING CURRENCY**

### **Foreign Private Issuer Status:**

Portage Biotech Inc., which is a British Virgin Islands (BVI) company as per the certificate of Continuance issued by the Registrar of Corporate Affairs of the BVI on July 5, 2014. Approximately 62% of its common stock was held by non-United States citizens and residents as of September 30, 2016 being its latest second quarter end. Further, our business is administered principally outside the United States and majority of our assets are located outside the United States; As a result, we believe that we qualify as a "foreign private issuer" for continuing to report regarding the registration of our common stock using this Form 20-F annual report format.

### **Currency**

The financial information presented in this Annual Report is expressed in US dollars ("US \$") and the financial data in this Annual Report is presented in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

All dollar amounts set forth in this report are in US dollars, except where otherwise indicated.

## **PART I**

### **ITEM 1 - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not required since this is an annual report.

### **ITEM 2 - OFFER STATISTICS AND EXPECTED TIMETABLE**

Not required since this is an annual report

### **ITEM 3 - KEY INFORMATION**

#### **(A) SELECTED FINANCIAL DATA**

On June 4, 2013, the Company completed an acquisition with Portage Pharma Ltd, incorporated in the British Virgin Islands on May 23, 2012, through exchange of shares. The transaction was treated as reverse acquisition for accounting purposes.

The selected financial data set forth below should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in this Annual Report. The selected Operations Data for each of the three fiscal years ended March 31, 2017, 2016 and 2015, and the Balance Sheet data as of March 31, 2016 and 2017 are derived from our audited Consolidated Financial Statements included in this Annual Report. The selected Operations Data for the period from May 23, 2012(date of inception) to March 31, 2013 relating to Portage Pharma Ltd. and for the year ended March 31, 2014, and the Balance Sheet data as of March 31, 2013, 2014, and 2015 are derived from our audited Consolidated Financial Statements, which are not included in this Annual Report.

**Operating data -**

	Year ended March 31				Period May 23, 2012 to March 31, 2013
	2017	2016	2015	2014	
	all amounts in 000' \$ and number in 000 (except per share value)				
Net loss before non-controlling interests	(641)	(9,195)	(4,341)	(6,627)	(29)
Net profit (loss) attributable to shareholders	16,299	(5,706)	(3,118)	(6,305)	(29)
Working capital	59,027	4,593	1,115	2,067	474
Total assets	59,904	12,629	4,736	5,263	486
Capital stock	18,360	17,055	9,692	7,257	503
Warrants	-	2,756	1,108	1,108	-
Stock option reserve	1,705	5,076	1,312	362	-
Shareholders' equity	59,594	10,269	2,660	2,393	474
Weighted average number of shares outstanding - Basic	254,043	239,745	193,442	161,977	81,759
Weighted average number of shares outstanding - diluted	272,193	239,745	193,442	161,977	81,759
Earnings (loss) per share - Basic	\$0.06	(\$0.02)	(\$0.02)	(\$0.04)	\$-
Earnings (loss) per share - Diluted	\$0.06	(\$0.02)	(\$0.02)	(\$0.04)	\$-

1. The effect of potential share issuances pursuant to the exercise of options and warrants would be anti-dilutive and, therefore, basic and diluted losses per share are the same for the fiscal years 2013 through 2016.

The Company has not declared or paid any dividends in any of the financial periods.

**Exchange Rates**

In this Annual Report on Form 20-F, unless otherwise specified, all monetary amounts are expressed in US dollars. One of the Company's subsidiaries maintains its books in Canadian dollars. The exchange rates used herein were obtained from Bank of Canada; however, they cannot be guaranteed.

On July 19, 2017, the exchange rate, based on the noon buying rates, for the conversion of Canadian dollars into United States dollars (the "Noon Rate of Exchange") was approximately US\$1 = CDN\$1.26.

The following table sets out the high and low exchange rates in Canadian dollar for one US dollar for each of the last six months.

2017	June	May	April	March	February	January
High for period	\$1.35	\$1.37	\$1.36	\$1.35	\$1.32	\$1.34
Low for period	\$1.30	\$1.34	\$1.33	\$1.33	\$1.31	\$1.30

The following table sets out the average exchange rates in Canadian dollar for one US dollar for the five most recent financial years calculated by using the average of the Noon Rate of Exchange on the last day of each month during the period.

<b>Year Ended March 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Average for the year	\$1.31	\$1.31	\$1.14	\$1.05	\$1.00

**B) CAPITALIZATION AND INDEBTEDNESS**

Not applicable

**(C) REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable

**(D) RISK FACTORS**

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

**Risks Related to our Business**

***We have a history of operating losses and may never achieve profitability in the future.***

We have not generated any business income since July 5, 2013. While our management and the Board consist of persons with significant experience in the biotechnology industry, we have no product sales and have no established sales and distribution network.

We expect to be involved in research and development to identify and validate new drug targets that could become marketed drugs for several years to come and will be requiring significant financial resources without any income. We expect these expenses to result in continuing operating losses in the near future.

Our ability to generate future revenue or achieve profitable operations is largely dependent upon our ability to attract and maintain the experienced management and know-how to develop new drug candidates and to partner with major pharmaceutical companies to successfully commercialize the drug candidates. It takes many years and significant financial resources to successfully develop pre-clinical or early clinical drug candidate into a marketable drug and we cannot assure you that we will be able to successfully achieve these objectives. However, our current investment in an entity whose shares are traded on New York Stock Exchange, has grown significantly in value and once our trading restrictions expire sometime in November 2017, disposal of part or whole of these investments will generate significant cash flow, subject to market price of the shares of that entity remaining at the current level, to allow us to pursue our research and development activities.

***We will be primarily in a pharmaceutical development business and will be subject to all of the risks of a pharmaceutical development business.***

As a result, our business must be evaluated in light of the problems, delays, uncertainties and complications encountered in connection with establishing a pharmaceutical development business.



There is a possibility that none of our drug candidates that are currently and/or may be under development in future will be found to be safe and effective, that we will be unable to receive necessary regulatory approvals in order to commercialize them, or that we will obtain regulatory approvals that are too narrow to be commercially viable.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on our business, financial condition and results of operations.

***Clinical trials for our potential product candidates will be expensive and time consuming, and their outcome uncertain.***

Before we can obtain regulatory approval for the commercial sale of any product candidate or attract major pharmaceutical company to collaborate with, we will be required to complete extensive clinical trials to demonstrate its safety and efficacy. Clinical trials are very expensive, and are difficult to design and implement. The clinical trial process is also time-consuming and can often be subject to unexpected delays.

The timing of the commencement, continuation and completion of clinical trials may be subject to significant delays relating to various causes, including:

- our inability to manufacture or obtain sufficient quantities of materials for use in clinical trials;
- delays arising from our collaborative partnerships;
- delays in obtaining regulatory approvals to commence a study, or government intervention to suspend or terminate a study;
- delays, suspension, or termination of the clinical trials due to the institutional review board or independent ethics board responsible for overseeing the study to protect research subjects at a particular study site;
- delays in identifying and reaching agreement on acceptable terms with prospective clinical trial sites;
- slower than expected rates of patient recruitment and enrollment;
- uncertain dosing issues;
- inability or unwillingness of medical investigators to follow our clinical protocols;
- variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria;
- scheduling conflicts with participating clinicians and clinical institutions;
- difficulty in maintaining contact with subjects after treatment, which results in incomplete data;
- unforeseen safety issues or side effects;
- lack of efficacy during the clinical trials;
- our reliance on clinical research organizations to conduct clinical trials, which may not conduct those trials with good clinical or laboratory practices; or
- other regulatory delays.

***We rely on third parties to manufacture our preclinical and clinical drug supplies, and we intend to rely on third parties to produce commercial supplies of any approved product candidate.***

We have limited personnel with experience in manufacturing, and we do not own facilities for manufacturing our products and product candidates for the potential pivotal clinical studies and/or commercial manufacturing of our products and product candidates. We depend on our collaboration partners and other third parties to manufacture and provide analytical services with respect to our most advanced product candidates.

In addition, if our product candidates are approved, in order to produce the quantities necessary to meet anticipated market demand, we and/or our collaboration partners will need to secure sufficient manufacturing capacity with third-party manufacturers. If we and/or our collaboration partners are unable to produce our product candidates in sufficient quantities to meet the requirements for the launch of the product or to meet future demand, our revenues and gross margins could be adversely affected. To be successful, our product candidates must be manufactured in commercial quantities in compliance with regulatory requirements and at acceptable costs. We and/or our collaboration partners will regularly need to secure access to facilities to manufacture some of our product candidates commercially. All of this will require additional funds and inspection and approval by the Competent Authorities of the Member States of the EEA, the FDA and other regulatory authorities. If we and/or our collaboration partners are unable to establish and maintain a manufacturing capacity within our planned time and cost parameters, the development and sales of our products and product candidates as well as our business, results of operations and prospects, and the value of our shares could be adversely affected.

We and/or our collaboration partners may encounter problems with aspects of manufacturing our collaboration products and product candidates, including the following:

- production yields;
- quality control and assurance;
- shortages of qualified personnel;
- compliance with FDA and EEA regulations;
- production costs; and
- development of advanced manufacturing techniques and process controls.

We evaluate our options for clinical study supplies and commercial production of our product candidates on a regular basis, which may include use of third-party manufacturers, or entering into a manufacturing joint venture relationship with a third party. We are aware of only a limited number of companies on a worldwide basis who operate manufacturing facilities in which our product candidates can be manufactured under cGMP regulations, a requirement for all pharmaceutical products. We cannot be certain that we or our collaboration partners will be able to contract with any of these companies on acceptable terms, if at all, all of which could harm our business, results of operations and prospects, and the value of our shares.

In addition, we or our collaboration partners, as well as any third-party manufacturer, will be required to register such manufacturing facilities with the FDA (and have a U.S. agent for the facility, if outside the United States), the Competent Authorities of the Member States of the EEA, and other regulatory authorities. The facilities will be subject to inspections confirming compliance with the FDA, the Competent Authorities of the Member States of the EEAs, or other regulatory authority cGMPs requirements. We do not control the manufacturing process of our product candidates, and, other than with respect to our collaboration product candidates, we are dependent on our contract manufacturing partners for compliance with cGMPs regulations for manufacture of both active drug substances and finished drug products. If we or our collaboration partners or any third-party manufacturer fails to maintain regulatory compliance, our business, financial condition and results of operations may be harmed, and the FDA, the Competent Authorities of the Member States of the EEA, or other regulatory authorities can impose regulatory sanctions that range from a warning letter to withdrawal of approval to seeking product seizures, injunctions and, where appropriate, criminal prosecution

***The results of pre-clinical studies and initial clinical trials are not necessarily predictive of future results, and our potential product candidates may not have favourable results in later trials or in the commercial setting.***

Pre-clinical tests and Phase 1 and Phase 2 clinical trials are primarily designed to test safety, to study pharmacokinetics and pharmacodynamics and to understand the side effects of product candidates and explore efficacy at various doses and schedules. Success in pre-clinical or animal studies and early clinical trials does not ensure that later large-scale efficacy trials will be successful nor does it predict final results; favorable results in early trials may not be repeated in later trials.

A number of companies in the life sciences industry have suffered significant setbacks in advanced clinical trials, even after positive results in earlier trials. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Negative or inconclusive results or adverse medical events during a clinical trial could cause a clinical trial to be delayed, repeated or terminated. In addition, failure to construct appropriate clinical trial protocols could result in the test or control group experiencing a disproportionate number of adverse events and could cause a clinical trial to be repeated or terminated.

There is typically an extremely high rate of attrition from the failure of product candidates proceeding through clinical and post-approval trials.

***Our success will be dependent upon our corporate collaborations with third parties in connection with services we will need for the development, marketing and commercialization of our products.***

The success of our business will be largely dependent on our ability to enter into corporate collaborations regarding the development, clinical testing, regulatory approval and commercialization of our potential product candidates. We may not be able to find new collaborative partners to support our future development, marketing and commercialization of our products, which may require us to undertake research and development and/or commercialization activities ourselves, and may result in a material adverse effect on our business, financial condition, prospects and results of operations.

Even if we are able to find new collaborative partners, our success is highly dependent upon the performance of these new corporate collaborators. The amount and timing of resources to be devoted to activities by future corporate collaborators, if any, are not within our direct control and, as a result, we cannot assure you that any future corporate collaborators will commit sufficient resources to our research and development projects or the commercialization of our potential product candidates. Any future corporate collaborators might not perform its obligations as expected and might pursue existing or other development-stage products or alternative technologies in preference to those being developed in collaboration with us, or may terminate particular development programs, or the agreement governing such development programs.

In addition, if any future collaborators fail to comply with applicable regulatory requirements, the FDA, the European Medicines Agency (“EMA”), the Therapeutic Products Directorate (“TPD”) or other authorities could take enforcement action that could jeopardize our ability to develop and commercialize our potential product candidates. Despite our best efforts to limit them, disputes may arise with respect to ownership of technology developed under any such corporate collaboration.

***We will rely on proprietary technology, the protection of which can be unpredictable and costly.***

Our success will depend in part upon our ability to obtain patent protection or patent licenses for our future technology and products. Obtaining such patent protection or patent licenses can be costly and the outcome of any application for patent protection and patent licenses can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude us from obtaining appropriate patent protection, thereby affecting the development and commercial value of our technology and products.

***Some of our future products may rely on licenses of proprietary technology owned by third parties and we may not be able to maintain these licenses on favorable terms.***

The manufacture and sale of some of the products we hope to develop may involve the use of processes, products, or information, the rights to which are owned by third parties. Such licenses frequently provide for limited periods of exclusivity that may be extended only with the consent of the licensor. If licenses or other rights related to the use of such processes, products or information are crucial for marketing purposes, and we are not able to obtain them on favorable terms, or at all, the commercial value of our products will be significantly impaired. If we experience delays in developing our products and extensions are not granted on any or all of such licenses, our ability to realize the benefits of our efforts may be limited.

***We will have additional future capital needs and there are uncertainties as to our ability to raise additional funding.***

We believe that the proceeds from the current offering together with cash on hand may be adequate to cover our operational costs for the next twelve months. However, we will require substantial additional capital resources for our subsidiaries to proceed into various stages of clinical trials to develop potential product candidates, obtain regulatory approvals and ultimately to commercialize such product candidates.

In addition, our future cash requirements may vary materially from those now expected. For example, our future capital requirements may increase if:

- we experience scientific progress sooner than expected in our future discovery, research and development projects, if we expand the magnitude and scope of these activities, or if we modify our focus as a result of our discoveries;
- we experience setbacks in our progress with pre-clinical studies and clinical trials are delayed;
- we experience delays or unexpected increased costs in connection with obtaining regulatory approvals;
- we are required to perform additional pre-clinical studies and clinical trials;
- we experience unexpected or increased costs relating to preparing, filing, prosecuting, maintaining, defending and enforcing patent claims; or
- we elect to develop, acquire or license new technologies and products.

If sufficient capital is not available, we may be required to delay, reduce the scope of, eliminate or divest of one or more of our research or development projects, any of which could have a material adverse effect on our business, financial condition, prospects or results of operations.

***We will be subject to risks associated with doing business globally.***

As a pharmaceutical company, our operations are likely to expand in the European Union and worldwide, we will be subject to political, economic, operational, legal, regulatory and other risks that are inherent in conducting business globally. These risks include foreign exchange fluctuations, exchange controls, capital controls, new laws or regulations or changes in the interpretation or enforcement of existing laws or regulations, political instability, macroeconomic changes, including recessions and inflationary or deflationary pressures, increases in prevailing interest rates by central banks or financial services companies, economic uncertainty, which may reduce the demand for our potential products or reduce the prices that our potential customers will be willing to pay for our products, import or export restrictions, tariff increases, price controls, nationalization and expropriation, changes in taxation, diminished or insufficient protection of intellectual property, lack of access to impartial court systems, violations of law, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, disruption or destruction of operations or changes to the Company's business position, regardless of cause, including war, terrorism, riot, civil insurrection, social unrest, strikes and natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease. The impact of any of these developments, either individually or cumulatively, could have a material adverse effect on our business, financial condition and results of operations.

***We may face exposure to adverse movements in foreign currency exchange rates while completing international clinical trials and when our products will be commercialized.***

We intend to generate revenue and expenses internationally that are likely to be primarily denominated in U.S., Euros and other foreign currencies. Our intended international business will be subject to risks typical of an international business including, but not limited to, differing tax structures, a myriad of regulations and restrictions, and general foreign exchange rate volatility. A decrease in the value of such foreign currencies relative to the US dollar could result in losses in revenues from currency exchange rate fluctuations. Conversely, an increase in the value of such foreign currencies relative to the US dollar could negatively impact our operating expenses. To date, we have not hedged against risks associated with foreign exchange rate exposure. We cannot be sure that any hedging techniques we may implement in the future will be successful or that our business, results of operations, financial condition and cash flows will not be materially adversely affected by exchange rate fluctuations.

***The loss of key personnel could have an adverse effect on our business***

We are highly dependent upon the efforts of our senior management. The loss of the services of one or more members of senior management and directors could have a material adverse effect on us. As a small company with a streamlined management structure, the departure of any key person could have a significant impact and would be potentially disruptive to our business until such time as a suitable replacement is hired.

**Risks Related to Ownership of our shares**

***There is currently a limited trading market for our Common Shares.***

There currently is a limited public market for our Common Shares. Further, although our Common Shares are currently traded on the OTC marketplace (PTGEF) and are also listed and traded on the Canadian Securities Exchange (PBT.U). Trading of our Common Shares is currently extremely sporadic. As a result, an investor may find it difficult to sell, or to obtain accurate quotations of the price of our Common Shares. There can be no assurance that a more active trading market for our Common Shares will develop. Accordingly, investors must assume they may have to bear the economic risk of an investment in our Common Shares for an indefinite period of time.

***Risks related to penny stocks.***

Our Common Shares are subject to regulations prescribed by the SEC relating to “penny stock.” These regulations impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (as defined in Rule 501 of the U.S. Securities Act). These regulations could adversely impact market demand for our shares and adversely impact our trading volume and price.

***The issuance of Common Shares upon the exercise of our outstanding warrants and options will dilute the ownership interest of existing shareholders and increase the number of shares eligible for future resale.***

The exercise of some or all of our outstanding warrants and options could significantly dilute the ownership interests of our existing shareholders. As of March 31, 2017, we had outstanding options to purchase an aggregate of approximately 20.3 million Common Shares. To the extent the options are exercised, additional Common Shares will be issued and that issuance will increase the number of shares eligible for resale in the public market. The sale of a significant number of shares by our shareholders, or the perception that such sales could occur, could have a depressive effect on the market price of our common shares.

***Our principal shareholders and senior management own a significant percentage of our shares and are able to exert significant control over matters subject to shareholder approval.***

As of March 31, 2017, our senior management, board members, holders of 5% or more of our share capital and their respective affiliates beneficially own approximately 54% of our outstanding voting securities. As a result, these security holders have the ability either alone or voting together as a group to determine and/or significantly influence the outcome of matters submitted to our shareholders for approval, including the election and removal of board members, payment of dividends, amendments to our articles of association, including changes to our share capital or any mergers, demergers, liquidations and similar transactions. This may prevent or discourage unsolicited acquisition proposals or offers for our ordinary shares that our shareholders may feel are in their best interest as a shareholder. In addition, this group of shareholders may have the ability to control our management and affairs. Such control and concentration of ownership may affect the market price of our shares and may discourage certain types of transactions, including those involving actual or potential change of control of us (whether through merger, consolidation, take-over or other business combination), which might otherwise have a positive effect on the market price of the shares.

***Your investment return may be reduced if we lose our foreign private issuer status.***

We are a “foreign private issuer,” as such term is defined in Rule 405 under the U.S. Securities Act, and, therefore, we are not required to file quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC. In addition, the proxy rules and Section 16 reporting and short-swing profit recapture rules are not applicable to us. If we lose our status as a foreign private issuer by our election or otherwise, we will be subject to additional reporting obligations under the Exchange Act which would increase our SEC compliance costs.

***There is a material risk that we will be classified as a passive foreign investment company beginning in our fiscal year ending March 31, 2018, and our U.S. shareholders may suffer adverse tax consequences as a result.***

Generally, if, for any taxable year, at least 75% of our gross income is passive income or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than certain rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Based on our income and assets at March 31, 2017 and our anticipated future operations, there is a material risk that we will be classified as a PFIC for our fiscal year ending March 31, 2018. In addition, we may have been a PFIC in prior years and may be a PFIC in the future.

If we are classified as a PFIC, our U.S. tax-resident shareholders could be liable for additional taxes and interest charges upon certain distributions by us and any gain recognized on a sale, exchange or other disposition, including a pledge, of our common shares (and such gain would generally be treated as ordinary income, rather than capital gain, for U.S. federal income tax purposes), whether or not we continue to be a PFIC. In addition, U.S. tax residents who own an interest in a PFIC are required to comply with certain reporting requirements.

A U.S. tax-resident shareholder may in certain circumstances be able to mitigate some of the adverse U.S. federal income tax consequences of us being classified as a PFIC if our common shares qualify as "marketable stock" under the PFIC rules and the shareholder is eligible to make, and successfully makes, a "mark-to-market" election. A U.S. tax-resident shareholder could also mitigate some of the adverse U.S. federal income tax consequences by making a "qualified electing fund", or QEF, election, provided that we provide the information necessary for our U.S. tax-resident shareholders to make such an election, but we are not required to make this information available and have not yet determined whether we can or will do so for our fiscal year ending March 31, 2018 or for any other fiscal year.

U.S. tax-resident shareholders are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to our common shares if we should be classified as a PFIC. See section 10(E) "Taxation-Certain Material U.S. Federal Income Tax Considerations-Passive Foreign Investment Company Considerations" for more information.

***U.S. shareholders may not be able to enforce civil liabilities against us.***

We are a corporation organized under the laws of the British Virgin Islands. Most of our directors and executive officers are non-residents of the United States. Because a substantial portion of their assets and currently most of our assets are located outside the United States, it may be difficult for investors to effect service of process within the United States upon us or those persons.

Our corporate affairs will be governed by our Memorandum and Articles of Association, the BVI Business Companies Act 2004 (as amended) (the "BVI Act"), and the common law of the British Virgin Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under British Virgin Islands law are to a large extent governed by the BVI Act and common law of the British Virgin Islands.

The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands, as well as from English common law, the decisions of whose courts are considered persuasive authority but are not binding on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The British Virgin Islands courts are also unlikely:

- to recognize or enforce against us judgments of U.S. courts based on certain civil liability provisions of U.S. securities laws; and
- to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States.

We have been advised by Forbes Hare, our counsel as to British Virgin Islands law, that (i) they are unaware of any proceedings that have been brought in the British Virgin Islands to enforce judgments of the U.S. courts or to impose liabilities based on the civil liability provisions of the U.S. federal or state securities laws;

(ii) a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the British Virgin Islands under the common law doctrine of obligation; and (iii) because it is uncertain whether a British Virgin Islands court would determine that a judgment of a U.S. court based on the civil liability provisions of the U.S. federal or state securities laws is in the nature of a penalty, it is uncertain whether such a liability judgment would be enforceable in the British Virgin Islands.

#### **ITEM 4 - INFORMATION ON THE COMPANY**

##### **(A) HISTORY AND DEVELOPMENT OF THE COMPANY**

The Company was originally incorporated in Ontario in 1973. It was inactive until 1985. Between 1986 and 2009, it was engaged in variety of businesses including development of a new technology for the marine propulsion business, distribution and manufacture of a snack food, emerging technology-based businesses and natural resource involving diamond mining and oil & gas exploration. In 2010, the company acquired an indirect interest in two drilling licenses in Israel, which was disposed of for US\$ 5 million under a settlement agreement on June 29, 2012 with our minority partner on this project. During the period, the Company went through several name changes ending with Bontan Corporation Inc. (Bontan).



In December 2012, the Company decided to change the focus of its business activities from oil and gas to biotechnology mainly due to the increasing difficulty in getting access to viable oil & gas projects and also due to the potentially more profitable business opportunities which existed in the biotechnology sector. On March 21, 2013, the Company signed a letter of intent with Portage Pharma Ltd, a biotech private limited company formed under the laws of the British Virgin Islands to acquire Portage Pharma Ltd through exchange of shares. The transaction was completed on June 4, 2013 and accounted for as a reverse acquisition.

On July 5, 2013, the Company changed its name to Portage Biotech Inc. and moved its jurisdiction to the British Virgin Islands ( BVI ) under a certificate of Continuance issued by the Registrar of Corporate Affairs of BVI.

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

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

## **(B) BUSINESS OVERVIEW**

Portage develops pharmaceutical & biotech products through to clinical “proof of concept” focussing on unmet clinical needs. Following proof of concept, Portage will look to sell or license the products to large pharmaceutical companies for further development through to commercialization.

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

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

Summary of development at our portfolio companies including our subsidiaries during the year ended March 31, 2017 is provided below:

### ***Portage Pharmaceuticals Ltd ( PPL )***

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

PPL’s focus is in discovering and developing innovative cell permeable peptide (CPP) therapies to normalize gene expression, restore function and improve medical outcomes. Its core technology involves delivering biologically active “cargo” to intracellular and intranuclear targets to normalize cell and tissue function, improve the immunogenicity of vaccines and enable better treatment of intracellular pathogens.

The CPP platform is protected by two suits of intellectual property:

- a. an exclusive license for all patents on Antennapedia-based cell permeable peptides for non-oncology use and
- b. international patents for proprietary human-derived cell penetrating peptide structures without any therapeutic restrictions. Patent is protected until 2034.

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

Since its inception the PPL strategy has been threefold. First was the development, evaluation and selection of our platform cell penetrating peptide (CPP). PPL tested a number of different CPPs and found one that they derived from human genes that was superior to the others tested including the Antennapedia fruit fly molecule PPL licensed from Trojantec and Imperial College in London. PPL selected this human--based CPP to be the basis of their CellPorter® platform.

The second leg of PPL strategy was and still is exploring the ways it can be used therapeutically. PPL pursued collaborations to bring world-class subject area expertise to some of their research questions. For example, PPL collaborated with scientists at Yale to evaluate its cell penetrating properties, with the Pirbright Institute in the UK to explore its potential for vaccine use, with scientists at the National Eye Institute to evaluate its penetration into eye tissues when given as eye drops, and with a scientist at the University of Michigan to investigate blood brain barrier penetration. Through these collaborations PPL management learned that CellPorter® enhances immune reactions to vaccines, did get inside eye tissues, and did penetrate the blood brain barrier. PPL also conducted its own studies that demonstrated CellPorter® can be used to dose peptides systemically by inhalation, and has ongoing work looking at the feasibility of topical skin use and of using CellPorter to deliver nucleotide and peptide cargos that alter genes and regulate gene function.

PPL is always exploring new collaborations with other companies and academic research groups to expand the uses of their platform. From all of this work PPL learned a lot about its technology and initiated their lead project.

The third leg of PPL strategy is developing our lead product, PPL--003, for ophthalmic solutions. In this connection, PPL completed work with BioConcept Laboratories on a drug product formulation for PPL-003 Ophthalmic solution that will be used for IND enabling non-clinical studies and phase I and phase IIA clinical studies. BioConcept Laboratories also completed short-term stability testing of PPL-003 ophthalmic solution. PPL decided that it would use chemical synthesis methods for drug substance going forward and discontinue production in recombinant E. coli. Also during June 2017, PPL completed work on a pre-IND meeting briefing document and issued a letter to FDA requesting a pre-IND meeting. PPL also completed a research agreement with the University of Houston for evaluation of PPL-003's NFkB inhibitory mechanism in corneal epithelial cells.

In addition to advancing the PPL-003 ophthalmic solution project for dry eye disease and other inflammatory eye diseases, PPL has continued to work on other drug products that utilize its proprietary CellPorter® technology including two cancer candidates, PPL-008 and PPL-009. Lastly, PPL also continues work to support its patent applications and develop academic and industry collaborations.

## ***EYGEN LTD (EyGen)***

EyGen was incorporated on September 20, 2016 under the laws of the British Virgin Islands. It is a wholly owned subsidiary of PPL.

Since the final preclinical and clinical development of PPL-003 would be substantially more capital intensive than prior work with the platform, Portage management decided to spin out its lead asset with the aim of independently financing PPL-003 and building a company in ophthalmology. EyGen was created as a new ophthalmic company focused on developing preclinical ophthalmology assets through proof of concept.

EyGen's lead asset is PPL-003, a potent anti-inflammatory created by PPL and being developed for topical ophthalmic delivery in patients with ocular surface and anterior segment diseases. PPL-003 has demonstrated steroid-like efficacy in animal disease models without steroid-like side effects, the profile for an ocular anti-inflammatory targeting NFkB that has been an elusive goal for many years.

EyGen has put together a seasoned management team that will develop PPL-003 as a topical eye drop therapy for dry eye disease before exploring other ocular inflammatory diseases. PPL-003 eye drops are well tolerated in animal studies to date and have demonstrated efficacy in mouse, rabbit and rat models of dry eye disease and uveitis. EyGen is working with leading experts in the development of ophthalmic products.

Both PPL and EyGen are seeking further financing of approximately \$2.5 million from external investors for working capital to complete formulation work for PPL-003 and to perform additional animal studies prior to a pre-IND meeting. They have so far been able to raise \$250,000.

## ***Biohaven Pharmaceutical Holding Company Limited (Biohaven)***

On January 6, 2014, the Company acquired approximately 54% equity in Biohaven, a private corporation incorporated on September 25, 2013 under the laws of the British Virgin Islands for \$3.5 million. During the fiscal year 2016, Portage made further investment of \$3,501,000 while Biohaven raised additional \$4,354,800 from other sources. This reduced our holding in Biohaven to 52.85% as at March 31, 2016 and to 35.16% when Biohaven secured an \$80 million financing from third parties. Eventually in May 2017, Biohaven successfully completed an initial public offering to raise approximately \$193.7 million and began trading on New York Stock Exchange under a symbol "BHVN". The Company now holds 6,341,500 common shares in Biohaven.

Biohaven is a clinical-stage biopharmaceutical company with a portfolio of innovative, late-stage product candidates targeting neurological diseases, including rare disorders. Biohaven has licensed intellectual property from companies and institutions including Bristol-Myers Squibb Company, AstraZeneca AB, Yale University, Catalent, ALS Biopharma LLC and Massachusetts General Hospital. Biohaven is a company organized under the laws of the British Virgin Islands and its United States operations are based in New Haven, Connecticut

Biohaven's goal is to become a leader in the development of innovative therapies for neurological diseases that have the potential to change current treatment paradigms.

The key elements of the strategy are:

- Rapidly advance and commercialize their portfolio of migraine product candidates. In the second half of 2017, they expect to initiate two Phase 3 clinical trials with rimegepant for the acute treatment of migraine, with topline results expected in the first quarter of 2018.
- They are also planning a 12-month, long-term safety study of rimegepant to meet FDA requirements for approval. They are designing their Phase 3 development program to support regulatory approval in the United States, as well as to support regulatory filings in Europe and Japan.
- Complete the development and commercialization of their novel glutamate modulator trigriluzole as potentially the first FDA-approved drug treatment for patients suffering from ataxias. They anticipate receiving topline results of their Phase 2/3 clinical trial of trigriluzole in SCA in the first quarter of 2018
- and, if positive, submitting an NDA in 2018. They designed their Phase 2/3 clinical trial to support regulatory approval in the United States as well as to support regulatory filings in Europe and Japan.
- Demonstrate bioequivalence and prepare for commercialization of their low-dose, oral disintegrating sublingual product candidate, BHV-0223, for ALS patients. They plan to launch a study to compare the bioequivalence of their sublingually absorbed ODT formulation of riluzole, BHV-0223, to orally delivered riluzole tablets and subsequently submit an NDA in 2018.
- Advance BHV-5000 into clinical trials to assess its potential to be the first approved treatment for patients suffering from breathing irregularities associated with Rett syndrome. After a confirmatory Phase 1 clinical trial to bridge pharmacokinetics with the prior formulation, they plan to initiate a Phase 2/3 clinical trial in Rett syndrome in 2018.
- Maximize the therapeutic and commercial potential of their existing product candidates by exploring their use for multiple indications. Based on the broad mechanistic potential of the glutamate modulation platform, they believe that their product candidates may have utility in a wide array of conditions. They plan to explore the use of their product candidates in additional therapeutic indications where glutamate plays a central role in the pathophysiology of disease, including anxiety and mood disorders.
- Actively manage their product portfolio and opportunistically enter into strategic collaborations. They plan to retain their worldwide commercialization rights for some of their key product candidates while for other product candidates they will consider partnership opportunities to maximize returns. Leveraging their management team's deep large pharma relationships and experience will be a key component of this strategy.

The Company has agreed to a six month hold on trading of its Biohaven holding, which will expire in November 2017. Biohaven is now just an investment and is not an integral part of the Company's strategy of developing biotech products through clinical "proof of concept". Further, the value of Biohaven holding, currently, is very significant to the overall assets of the Company which exposes the Company to the risk of becoming an "inadvertent investment company" under the US Investment Company Act of 1940. The management therefore is currently evaluating various options including divesting the Biohaven holding in a manner which will benefit the shareholders of the Company with minimum tax consequences in consultation with the International tax and US securities lawyers. The Company has not yet reached any decision in the matter.

## **Sentien Biotechnologies Inc. (“Sentien”)**

Portage invested \$700,000 in August 2015 to acquire 210,210 series A preferred stock in Sentien, fully convertible into equal number of Sentien’s common shares, representing approximately 6.9% of Sentien’s equity.

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

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

In April 2017, Sentien announced closure of a new \$12 million financing by third party Biotech funds and also announced that its investigational new drug (IND) application for its lead product, SBI-101, received clearance from the U.S. Food and Drug Administration. On June 8, 2017, Sentien announced that it opened enrolment in its Phase 1/2 trial of SBI-101 for adult patients with acute kidney injury (AKI).

The multi-center trial is a randomized, controlled Phase 1/2 study in patients with AKI receiving CRRT. The primary objective of the trial is to evaluate the safety and tolerability of SBI-101 in patients with AKI. Endpoints for efficacy and pharmacodynamic responses to SBI-101 therapy will also be evaluated. Patient recruitment is expected to continue into 2018, with an estimated enrolment of 24 patients.

### **(C) ORGANIZATIONAL STRUCTURE**

The current organization structure comprises:

1. Two operating subsidiaries:
  - a. Portage Pharmaceuticals Ltd., a wholly owned subsidiary incorporated in the British Virgin Island.
  - b. EyGen Ltd., a wholly owned subsidiary of Portage Pharmaceutical Ltd. Incorporated in the British Virgin Islands.
2. One service company, Portage Services Ltd., a wholly owned subsidiary incorporated in Ontario, Canada. Portage Services Ltd. Acts as an agent for Portage and is primarily engaged in handling all corporate and regulatory services.
3. An investment in Biohaven Pharmaceutical Holding Company Ltd., Biohaven used to be a subsidiary of Portage until September 30, 2016. Portage’s investment in Biohaven is now less than 20% of the equity of Biohaven and is held as available for sale. The management is currently evaluating various options to divest this investment as soon as it is available for free trading.
4. An investment in Sentien Biotechnologies Inc., Portage’s investment is less than 10% of the equity of Sentien.

We have six members on the Board of Directors - Dr. Declan Doogan, Dr. Gregory Bailey, Mr. James Mellon, Mr. Steven Mintz, Dr. Ian Walters and Mr. Kam Shah. These six directors were re-appointed in the shareholders annual and special meeting of July 6, 2017. Dr. Bailey is our chairman, Dr. Doogan is a chief executive officer and Mr. Shah is Chief Financial Officer and corporate secretary.

PPL/EyGen management consisted of Dr. Bruce Littman as CEO, Dr. Frank Marcoux as Chief Scientific Officer (CSO) and Mr. Kam Shah as CFO. The PPL management reports to the PPL Board of directors comprising Dr. Doogan as Chairman, Dr. Bailey, Mr. Shah, Dr. Littman and Dr. Marcoux. PPL also created a scientific advisory board (SAB) consisting of Drs. Sankar Ghosh, Michael Caplan and Burt Adelman. In addition, PPL has seven consultants comprising scientists and researchers.

A brief biodata of the key people in our organization is provided below:

#### **Declan Doogan M.D. - Director and CEO**

Dr. Doogan has served as a director of Portage since June 2013. Dr. Doogan is a director in Biohaven Pharmaceutical Holding Company Ltd., a director of Portage Pharmaceuticals Limited since July 2013, and a director of Sosei Group Corporation since June 2007. Dr. Doogan has over 30 years of industry experience in both major pharma and biotech. He was the Senior Vice-President and Head of Worldwide Development at Pfizer. He has held a number of executive positions in Pfizer in the US, the UK and Japan. Since leaving Pfizer in 2007, he has been engaged in executive roles in small pharma. Dr. Doogan was chief medical officer and acting CEO of Amarin (AMRN: NASDAQ). He has also been Chief Medical Officer for Prometheus Laboratories, a molecular diagnostics company in San Diego. Dr. Doogan holds a number of board appointments, principally in pharma companies, and has also held professorship at Harvard School of Public Health, Glasgow University Medical School and Kitasato University (Tokyo). Dr. Doogan received his medical degree from Glasgow University in 1975. He is a Fellow of the Royal College of Physicians and the Faculty of Pharmaceutical Medicine and holds a Doctorate of Science at the University of Kent in the UK.

#### **Kam Shah CA, CPA (CANADA), CPA (US), CGMA (US) -CFO and Director**

Kam Shah is a senior finance executive with over 25 years of financial and management experience across a range of industries and companies with significant operating scale and complexity. Kam is a Certified Public Accountant and Chartered Global Management Accountant of the American Institute of CPAs and a Chartered Professional Accountant of the Canadian Institute of CPAs. He has experience in all aspects of corporate finance, including audits, SEC/OSC reporting, forecasting, and business plan development. Kam is also a director and the Chief Financial Officer of SalvaRx Group plc a publicly listed group of companies trading on alternative investment market of London Stock Exchange and engaged in biotechnology.

#### **Gregory Bailey M.D. - Chairman**

Greg Bailey, M.D., is chairman of Portage Biotech, Inc. and was previously managing partner of Palantir Group, Inc., a merchant bank specializing in biotech and intellectual property. He has over 15 years' experience in investment banking and has founded several companies. Along with comprehensive experience in healthcare, finance and medicine, Greg brings to the Board an extensive involvement in corporate governance. He has served on multiple public company boards of directors and is a director in SalvaRx Group plc., trading on alternative investment market of London Stock Exchange and engaged in biotechnology. Greg was a practicing physician for ten years and holds a M.D. degree from the University of Western Ontario.

### **Jim Mellon - Director**

Jim Mellon is an investor with interests in several industries. After leaving Oxford University, where he studied PPE, he worked in Asia and the United States in two fund management companies, GT and Thornton, before establishing his own business in 1991. This now has two components: a listed fund management company, Charlemagne Capital Limited and an Asian investment group, Regent Pacific Group Limited. In addition, Jim is a controlling shareholder and a director of Manx Financial Group, an Isle of Man based bank and a controlling shareholder of Webis Holdings plc. He is also a co-founder of Uramin and Red Dragon Resources, both mining groups. Burnbrae, his private company, is a substantial landlord in Germany and in the Isle of Man, and it owns outright the hotel chain, Sleepwell Hotels Limited. Jim is the co-chairman of FastForward Innovations Limited and a director of SalvaRx Group plc.. trading on alternative investment market of London Stock Exchange and engaged in biotechnology. His book 'Cracking the Code', which was published in 2012, focused on investment opportunities in the life sciences sector. Jim is an honorary fellow of Oriel College, Oxford University

### **Steven Mintz - director**

Steven Mintz is a senior financial consultant qualified as CA since 1992 and received BA (Economics and accounting) from University of Toronto in 1989. He obtained Trustee in Bankruptcy license in 1995 and Practiced public accounting at a large accounting firm between 1989 to 1992. He has been president of St. Germain Capital Corp., and CFO of Minkids Group, a family investment and holding company and director in various other companies.

### **Dr Ian Walters - Director**

Ian Walters, M.D., M.B.A., is the Entrepreneur in Residence at Mediqventures and is part-time CMO of Intensity Therapeutics, Inc. Over his 19 year career, he has demonstrated both leadership and expertise in drug development, including the advancement of multiple cancer compounds from research stages through approval. Ian specialises in the evaluation, prioritisation, and the innovative development of new therapies for the treatment of severe diseases. He has worked at PDL BioPharma, Inc., Millenium Pharmaceuticals, Inc., and Sorrento Therapeutics, Inc., leading corporate development, translational medicine, clinical development and medical affairs. Ian spent seven years at Bristol-Myers Squibb between 2007 and 2014, where he managed physicians overseeing the international development of more than eight oncology compounds (including Nivolumab (anti-PD-1), Ipilimumab (anti-CTLA-4), brivanib (anti VEGF/FGF), anti-IGF/IR, VEGFR2 biologic, Elotuzimab (antiCS1), as well as biomarker and companion diagnostic work. He was a core member of Bristol-Myers Squibb's Strategic Transactions Group evaluating and executing licensing agreements, mergers and acquisitions, clinical collaborations, and the company's immuno-oncology strategy. Before entering the private sector, Ian was a lead investigator at the Rockefeller University and initiated advanced immunology research to understand the mechanism of action of several compounds. Ian received his MD from the Albert Einstein College of Medicine and an MBA from the Wharton School of The University of Pennsylvania.

### **Bruce H. Littman, MD - CEO**

- Former Pfizer VP Global Translational Medicine
- Over 30 years' pharmaceutical company and academic research experience

### **Frank W. Marcoux, Ph.D. - CSO**

- Former Pfizer VP Quantitative and Innovative Medicine WW Development and former VP Biology Discipline WW Discovery
- Over 25 years' pharmaceutical company and academic research

## **(D) PROPERTY PLANTS AND EQUIPMENT**

Our subsidiary, Portage Services Ltd., currently leases office space at 47 Avenue Road, Suite 200, and Toronto, Ontario, Canada for approximately \$2,300 per month. The leased area is approximately 950 square feet. Our current lease agreement is a month to month arrangement.

## **ITEM 4A - UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 5 - OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **(A) OPERATING RESULTS**

The following discussion should be read in conjunction with the Audited Financial Statements of the Company and notes thereto for the year ended March 31, 2017 contained elsewhere in this report.

#### **Operating results**

<b>Year ended March 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>In 000' \$</b>		
Operating expenses	36,044	9,195	4,341
Gain on restating retained interest in associate at fair value	(49,864)	-	-
Share of losses in associate	14,461		
Net loss	641	9,195	4,341
Unrealized gain on investment, available for sale	24,547		
Total comprehensive (profit) loss for year	(23,906)	9,195	4,341
Non-controlling interest	16,940	3,489	1,223
Net (profit) loss attributable to owners	(40,846)	5,706	3,118
	(23,906)	9,195	4,341
(Retained earnings) deficit	(14,981)	14,618	9,453

#### **Overview**

Our subsidiaries, PPL and EyGen are in pre-clinical stage. We commenced our operations in June 2013 after acquiring Bontan Corporation Inc. through a reverse acquisition. We devoted substantially all our efforts in identifying and developing our product candidates including acquisition of exclusive licenses and several preclinical studies for PPL-003, our lead product candidate in PPL.

We invested approximately \$7 million in Biohaven which was our subsidiary until September 30, 2016. However, effective February 15, 2017, we concluded that we lost control and significant influence over Biohaven and de-consolidated it as at September 30, 2016 and discontinued its accounting on an equity basis on February 15, 2017. Since then, we are holding our investment in Biohaven at fair value as an investment available for sale.

Our other portfolio companies also included Sentien wherein we invested \$ 700,000.

Details of these companies are explained above under item 4 (B) - business overview.



We do not have any approved products and have never generated any revenue from product sales. We have funded our operations from funds raised through various private placements.

We anticipate that our expenses will increase substantially in the future as we:

- pursue our ongoing planned pre-clinical and clinical development at PPL and EyGen, seek further new investment opportunities to expand our pipeline.
- hire additional personnel, particularly in our research and development, clinical supply and quality control groups;
- Add operational, financial and management information systems and related finance and compliance personnel and
- Operate as a public company

We believe the eventual divestment of our equity investment in Biohaven, as discussed elsewhere in this report will provide the required financing to meet the anticipated increase in our costs.

## Expenses

The overall analysis of the expenses is as follows: (in 000' \$)

Year ended March 31,	2017	2016	2015
	In 000' \$		
Research and development	32,450	4,577	2,929
Consulting fees	1,923	4,014	1,072
Professional fees	634	501	224
Other costs	1,037	103	116
	36,044	9,195	4,341

## Research & development

These costs comprised the following:

Year ended March 31,	2017	2016	2015
	In 000' \$		
Licence fee at Biohaven	21,297	-	
Development expenditure at Biohaven	10,080	3,675	2,000
Patent registration	60	78	37
Consulting fee	677	359	466
Other outside services	336	465	426
	32,450	4,577	2,929

## Fiscal year 2017

As discussed earlier, Biohaven financials were consolidated for the period from April 1, 2016 to September 30, 2016 since it was considered a subsidiary of Portage.

Biohaven is a clinical-stage biopharmaceutical company with a portfolio of innovative, late-stage product candidates targeting neurological diseases, including rare disorders. Biohaven product candidates are small molecules based on two distinct mechanistic platforms-calcitonin gene-related peptide, or CGRP, receptor antagonists and glutamate modulators.

During the six months to September 30, 2016, approximately \$21.1 million of the licence fee related to payments in cash and in shares made to Bristol-Myers Squibb under a licence agreement relating to rimegepant, a CGRP program for the acute treatment of migraine.

Other development expenditure related to BHV-3500, the second product candidate from the CGRP receptor antagonist platform, which is a small molecule, structurally distinct from rimegepant, that Biohaven is developing for the prevention of chronic and episodic migraine, trigriluzole (previously known as BHV-4157) for the treatment of ataxias, BHV-0223 for the treatment of ALS and BHV-5000 for the treatment of symptoms associated with Rett syndrome, the last three under their glutamate modulation platform.

Consulting fee relates to cash fee charged by the CEO, CSO and others at PPL and EyGen of approximately \$382,000 and value of PPL options issued to CEO and CSO vested during the year of approximately \$11,000. PPL also incurred third party costs of approximately \$ 336,000 for various pre-clinical trials as more fully described under section 4(B) of this report.

Section 4(B) also describes in greater details development activities carried out at PPL, EyGen and Biohaven.

#### **Fiscal year 2016:**

Biohaven has signed a Master Service Agreement on January 31, 2014, as subsequently amended in April 2014, with Biohaven Pharmaceuticals Inc., a private Delaware incorporated research and development company (“BPI”). BPI is owned by non-controlling shareholders of Biohaven and is engaged by Biohaven to conduct, on behalf of Biohaven, research and development services Under the agreement, Biohaven was charged \$500,000 each quarter by BPI. Biohaven also contracted other parties for trial samples and testing. During the year, Biohaven had significant activities resulting in submission of three INDs, clinical phase one testing for BHV-223 and other related activities as more fully described in section 4(B) of this report.

Consulting fee relates to cash fee charged by the CEO, CSO and others at PPL of approximately \$306,000 and value of PPL options issued to CEO and CSO vested during the year of approximately \$53,000. PPL also incurred third party costs of approximately \$ 465,000 for various pre-clinical trials.

#### **Fiscal year 2015:**

Consulting fee includes cash fee of \$ 328,921 to CEO, CSO and various other consultants and value of options granted to CEO and CSO to acquire up to 7% equity interest in PPL valued at \$ 136,632.

Biohaven was charged \$ 2 million by BPI under the master service agreement.

Other outside services costs were incurred by PPL and relates to its pre-clinical work.

#### **Consulting fees**

Fees include cash fee, shares and options issued to key management, directors and others as detailed in Note 13 to the consolidated financial statements for the year ended March 31, 2017. Significant part of the consulting fee for the year ended March 31, 2017 comprised stock based compensation of approximately \$1.7 million. \$1.3 million related to 7,250,000 shares issued to four directors in lieu of their services. Fee for the fiscal year 2017 declined compared to the fee for the fiscal year 2016 mainly due to absence of any new options and fees by Biohaven during the six months to September 30, 2016.

Fiscal 2016 consulting fee includes cash fee of \$204,000, shares and options granted to Portage directors and management of \$554,078 and options granted by Biohaven to its Board, management and other consultants of \$3,256,182. CFO took in cash fee while chairman accepted shares and CEO accepted options in lieu of their fees.

During the fiscal year 2015, CFO took in cash fee while chairman accepted shares and CEO accepted options in lieu of their fees. In addition, directors and other consultants were granted options. Further, Biohaven granted options to their management and board members to acquire equity interest in their capital, value of which based on Black-Scholes model was expensed to consulting fee.

### ***Professional fees***

Professional fees include \$137,480 at Portage comprising audit fee of approximately \$72,000 and the balance was the legal fee. Biohaven legal fee for the six months to September 30, 2016 included in the professional fee was \$496,510. Portage legal fee included approximately \$46,000 fee charged by a litigation lawyer in launching a claim against a supplier by PPL which successfully resulted in settlement under which PPL will receive total of \$120,000 as more fully explained in note 4 to the audited consolidated financials for the fiscal year 2017 included in this report.

Professional fee for fiscal 2016 consists of \$34,182 at Portage and \$467,091 at Biohaven. Portage fee comprised legal fee of \$22,141 relating to various corporate and regulatory legal services and audit fee accrual for the year of \$40,000 which was offset by reversal of previous year's over accrual of \$27,959 resulting in net cost of \$12,071 plus other services by the auditors of \$1,387. Biohaven fee consists entirely of legal fees, which were mainly incurred in providing corporate services including preparation and review of various contracts and option agreements and also providing secretarial services.

Professional fees for fiscal 2015 consisted of accrual for audit and related services fee of approximately \$67,000 and legal fees of approximately \$157,000, of which \$137,000 of legal fees were incurred at Biohaven and balance was towards corporate and regulatory matters.

### ***Changes in Investment in Biohaven during the year***

In January 2014, the Company invested \$ 3.5 M in Biohaven and acquired 54% equity interest in Biohaven. The balance of the equity was held by the Biohaven founders and there were no third-party investors. Portage, thus, held controlling interest in Biohaven and therefore consolidated its financials as subsidiary as at March 31, 2014 and 2015. In February 2016, a third party and Portage made further investments, which brought Portage's equity down to 52.85% - Biohaven financials were still consolidated as at March 31, 2016.

During the fiscal year 2017, Biohaven continued to raise significant equity funding from third parties and all options and warrants issued by Biohaven became "in-money". The Company's equity and its relative control and influence in Biohaven therefore reduced gradually, which required three different accounting treatments under the requirements of the IFRS as follows:

- a. Existence of significant control - Biohaven considered a subsidiary until September 30, 2016

While the Company's shareholding in Biohaven was 48.45% as at September 30, 2016, management considered other factors including the representation on the board and concluded that it still had control and therefore consolidated Biohaven results and financial position as a subsidiary for the period from April 1, 2016 to September 30, 2016.

b. Loss of control but existence of significant influence - Biohaven considered an associate

In October 2016, Biohaven secured an \$80 million equity funding commitment from third party investors. The first tranche of the financing, in the amount of \$40 million, closed in October 2016, after which the Company's ownership in Biohaven declined to 35.16% of Biohaven's outstanding capital stock. The second tranche of the financing, in the amount of \$40 million, closed in February 2017. Thus, with the presence of more significant third-party investment and potential future changes to the board structure, it was considered most likely that the Company's substantive position was moving away from control to significant influence. The Company therefore concluded that Biohaven ceased to be its subsidiary effective October 1, 2016 and recognized it as a disposal of the subsidiary and a new investment in associate as per IFRS 10 and IAS 28.

As an associate, Company's investment in Biohaven was accounted for on an equity basis until February 15, 2017. The equity basis accounting involved taking that portion of Biohaven net income or loss proportionate to the Company's equity interest in Biohaven for the period from October 1, 2016 to February 15, 2017.

c. Loss of significant influence - Biohaven investment considered an investment, available for sale On February 15, 2017, several factors led the Company to conclude that it no longer had significant influence over Biohaven. These factors included:

- Portage was no longer able to financially support Biohaven and Biohaven began preparation for an initial public offering and listing on a recognized stock exchange. Biohaven eventually completed its public offering in May 2017 raising approximately \$193.5 million and getting listed on New York Stock Exchange. The Company's equity position in Biohaven has reduced to 17.74% in May 2017.
- Resignation of one of the Company's directors from the Board of Biohaven and appointment by Biohaven of two independent directors.
- The Company had no direct participation or influence over the management of Biohaven.
- Biohaven's actions clearly indicated their intention to be an independent company.

The Company began to consider its investment in Biohaven as "available-for-sale" effective February 15, 2017 and was stated at a fair value as at March 31, 2017 based on the price of the last available third-party financing by Biohaven.

The accounting effects of the above changes are as follows:

	\$	\$
Fair value of retained investment in former subsidiary, at 48.45% of the fair value of Biohaven based on the price of the last financing by Biohaven prior to September 30, 2016		48,826,747
Add: The carrying amount of former subsidiary:		
Biohaven Liabilities net of assets and goodwill consolidated at September 30, 2016		
Net of non-controlling interest at September 30, 2016		1,036,794
<b>Net gain on restating interest in associate at fair value charged to income statement</b>		<b>49,863,541</b>
<b>Carrying value of investment in Biohaven at October 1, 2016</b>		<b>48,826,747</b>
<b>Equity accounting between October 1, 2016 to February 15, 2017</b>		
Share of net loss of Biohaven for October 2016 at 48.45% being the average equity holding in Biohaven	(4,485,764)	
Share of net loss of Biohaven for the period from November 1, 2016 to February 15, 2017 at 35.16% being the average equity holding in Biohaven	(9,975,441)	(14,461,205)
<b>Net carrying value of investment in Biohaven as at February 15, 2017</b>		<b>34,365,542</b>
Gain on revaluation of Investment in Biohaven at fair value at March 31, 2017 charged to accumulated other comprehensive income		24,546,993
<b>Investment, available for sale at fair value at March 31, 2017</b>		<b>58,912,535</b>

The Company currently holds 6,341,500 common shares in Biohaven. The Company is a party to a “lock-up” agreement which will prevent it from selling or otherwise disposing Biohaven shares until 180 days after the date of the final prospectus filed by Biohaven with SEC. The effective date of registration form S-1 was May 3, 2017.

The management believe that investment in Biohaven is likely to expose the Corporation to be considered an inadvertent investment company under the definition of investment company in the US Investment Company Act of 1940 and may subject the corporation to a number of onerous requirements and restrictions. The Board of Directors is currently consulting with US securities counsel and other experts to determine the best way to avoid being considered an investment company. This may involve either disposing this investment or distribute to the shareholders as dividend or a combination of any of these alternatives.

The investment in Biohaven is therefore reclassified as current assets.

## **(B) LIQUIDITY AND CAPITAL RESOURCES**

### ***Working Capital***

As at March 31, 2017, the Company had a net working capital of approximately \$ 59 million compared to a working capital of approximately \$4.6 million as at March 31, 2016. Significant increase is due to revaluing our investment in Biohaven at fair value at March 31, 2017 and re-classifying it as current assets as explained earlier.

As at March 31, 2016, the Company had a net working capital of approximately \$ 4.6 million compared to a working capital of approximately \$1.1 million as at March 31, 2015. Significant increase is due to approximately \$10.6 million raised by Portage and Biohaven during the year through private placements.

As at March 31, 2015, the Company had a net working capital of approximately \$ 1.1 million compared to a working capital of approximately \$2.1 million as at March 31, 2014. Decrease was due to full year's operating expenses at PPL and Biohaven which were partly offset by additional capital of \$ 2.3 million raised during the fiscal year through private placement and debt conversion.

### ***Operating cash flow***

During the fiscal year 2017, operating activities required a net cash outflow of approximately \$1.3 million, which was met from cash on hand and additional cash raised through debt financing at PPL.

During the fiscal year 2016, operating activities required a net cash outflow of approximately \$5.8 million, of which approximately \$4.5 million was spent on research and development activities. Cash required was met from cash on hand and additional cash raised through equity financing.

During the fiscal year 2015, operating activities required a net cash outflow of approximately \$ 2.6 million, which primarily included research and development costs of approximately \$2.2 million incurred by its operating subsidiaries – PPL and Biohaven. The balance comprised mainly legal costs and consulting. This was met from the cash on hand and raised through private equity funding.

The Company is required to support further research and development at its subsidiaries –PPL and EyGen are looking for partner for further development of its PPL-003 as explained under section 4(B) of this report.

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

1. the existence of economically recoverable medical solutions;
2. the ability of the Company to obtain the necessary financing to complete the research; or
3. future profitable production from, or proceeds from the disposition of intellectual property.
4. Potential cash flow that may be expected from any future divestment of Biohaven investment discussed further elsewhere in this report.

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

### ***Investing cash flows***

There was no investing activity during the fiscal year 207. However, The Company de-consolidated Biohaven due to loss of control as at September 30, 2016. As a result, Biohaven cash on hand of approximately \$3.4 carried from prior period was considered as investing cash outflow.

There were two significant investments during the fiscal year 2016:

As part of the Company's commitment to expand its drug development pipeline, the Company acquired in August 2015, 210,210 Series A preferred stock in Sentien Biotechnologies Inc., a Medford, MA based private company ("Sentien") for \$ 700,000 in cash. The cash was met from additional cash raised through equity financing. The preferred stock is fully convertible into equal number of common shares. The Company's holdings represent less than 20% of the equity of Sentien. Sentien is planning Phase 1 study of its lead product, a cell-containing dialysis device for the treatment of Acute Kidney Injury.

Further, in August 2015, Biohaven acquired worldwide intellectual property rights to a portfolio of over 300 prodrugs, classified as New Molecular Entities, including IP rights to all future therapeutic indications. Biohaven paid cash of \$ 1,000,000 plus issued 100 shares valued at \$ 2,800 per share and two warrants for a total of 1,200 shares. Total purchase price of approximately \$4 million has been capitalised as intangible assets.

There were no investing activities in the fiscal year 2015.

### ***Financing cash flows***

During the fiscal year 2017, PPL raised \$200,000 by issuance of loan notes carrying 7% interest coupon and warrants convertible into common shares of PPL. Note 7 to the audited consolidated financials for the fiscal 2017 provides further details on these loan notes.

During the fiscal year 2016, Portage raised approximately \$6.2 million through various private equity placements. Details of these private placements are given in Note 8 to the consolidated financial statements for the fiscal year. Biohaven also raised approximately \$4.4 million from third parties through private placement of its shares.

During the fiscal year 2015, the Company raised \$ 300,000 through issuance of convertible promissory notes in July 2014. All the notes were converted in September 2014 into common shares. In October 2014, the Company raised additional \$ 2 million through a non-brokered private placement offerings of 20 million common shares.

### **(C) RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**

From May 23, 2012 to date, the Company through its operating subsidiaries is engaged in clinical and pre-clinical studies as detailed under Item 4 (B) business overview of this report. Research and development expenses analysis and details are provided under Item 5 (A) of this report. All research and development expenses are expensed as they are incurred.

PPL's CPP platform is protected by two suits of intellectual property - (a) an exclusive license for all patents on Antennapedia –based cell permeable peptides for non-oncology use. And (b) international patents for proprietary human-derived cell penetrating peptide structures.

### **(D) TREND INFORMATION**

There are no other trends, commitments, events or uncertainties presently known to management that are reasonably expected to have a material effect on the Company's business, financial condition or results of operation other than as disclosed elsewhere in this report (Refer to the heading entitled "Risk Factors").

## (E) OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2017, and 2016, the Company did not have any off balance sheet arrangements, including any relationships with unconsolidated entities or financial partnership to enhance perceived liquidity.

## (F) CONTRACTUAL OBLIGATIONS

None.

## (G) SAFE HARBOUR

Not applicable.

## ITEM 6 - DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### (A) DIRECTORS AND SENIOR MANAGEMENT

The following sets forth the names and province or state and country of residence of our directors and executive officers, the offices held by them in the Corporation, their current principal occupations, all as of July 27, 2017, the date of this report, their principal occupations during the last five years and the month and year in which they became directors or officers. The term of each director expires on the date of our next annual meeting.

<b>Name, Province/State and Country of Residence and Present Position with Portage (1)</b>	<b>Date became Director/Officer</b>	<b>Principal Occupation Last five years</b>
Dr. Gregory Bailey (2) London, UK Chairman of the Board of Director	June 4, 2013	See section 4 (C ) of this report
Dr. Declan Doogan Stonington, CT, USA Chief Executive Officer and Director	June 4, 2013	See section 4 (C ) of this report
Mr. Jim Mellon (2) (3) Isle of Man Director	June 4, 2013	See section 4 (C ) of this report
Mr. Kam Shah (2) Ontario, Canada Director and Chief Financial Officer	January 3, 1999	See section 4 (C ) of this report
Dr. Ian Walters (2) (3) Connecticut, USA	August 1, 2016	See section 4 (C ) of this report
Mr. Steven Mintz (2) (3) Ontario, Canada Director	April 6, 2016	See section 4 (C ) of this report

- (1) Neither age nor date of birth of directors or executive officers is required to be reported in our home country nor otherwise publicly disclosed.



- (2) Member of the Audit and Compensation Committee. Mr. Jim Mellon is the Chair of this Committee.  
(3) Independent directors

## Family Relationships

There are no family relationships between the directors and executive officers.

## Other Relationships

There are no arrangements or understandings between any major shareholder, customer, supplier or others, pursuant to which any of the above-named persons were selected as directors or members of senior management.

## (B) COMPENSATION

The compensation payable to directors and officers of the Company and its subsidiary is summarized below:

### 1. General

The Company does not compensate directors for acting solely as directors. Except as described below, the Company does not have any arrangements pursuant to which directors are remunerated by the Company or its subsidiary for their services in their capacity as directors, other than options to purchase shares of the Company which may be granted to the Company's directors from time to time and the reimbursement of direct expenses.

The Company does not have any pension plans.

### 2. Statement of Executive Compensation

The following table and accompanying notes set forth all compensation paid by the Company to its directors, senior management and key consultants for the fiscal years ended March 31, 2017, 2016 and 2015:

Name & principal position	Year	Annual compensation			Long term compensation				Total compensation
		Fee (3)	Bonus	Other	Securities under options/SARs granted (1) & (4)	Shares or units subject to resale restriction	LTIP payout (2)	Other	
Declan Doogan CEO	2017	\$ 468,000							\$ 468,000
	2016				\$ 187,900				\$ 187,900
	2015				\$ 150,391				\$ 150,391
Kam Shah CFO	2017	\$ 360,000							\$ 360,000
	2016	\$ 180,000			\$ 43,362				\$ 223,362
	2015	\$ 180,000			\$ 30,078				\$ 210,078
Gregory Bailey Business development and Chairman	2017	\$ 540,000							\$ 540,000
	2016	\$ 100,000			\$ 126,471				\$ 226,471
	2015	\$ 120,000			\$ 57,968				\$ 177,968
James Mellon Independent director and audit committee member	2017	\$ 117,000							\$ 117,000
	2016				\$ 36,135				\$ 36,135
	2015				\$ 23,188				\$ 23,188

Name & principal position	Year	Annual compensation			Long term compensation				Total compensation
		Fee (3)	Bonus	Other	Securities under options/SARs granted (1) & (4)	Shares or units subject to resale restriction	LTIP payout (2)	Other	
Steven Mintz Independent director and audit committee member	2017				\$ 55,934				\$ 55,934
	2016								
	2015								
Ian Walters Independent director and audit committee member	2017				\$ 55,934				\$ 55,934
	2016								
	2015								

**Notes:**

1. "SAR" means stock appreciation rights. The Company never issued any SARs
2. "LTIP" means long term incentive plan. The Company does not have any such Plan.
3.
  - a. Fee for fiscal 2017 includes 3 million shares issued to Dr. Bailey for a valuation of \$540,000, 2.6 million shares issued to Dr. Doogan for a value of \$468,000, 650,000 shares issued to Mr. Mellon for a value of \$117,000 and 1 million shares issued to Mr. Shah for a value of \$180,000.
  - b. Fee for fiscal 2016 includes 1 million shares to Dr. Bailey valued at \$100,000,
  - c. 2015 fee includes 1.5 million shares to Dr. Bailey valued at \$ 120,000.
4.
  - a. For fiscal 2017, Mr. Mintz and Dr. Walters were issued 633,597 options each as joining bonus. These options can be exercised to convert into equal number of common shares of the Company at an exercise price of \$0.15 per share, are valid for five years and will vest in equal number over four years from October 11, 2017. In addition, they were issued 175,000 options each for their services during the fiscal year 2017. These options are valid for five years, vesting in equal installments over two years from January 1, 2017 and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per share.
  - b. For the fiscal year 2016: Dr. Bailey was issued 1,750,000 options, Dr. Doogan was issued 2.6 million options, Mr. Shah was issued 600,000 options and Mr. Mellon was issued 500,000 options. These options are valid for five years, convertible into equal number of shares at an exercise price of \$0.15/share and will vest in 24 equal instalments over the two years.
  - c. For fiscal 2015, total of 4.4 million options were issued to four directors- 1 million to Dr. Bailey, 2.5 million to Dr. Doogan, 500,000 to Mr. Shah and 400,000 to Mr. Mellon. These options are valid for five years and convertible into equal number of shares, exercisable at \$0.10 per share and vesting in equal monthly instalments over two years. The options were registered with US Securities and Exchange commission on March 17, 2015.

**Long Term Incentive Plan (LTIP) Awards**

The Company does not have a LTIP, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities) was paid or distributed to the Named Executive Officers during the most recently completed financial year.

**Defined Benefit or Actuarial Plan Disclosure**

There is no pension plan or retirement benefit plan that has been instituted by the Company and none are proposed at this time.

## **Indebtedness of Directors, Executive Officers and Senior Officers**

None.

## **Directors' and Officers' Liability Insurance**

The Company has purchased, at its expense, directors' and officers' liability insurance policy to provide insurance against possible liabilities incurred by them in their capacity as directors and officers of the Company.

## **(C) BOARD PRACTICES**

Directors may be appointed at any time in accordance with the by-laws of the Company and then re-elected annually by the shareholders of the Company. Directors receive no compensation for serving as such, other than stock option and reimbursement of direct expenses. Officers are elected annually by the Board of Directors of the Company and serve at the discretion of the Board of Directors.

The Company has not set aside or accrued any amount for retirement or similar benefits to the directors.

## **Mandate of the Board**

The Board has adopted a mandate; in which it has explicitly assumed responsibility for the stewardship of Portage. In carrying out its mandate the Board holds at least one meeting every alternate month. The frequency of meetings, as well as the nature of the matters dealt with, will vary from year to year depending on the state of our business and the opportunities or risks, which we face from time to time. The Board held a total of 10 meetings (2016: 11 meetings), mostly by way of conference calls, during our financial year ended March 31, 2017. Apart from these meetings, directors also held technical meetings with management of subsidiaries on a monthly basis to assist in the discharge of its responsibilities, the Board has designated one standing committee: An Audit and Compensation Committee effective June 27, 2013, as more particularly discussed below.

## **Audit and Compensation Committee ("ACC")**

The members of the ACC consist of all independent directors - Jim Mellon, Steven Mintz and Ian Walters. Mr. Mellon is an insider and Mr. Mintz and Dr. Walters being independent directors as required under the new rules of the Ontario Securities Commission. Jim Mellon is the chairman of the Committee.

Two new Charters were adopted on June 27, 2013 - Charter of the ACC relating to compensation matters and Charter of the ACC relating to Audit matters. These Charters are included in the Exhibits to this report by way of a reference.

The ACC relating to audit matters is charged with overseeing the Company's accounting and financial reporting policies, practices and internal controls. The committee reviews significant financial and accounting issues and the services performed by and the reports of our independent auditors and makes recommendations to our Board of Directors with respect to these and related matters.

Audit Committee charter assists the Board in fulfilling its responsibilities for our accounting and financial reporting practices by:

- reviewing the quarterly and annual consolidated financial statements and management discussion and analyses;
- meeting at least annually with our external auditor;
- reviewing the adequacy of the system of internal controls in consultation with the chief executive and financial officer;
- reviewing any relevant accounting and financial matters including reviewing our public disclosure of information extracted or derived from our financial statements;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- pre-approving all non-audit services and recommending the appointment of external auditors;
- reviewing and approving our hiring policies regarding personnel of our present and former external auditor: and
- reviewing and approving all employee and consultants contracts, bonuses and other compensation matters

ACC Charter relating to compensation matters will monitor incentive and equity based compensation plans for the executives based on their periodic performance evaluation.

### **Corporate Governance Committee**

The Company does not have a separate corporate governance committee. The management in conjunction with the ACC has developed and updated corporate governance practices and policies, code of ethics and corporate disclosure policy which form part of our internal control over financial reporting manual. The goal is to provide a mechanism that can assist in our operations, including but not limited to, the monitoring of the implementation of policies, strategies and programs and the development, continuing assessment and execution of the Company's strategic plan.

### **(D) EMPLOYEES**

The Company presently has no employee. It uses the services of consultants from time to time.

### **(E) SHARE OWNERSHIP**

The Company usually creates a Stock Option Plan.

As at July 27, 2017, the date of this report, the Company had one active Consultants Stock Compensation Plan and one active Stock Option Plan. Details of these Plans and movements therein during the fiscal 2017 are given in Notes 8(c) and 9(b) respectively to the consolidated financial statements for the fiscal 2017. As of the date of this report, there were 1,561,667 common shares registered under the Consultants Stock Compensation Plan and not yet allotted.

On December 19, 2013 and March 17, 2015, the Company registered with US Securities and Exchange Commission, options under 2013 Option Plan, under which maximum number of options issuable at any time shall not exceed 10% of issued and outstanding common shares of the Company. 17,077,605 options were issued and outstanding as at July 27, 2017. In addition, our subsidiaries also have options plans for acquiring equity in subsidiaries for their directors and management.

The objective of these stock plans is to provide for and encourage ownership of our common shares by our directors, officers, consultants and employees and those of any subsidiary companies so that such persons may increase their stake in our company and benefit from increases in the value of the common shares. The Plans are designed to be competitive with the benefit programs of other companies in the Biotechnology sector. It is the view of management that the plans are a significant incentive for the directors, officers, consultants and employees to continue and to increase their efforts in promoting our operations to the mutual benefit of both our company and such individuals and also allows us to avail of the services of experienced persons with minimum cash outlay.

The following table sets forth the share ownership of our executive officers and directors as at July 27, 2017:

Name	Common shares beneficially owned		Options exercisable for equal number of common shares			
	number	Percentage *	number	Exercise price	Expiry date	
Kam Shah	3,092,131	1%	500,000	\$0.20	Dec. 12, 2018	
			500,000	\$0.10	March 17, 2020	
			600,000	\$0.15	Dec. 7, 2020	
Declan Doogan	30,911,068	12%	1,000,000	\$0.20	Dec. 12, 2018	
			2,500,000	\$0.10	March 17, 2020	
			2,600,000	\$0.15	Dec. 7, 2020	
Gregory Bailey	63,287,110	24%	510,411	\$0.15	Dec. 7, 2020	
Jim Mellon	44,508,688	17%	400,000	\$0.20	Dec. 12, 2018	
			400,000	\$0.10	March 17, 2020	
			500,000	\$0.15	Dec. 7, 2020	
Steven Mintz	2,053,625	1%	633,597	\$0.15	Oct. 10, 2021	
			175,000	\$0.15	Dec. 19, 2021	
Ian Walters	320,000	0%	633,597	\$0.15	Oct. 10, 2021	
			175,000	\$0.15	Dec. 19, 2021	

\* Based on 263,928,483 issued and outstanding common shares at July 27, 2017

All shares and options held by the above persons carry same rights as the other holders of the Common shares of the Company.

## **ITEM 7 - MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **(A) MAJOR SHAREHOLDERS**

The Company's securities are recorded on the books of its transfer agent in registered form. The majority of such shares are, however, registered in the name of intermediaries such as brokerage houses and clearing-houses on behalf of their respective clients. The Company does not have knowledge of all the beneficial owners thereof.

As at July 24, 2017, Intermediaries like CDS & Co, Toronto, Canada and Cede & Co of New York, USA held approximately 44.03% of the issued and outstanding common shares of the company on behalf of several beneficial shareholders whose individual holdings details were not available.

At July 24, 2017, the Company had 263,928,483 shares of common stock outstanding, which, as per the details provided by the Transfer Agents, were held by 118 record holders excluding the beneficial shareholders held through the intermediaries.

The following table sets forth persons known by us to be beneficial owners of more than 5% of our common shares as of July 24, 2017. Beneficial ownership of shares is determined under rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Shares subject to options and warrants that are currently exercisable or exercisable within 60 days of the date of this prospectus are deemed to be outstanding and beneficially owned by the person holding the option and warrant. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

<b>Name of Beneficial Owner</b>	<b>No. of Shares</b>	<b>Percentage of Shares*</b>
Declan Doogan	36,686,068(1)	14%
Greg Bailey	63,733,720 (2)	23%
James Mellon	45,746,188 (3)	17%
* based on 271,387,593 shares including 7,459,110 shares issuable on exercise of vested options to the three individuals.		

- (1) Includes 5,775,000 shares issuable upon exercise of vested options
- (2) Includes 446,610 shares issuable upon exercise of vested options
- (3) Includes 1,237,500 shares issuable upon exercise of vested options.

The Company is a publicly owned BVI corporation, the shares of which are owned by Canadian residents, US residents, and residents of other countries. The Company is not owned or controlled directly or indirectly by another corporation or any foreign government. There are no arrangements, known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

#### ***Insider Reports under Canadian Securities Legislation***

Since the Company is a reporting issuer under the Securities Acts of each of the province of Ontario in Canada, certain "insiders" of the Company (including its directors, certain executive officers, and persons who directly or indirectly beneficially own, control or direct more than 10% of its common shares) are generally required to file insider reports of changes in their ownership of the Company's common shares five days following the trade under National Instrument 55-104 - Insider Reporting Requirements and Exemptions, as adopted by the Canadian Securities Administrators. Insider reports must be filed electronically five days following the date of the trade at [www.sedi.ca](http://www.sedi.ca). The public is able to access these reports at [www.sedi.ca](http://www.sedi.ca).

The U.S. rules governing the ownership threshold above which shareholder ownership must be disclosed are more stringent than those discussed above. Section 13 of the Exchange Act imposes reporting requirements on persons who acquire beneficial ownership (as such term is defined in the Rule 13d-3 under the Exchange Act) of more than 5 per cent of a class of an equity security registered under Section 12 of the Exchange Act. In general, such persons must file, within 10 days after such acquisition, a report of beneficial ownership with the Securities and Exchange Commission containing the information prescribed by the regulations under Section 13 of the Exchange Act. This information is also required to be sent to the issuer of the securities and to each exchange where the securities are traded.

## **(B) RELATED PARTY TRANSACTIONS**

All related part transactions occurred with key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chairman, Chief Executive Officer and Chief Financial Officer are key management personnel.

Related party transactions have been disclosed in note 14 to the audited consolidated financial statements for the fiscal year 2017 included in this report.

## **(C) INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

## **ITEM 8 - FINANCIAL INFORMATION**

### **(A) CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

#### **Financial Statements**

Information regarding our financial statements is contained under Item18 of this Annual Report.

#### **Legal Proceedings**

The Company has no pending legal claims as of today.

#### **Dividend Policy**

Since its incorporation, the Company has not declared or paid, and has no present intention to declare or to pay in the foreseeable future, any cash dividends with respect to its Common Shares. Earnings will be retained to finance further growth and development of the business of the Company. However, if the Board of Directors declares dividends; all Common Shares will participate equally in the dividends, and, in the event of liquidation, in the net assets, of the Company.

### **(B) SIGNIFICANT CHANGES**

Subsequent events have been evaluated through July 27, 2017, the date of this report. These are described in note 18 to the audited consolidated financials for the fiscal year 2017.

## **ITEM 9 - THE OFFER AND LISTING**

### **(A) OFFER AND LISTING DETAILS**

The following tables set forth the reported high and low sale prices for our common shares as quoted on OTC Markets and on Canadian Securities Exchange (CSE) , where the Company's shares got listed and began trading effective October 28, 2013

The following table outlines the annual high and low market prices for the five most recent fiscal years:

Fiscal year ended March 31,	High		Low	
	OTC	CSE	OTC	CSE
In US\$				
2017	0.25	0.22	0.10	0.12
2016	0.31	0.32	0.08	0.08
2015	0.18	0.24	0.07	0.08
2014	0.42	0.22	0.06	0.13
2013	0.16	n/a	0.01	n/a

The following table outlines the high and low market prices for each fiscal financial quarter for the two most recent fiscal periods and any subsequent period:

Fiscal quarter ended	High		Low	
	OTC	CSE	OTC	CSE
In US\$				
30-Jun-17	0.41	0.40	0.18	0.12
31-Mar-17	0.25	0.22	0.13	0.13
31-Dec-16	0.15	0.15	0.12	0.12
30-Sep-16	0.14	0.13	0.11	0.10
30-Jun-16	0.17	0.16	0.10	0.10
31-Mar-16	0.14	0.14	0.08	0.09
31-Dec-15	0.19	0.16	0.08	0.10
30-Sep-15	0.26	0.26	0.15	0.15
30-Jun-15	0.31	0.32	0.08	0.08

The following table outlines the high and low market prices for each of the most recent six months:

Month	High		Low	
	OTC	CSE	OTC	CSE
In US\$				
2017				
June	0.41	0.40	0.30	0.30
May	0.38	0.38	0.34	0.32
April	0.30	0.32	0.18	0.18
March	0.22	0.22	0.16	0.15
February	0.25	0.24	0.16	0.16
January	0.17	0.16	0.13	0.13

## (B) PLAN OF DISTRIBUTION

Not applicable.

## (C) MARKETS

The Company's common shares currently trade in two places

On OTC Quotation Board under the trading symbol "PTGEF". The shares have been traded on OTCQB since 2000. Effective October 28, 2013, the Company's shares are also listed for trading in US currency on the Canadian Securities Exchange (formerly, Canadian National Stock Exchange) under the symbol "PBT.U".



**(D) SELLING SHAREHOLDERS**

Not applicable.

**(E) DILUTION**

Not applicable.

**(F) EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10 - ADDITIONAL INFORMATION****(A) SHARE CAPITAL**

This Form 20F is being filed as an Annual Report under the Exchange Act and, as such, there is no requirement to provide any information under this section.

**(B) MEMORANDUM AND ARTICLES OF ASSOCIATION****General**

Effective July 5, 2013, The Company moved its jurisdiction from Ontario to British Virgin Islands. Our affairs are therefore governed by the provisions of our memorandum of association and articles of association, as adopted on becoming a BVI corporation, and by the provisions of applicable British Virgin Islands law.

On July 6, 2017, the shareholders in the annual and special meeting, approved the replacement by way of amendment and restatement of the existing Memorandum and Articles of Association of the Company with amended and restated memorandum and articles of association. Most of the changes are minor and will not affect shareholders or the day to day administration of the Company. The amended and restated Memorandum and Articles of Association will take effect on the date of filing with the BVI Registry of Corporate Affairs, which was July 25, 2017.

Pursuant to our Memorandum and Articles of Association, we are authorized to issue an unlimited number of ordinary shares of no par value.

The following are summaries of material terms and provisions of our Memorandum and Articles of Association and the BVI Act, insofar as they relate to the material terms applicable to our ordinary shares. Unless otherwise stated, the following summaries are of the terms of our shares as of the date of this annual report. This summary is not intended to be complete, and you should read the form of our Memorandum and Articles of Association, which has been filed as an exhibit to this report.

**Meetings of shareholders**

If our shareholders want us to hold a meeting of shareholders of the company, they may requisition the directors to hold one upon the written request of shareholders entitled to exercise at least 10% of the voting rights in respect of the matter for which the meeting is requested. Under British Virgin Islands law, we may not increase the required percentage to call a meeting above 10%. However, this can be increased up to 30% provided the Memorandum and Articles of Association are amended.

Subject to our Memorandum and Articles of Association, a meeting of shareholders of the company will be called by not less than twenty-one days' written notice. Notice of every meeting of shareholders may be delivered electronically and will be given to all of our shareholders. However, the inadvertent failure of the convener or conveners of a meeting of shareholders to give notice of the meeting to a shareholder, or the fact that a shareholder has not received the notice, does not invalidate the meeting.

A meeting may be called by shorter notice than that mentioned above, but, subject to our articles of association, it will be deemed to have been duly called if shareholders holding at least 90% of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a shareholder at the meeting shall constitute a waiver in relation to all the shares which that shareholder holds.

A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy two or more shareholders entitled to vote at the meeting.

### ***Rights attaching to shares***

#### **Voting rights**

Holders of our ordinary shares have identical rights, including dividend and liquidation rights, provided that, except as otherwise expressly provided in our Amended Memorandum and Articles of Association or required by applicable law, on any matter that is submitted to a vote of our shareholders, holders of our ordinary shares are entitled to one vote per ordinary share.

Under the BVI Act, the ordinary shares are deemed to be issued when the name of the shareholder is entered in our register of members. Our register of members is maintained by our transfer agent, Equity Transfer Services Inc., which enters the names of our shareholders in our register of members. If (a) information that is required to be entered in the register of shareholders is omitted from the register or is inaccurately entered in the register, or (b) there is unreasonable delay in entering information in the register, a shareholder of the company, or any person who is aggrieved by the omission, inaccuracy or delay, may apply to the British Virgin Islands courts for an order that the register be rectified, and the court may either refuse the application or order the rectification of the register, and may direct the company to pay all costs of the application and any damages the applicant may have sustained.

Subject to any rights or restrictions attached to any shares, at any general meeting on a show of hands every shareholder of record who is present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote and on a poll every shareholder present in person (or, in the case of a shareholder being a corporation, by its duly appointed representative) or by proxy shall have one vote for each share which such shareholder is the holder. Voting at any meeting of the shareholders is by show of hands unless a poll is demanded. A poll may be demanded by shareholders present in person or by proxy if the shareholder disputes the outcome of the vote on a proposed resolution and the chairman shall cause a poll to be taken.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is registered as our shareholder at the applicable record date for that meeting. Shareholders of record may also pass written resolutions without a meeting.

## **Protection of minority shareholders**

Under the laws of the British Virgin Islands, there is little statutory law for the protection of minority shareholders other than the provisions of the BVI Act dealing with shareholder remedies. The principal protection under statutory law is that shareholders may bring an action to enforce the BVI Act or the constituent documents of the corporation, our Memorandum and Articles of Association. Shareholders are entitled to have our affairs conducted in accordance with the BVI Act and the Memorandum and Articles of Association.

There are common law rights for the protection of shareholders that may be invoked, largely dependent on English company law, since the common law of the British Virgin Islands is limited. Under the general rule pursuant to English company law known as the rule in *Foss v. Harbottle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to British Virgin Islands law and the constituent documents of the company. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's Memorandum and Articles of Association, then the courts may grant relief.

Generally, the areas in which the courts will intervene are the following: (1) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority; (2) acts that constitute fraud on the minority where the wrongdoers control the company; (3) acts that infringe or are about to infringe on the personal rights of the shareholders, such as the right to vote; and (4) where the company has not complied with provisions requiring approval of a special or extraordinary majority of shareholders, which are more limited than the rights afforded minority shareholders under the laws of many states in the U.S.

## **Pre-emption rights**

British Virgin Islands law does not make a distinction between public and private companies and some of the protections and safeguards (such as statutory pre-emption rights, save to the extent that they are expressly provided for in the Memorandum and Articles of Association) that investors may expect to find in relation to a public company are not provided for under British Virgin Islands law. There are no pre-emption rights applicable to the issuance of new shares under either British Virgin Islands law or our Amended Memorandum and Articles of Association.

## **Liquidation rights**

As permitted by British Virgin Islands law and our Memorandum and Articles of Association, we may be voluntarily liquidated under Part XII of the BVI Act if we have no liabilities or we are able to pay our debts as they fall due and the value of our assets equals or exceeds our liabilities by resolution of directors and resolution of shareholders.

## **Modification of rights**

As permitted by British Virgin Islands law, and our Memorandum and Articles of Association, we may vary the rights attached to our ordinary shares only with the consent in writing of or by a resolution passed at a meeting by the holders of not less than 50% of the issued shares of a particular class of shares.

## **Transfer of shares**

Subject to any applicable restrictions set forth in our Memorandum and Articles of Association, any of our shareholders may transfer all or any of his or her shares by a written instrument of transfer in the usual or common form or in any other form which our directors may approve.

Our directors can only refuse or delay the registration of a transfer of shares if the transferor has failed to pay an amount due in respect of those shares..

## **Changes in authorized ordinary shares**

By resolution of our shareholders or resolution of our directors we may (i) consolidate and divide all or any of our unissued authorized shares into shares of larger amount than our existing shares; (ii) sub-divide our existing ordinary shares, or any of them into shares of smaller amount than is fixed by our memorandum of association, subject nevertheless to the provisions of the BVI Act; (iii) cancel any ordinary shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person; or (iv) create new classes of shares with preferences to be determined by the board of directors at the time of authorization, although any such new classes of shares may only be created with prior shareholder approval.

## **Share repurchases**

As permitted by the BVI Act and our Memorandum and Articles of Association, shares may be repurchased, redeemed or otherwise acquired by us.

## **Dividends**

Subject to the BVI Act and our Memorandum and Articles of Association, our directors may, by resolution, authorize a distribution to shareholders at such time and of such an amount as they think fit, if they are satisfied, on reasonable grounds, that, immediately after the distribution, we will satisfy the 'solvency test'. A company will satisfy the solvency test if (i) the value of the company's assets exceeds its liabilities; and (ii) the company is able to pay its debts as they fall due. Where a distribution is made to a shareholder at a time when the company did not, immediately after the distribution, satisfy the solvency test, it may be recovered by the company from the shareholder unless (i) the shareholder received the distribution in good faith and without knowledge of the company's failure to satisfy the solvency test; (ii) the shareholder has altered his position in reliance on the validity of the distribution; and (iii) it would be unfair to require repayment in full or at all.

## **Board of directors**

We are managed by a board of directors which currently consists of five directors.

Our shareholders may, pursuant to our Memorandum and Articles of Association, at any time remove any director before the expiration of his or her period of office with or without cause, and may, pursuant to our Memorandum and Articles of Association, elect another person in his or her stead. Subject to our Memorandum and Articles of Association, the directors will have power at any time and from time to time to appoint any person to be a director, either as an addition to the existing directors or to fill a vacancy as long as the total number of directors (exclusive of alternate directors) does not at any time exceed the maximum number fixed by or in accordance with our Amended Memorandum and Articles of Association (if any) and one third time the number of directors to have been elected at the last annual meeting of shareholders.

There are no share ownership qualifications for directors, unless otherwise decided by a resolution of shareholders.

Meetings of our board of directors may be convened at any time deemed necessary by any of our directors.

Unless the quorum has been otherwise fixed by the board, a meeting of our board of directors will be competent to make lawful and binding decisions if at least one half of the directors are present or represented. Unless there are only two directors, in which case, the quorum shall be two. At any meeting of our directors, each director, whether by his or her presence or by his or her alternate, is entitled to one vote.

Questions arising at a meeting of our board of directors are required to be decided by simple majority votes of the directors present or represented at the meeting. In the case of a tie vote, the chairman of the meeting shall not have a second or deciding vote. Our board of directors may also pass written resolutions without a meeting by a majority vote.

The remuneration to be paid to the directors shall be such remuneration as the directors or shareholders shall determine through a resolution. Under our Memorandum and Articles of Association, the independent directors shall also be entitled to reimbursement of out-of-pocket expenses in connection with the performance of their duties as director.

#### **Issuance of additional ordinary shares**

Our Memorandum and Articles of Association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Memorandum and Articles of Association authorize our board of directors from time to time to issue ordinary shares to the extent permitted by the BVI Act.

#### **Changes in authorized shares**

We are authorized to issue unlimited number of ordinary shares without par value, which will be subject to the same provisions with reference to the payment of calls, liens, transfers, transmissions, forfeitures and otherwise as the shares in issue. We may by resolution:

- consolidate and divide all or any of our unissued authorized shares into shares of a larger amount than our existing shares;
- sub-divide our existing ordinary shares, or any of them into shares of smaller amount than is fixed by our memorandum of association, subject nevertheless to the provisions of the BVI Act;
- cancel any ordinary shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person; or
- create new classes of shares with preferences to be determined by the board of directors at the time of authorization, although any such new classes of shares may only be created with prior shareholder approval.

## **Inspection of books and records**

Under British Virgin Islands law holders of our ordinary shares will be entitled, on giving written notice to us, to inspect and make copies or take extracts of our: (a) Memorandum and Articles of Association; (b) register of shareholders; (c) register of directors; and (d) minutes of meetings and resolutions of shareholders and those classes of shareholders of which he is a shareholder.

Subject to our Memorandum and Articles of Association, our board of directors may, if they are satisfied that it would be contrary to our interest to allow a shareholder to inspect any document, or part of a document as referenced above, refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. Where our directors exercise their powers in these circumstances, they shall notify the shareholder as soon as reasonably practicable.

## **Differences in corporate law**

We are incorporated under, and are governed by, the laws of the British Virgin Islands. The flexibility available under British Virgin Islands law has enabled us to adopt the memorandum and articles of association that will provide shareholders with rights that do not vary in any material respect from those they enjoyed under the Ontario Companies laws.

## **Conflicts of interest**

Pursuant to the BVI Act and the company's memorandum and articles of association, a director of a company who has an interest in a transaction and who has declared such interest to the other directors, may:

- vote on a matter relating to the transaction;
- attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
- sign a document on behalf of the company, or do any other thing in his capacity as a director, that relates to the transaction.

## **Anti-money laundering laws**

In order to comply with legislation or regulations aimed at the prevention of money laundering we are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity. Where permitted, and subject to certain conditions, we may also delegate the maintenance of our anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

We reserve the right to request such information as is necessary to verify the identity of a subscriber. In the event of delay or failure on the part of the subscriber in producing any information required for verification purposes, we may refuse to accept the application, in which case any funds received will be returned without interest to the account from which they were originally debited.

If any person resident in the British Virgin Islands knows or suspects that another person is engaged in money laundering or terrorist financing and the information for that knowledge or suspicion came to their attention in the course of their business, the person will be required to report his belief or suspicion to the Financial Investigation Agency of the British Virgin Islands, pursuant to the Proceeds of Criminal Conduct Act 1997 (as amended). Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

## **Duties of directors**

British Virgin Islands law provides that every director of the company in exercising his powers or performing his duties shall act honestly and in good faith and in what the director believes to be in the best interests of the company. Additionally, the director shall exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances taking into account the nature of the company, the nature of the decision and the position of the director and his responsibilities. In addition, British Virgin Islands law provides that a director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes British Virgin Islands law or the memorandum and articles of association of the company.

## **Anti-takeover provisions**

The BVI Act does not prevent companies from adopting a wide range of defensive measures, such as staggered boards, blank check preferred shares, removal of directors only for cause and provisions that restrict the rights of shareholders to call meetings and submit shareholder proposals.

## **Interested directors**

The BVI Act provides that a director shall, after becoming aware that he is interested in a transaction entered into or to be entered into by the company, disclose that interest to the board of directors of the company. The failure of a director to disclose that interest does not affect the validity of a transaction entered into by the director or the company, so long as the director's interest was disclosed to the board prior to the company's entry into the transaction or was not required to be disclosed (for example where the transaction is between the company and the director himself or is otherwise in the ordinary course of business and on the usual terms and conditions). As permitted by British Virgin Islands law and our Memorandum and Articles of Association, a director interested in a particular transaction may vote on it, attend meetings at which it is considered, and sign documents on our behalf which relate to the transaction.

## **Voting rights and quorum requirements**

Under British Virgin Islands law, the voting rights of shareholders are regulated by the company's Memorandum and Articles of Association and, in certain circumstances, the BVI Act. The articles of association will govern matters such as quorum for the transaction of business, rights of shares, and majority votes required to approve any action or resolution at a meeting of the shareholders or board of directors. Unless the articles of association otherwise provide, the requisite majority is usually a simple majority of votes cast. Under the M&A, a resolution of shareholders requires a majority vote of those persons voting at a meeting or in the case of a written resolution of shareholders, the vote of a majority of the shareholders.

## **Mergers and similar arrangements**

Under the BVI Act, two or more companies may merge or consolidate in accordance with the statutory provisions. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent company must approve a written plan of merger or consolidation which must be authorized by a resolution approved at a duly convened and constituted meeting of the shareholders of the Company by the affirmative vote of a majority of the votes of the shares entitled to vote thereon which were present at the meeting and voted, or a resolution consented to in writing by the same number of the votes of the Shares entitled to vote thereon.

Shareholders not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan or merger or consolidation contains any provision which, if proposed as an amendment to the memorandum of amended association and articles of association, would entitle them to vote as a class or series on the proposed amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation.

### **Shareholder suits**

We are not aware of any reported class action or derivative action having been brought against the company in a British Virgin Islands court.

Under the BVI Act, if a company or a director of a company engages in, or proposes to engage in, conduct that contravenes the BVI Act or the memorandum of association or articles of the company, the BVI Court may, on the application of a shareholder or a director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in that conduct.

In addition, under the BVI Act, the BVI Court may, on the application of a shareholder of a company, grant leave to that shareholder to bring proceedings in the name and on behalf of that company or to intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company. In determining whether to grant leave for such derivative actions, the Court must take into account certain matters, including whether the shareholder is acting in good faith, whether the derivative action is in the interests of the company taking account of the views of the company's directors on commercial matters and whether an alternative remedy to the derivative claim is available.

A shareholder of a company may bring an action against the company for breach of a duty owed by the company to him as a shareholder. The BVI Act also includes provisions for actions based on oppression, and for representative actions where the interests of the claimant are substantially the same as those of other shareholders.

### **Corporate governance**

British Virgin Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty to act honestly, in good faith and in what the directors believe to be in the best interests to the companies for which they serve.

### **Indemnification**

British Virgin Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our articles of association provide for the indemnification of our directors against all losses or liabilities incurred or sustained by him or her as a director of our company in defending any proceedings, whether civil or criminal and this indemnity only applies if he or she acted honestly and in good faith with a view to our best interests and, with respect to any criminal action, he or she must have had no reasonable cause to believe his or her conduct was unlawful.



Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, officers or persons controlling us under the foregoing provisions, we have been advised that, in the opinion of the U.S. Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and therefore is unenforceable.

### **Staggered board of directors**

The BVI Act does not contain statutory provisions that require staggered board arrangements for a British Virgin Islands company and our articles of association do not provide for a staggered board.

### **(C) MATERIAL CONTRACTS**

The Company had no material contract, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the year immediately preceding the filing of this report.

### **(D) EXCHANGE CONTROLS**

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made by us.

We are free to acquire, hold and sell foreign currency and securities without restriction. There is no exchange control legislation under British Virgin Islands law and accordingly there are no exchange control regulations imposed under British Virgin Islands law that would prevent us from paying dividends to shareholders in United States Dollars or any other currencies, and all such dividends may be freely transferred out of the British Virgin Islands, clear of any income or other tax of the British Virgin Islands imposed by withholding or otherwise without the necessity of obtaining any consent of any government or authority of the British Virgin Islands.

### **(E) TAXATION**

#### **British Virgin Islands Tax Consequences**

Under the law of the British Virgin Islands as currently in effect, a holder of shares of the Company who is not a resident of the British Virgin Islands is not liable for British Virgin Islands income tax on dividends paid with respect to the shares of the Company, and all holders of securities of the Company are not liable to the British Virgin Islands for income tax on gains realized on the sale or disposal of such securities. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BCA.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or re-registered under the BCA. In addition, securities of companies incorporated or re-registered under the BCA are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between (i) the United States and the British Virgin Islands or (ii) Canada and the British Virgin Islands, although a Tax Information Exchange Agreement is in force between the United States and the BVI and Canada and the BVI.

## U.S. Federal Income Tax Consequences

The discussion below is for general information only and is not, and should not be interpreted to be, tax advice to any holder of our common shares. Each holder or a prospective holder of our common shares is urged to consult his, her or its own tax advisor.

### *General*

This section is a general summary of the material United States federal income tax consequences to U.S. Holders, as defined below, of the ownership and disposition of our common shares as of the date of this report. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, the applicable Treasury regulations promulgated and proposed thereunder, judicial decisions and current administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. The summary applies to you only if you hold our common shares as a capital asset within the meaning of Section 1221 of the Code. In addition, this summary generally addresses certain U.S. federal income tax consequences to U.S. Holders if we were to be classified as a PFIC. The United States Internal Revenue Service, or the IRS, may challenge the tax consequences described below, and we have not requested, nor will we request, a ruling from the IRS or an opinion of counsel with respect to the United States federal income tax consequences of acquiring, holding or disposing of our common shares. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the ownership of our common shares. In particular, the discussion below does not cover tax consequences that depend upon your particular tax circumstances nor does it cover any state, local or foreign law, or the possible application of the United States federal estate or gift tax. You are urged to consult your own tax advisors regarding the application of the United States federal income tax laws to your particular situation as well as any state, local, foreign and United States federal estate and gift tax consequences of the ownership and disposition of the common shares. In addition, this summary does not take into account any special United States federal income tax rules that apply to a particular U.S. or non-U.S. holder of our common shares, including, without limitation, the following:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;
- a financial institution or a bank;
- an insurance company;
- a tax-exempt organization;
- a person that holds our common shares in a hedging transaction or as part of a straddle or a conversion transaction;
- a person whose functional currency for United States federal income tax purposes is not the U.S. dollar;
- a person liable for alternative minimum tax;
- a person that owns, or is treated as owning, 10% or more, by voting power or value, of our common shares;
- certain former U.S. citizens and residents who have expatriated; or
- a person who receives our shares pursuant to the exercise of employee stock options or otherwise as compensation.

For purposes of the discussion below, you are a "U.S. Holder" if you are a beneficial owner of our common shares who or which is:

- an individual United States citizen or resident alien of the United States (as specifically defined for United States federal income tax purposes);
- a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any State or the District of Columbia;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust (x) if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (y) if it was in existence on August 20, 1996, was treated as a United States person prior to that date and has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner of a partnership holding our common shares, you should consult your tax advisor.

***Passive foreign investment company considerations (PFIC)***

Under the Code, we will be a PFIC for any taxable year in which, after the application of certain "look-through" rules with respect to related companies, either (i) 75% or more of our gross income consists of "passive income," or (ii) 50% or more of the average quarterly value of our assets consist of assets that produce, or are held for the production of, "passive income." Passive income generally includes interest, dividends, rents, rents and royalties other than certain rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, and capital gains. Whether we will be a PFIC in any year depends on the composition of our income and assets, and the relative fair market value of our assets from time to time, which we expect may vary substantially over time. We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change from year to year based on our income and assets at March 31, 2017 and our anticipated future operations, however, there is a material risk that we will be classified as a PFIC for our fiscal year ending March 31, 2018. In addition, we may have been a PFIC in prior years and may be a PFIC in the future.

If we are a PFIC for any fiscal year during which a U.S. Holder holds our common shares, we generally will continue to be treated as a PFIC with respect to that U.S. Holder for all succeeding fiscal years during which the U.S. Holder holds our common shares, unless we cease to meet the threshold requirements for PFIC status and that U.S. Holder makes a qualifying "deemed sale" election with respect to the common shares. If such an election is made, the U.S. Holder will be deemed to have sold the common shares it holds at their fair market value on the last day of the last fiscal year in which we qualified as a PFIC, and any gain from such deemed sale will be subject to the consequences described below. After the deemed sale election, the common shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds our common shares, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of our common shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such common shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and would be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year. Further, to the extent that any distribution received by a U.S. Holder on our common shares exceeds 125% of the average of the annual distributions on such common shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner described immediately above with respect to gain on disposition.

If we are a PFIC for any fiscal year during which any of our non-U.S. subsidiaries is also a PFIC, a U.S. Holder of our common shares during such year will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules to such subsidiary. U.S. Holders should consult their tax advisers regarding the tax consequences if the PFIC rules apply to any of our subsidiaries. Alternatively, if we are a PFIC and if our common shares are "regularly traded" on a "qualified exchange," a U.S. Holder may be eligible to make a mark-to-market election that would result in tax treatment different from the general tax treatment described above. Our common shares would be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the common shares are traded on a qualified exchange on at least 15 days during each calendar quarter. NASDAQ is a qualified exchange for this purpose. Additionally, because a mark-to-market election cannot be made for equity interests in any lower-tier PFIC that we may own, a U.S. Holder that makes a mark-to-market election with respect to us may continue to be subject to the PFIC rules with respect to any indirect investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the common shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the common shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the common shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of our common shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless our common shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisers about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Alternatively, a U.S. Holder of stock in a PFIC may make a so-called "Qualified Electing Fund" election to avoid the PFIC rules regarding distributions and gain described above. The PFIC taxation regime would not apply to a U.S. Holder who makes a QEF election for all taxable years that such U.S. Holder has held our common shares while we are a PFIC, provided that we comply with specified reporting requirements. Instead, each U.S. Holder who has made a valid and effective QEF election is required for each taxable year that we are a PFIC to include in income such U.S. Holder's pro rata share of our ordinary earnings as ordinary income and such U.S. Holder's pro rata share of our net capital gains as long-term capital gain, regardless of whether we make any distributions of such earnings or gain. In general, a QEF election is effective only if we make available certain required information.

U.S. Holders should be aware, however, that we are not required to make this information available and have not yet determined whether we can or will do so for our fiscal year ending March 31, 2018 or for any other fiscal year. The QEF election is made on a shareholder-by-shareholder basis and generally may be revoked only with the consent of the IRS. U.S. Holders should consult with their own tax advisors regarding eligibility, manner and advisability of making a QEF election if we are treated as a PFIC.

In addition, if we are a PFIC or, with respect to particular U.S. Holders, are treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the preferential rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

If a U.S. Holder owns our common shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with respect to us, generally with the U.S. Holder's federal income tax return for that year. If we are a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements

**The U.S. federal income tax rules relating to PFICs are complex. U.S. Holders are urged to consult their own tax advisers with respect to the acquisition, ownership and disposition of our common shares, the consequences to them if we are or become a PFIC, any elections available with respect to our common shares, and the IRS information reporting obligations with respect to the acquisition, ownership and disposition of our common shares.**

#### *Non-U.S. Holders*

If you are not a U.S. Holder, you are a "Non-U.S. Holder."

#### ***Distributions on Our Common Shares***

You generally will not be subject to U.S. federal income tax, including withholding tax, on distributions made on our common shares unless:

- you conduct a trade or business in the United States and
- the distributions are effectively connected with the conduct of that trade or business (and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax on a net income basis in respect of income from our common shares, such distributions are attributable to a permanent establishment that you maintain in the United States).

If you meet the two tests above, you generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder, as described above. In addition, any effectively connected dividends received by a non-U.S. corporation may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30 percent rate or such lower rate as may be specified by an applicable income tax treaty.

#### ***Sale, Exchange or Other Disposition of Our Common Shares***

Generally, you will not be subject to U.S. federal income tax, including withholding tax, in respect of gain recognized on a sale or other taxable disposition of our common shares unless:

- your gain is effectively connected with a trade or business that you conduct in the United States (and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax on a net income basis in respect of gain from the sale or other disposition of our common shares, such gain is attributable to a permanent establishment maintained by you in the United States), or
- you are an individual Non-U.S. Holder and are present in the United States for at least 183 days in the taxable year of the sale or other disposition, and certain other conditions exist.

You will be subject to tax in respect of any gain effectively connected with your conduct of a trade or business in the United States generally in the same manner as a U.S. Holder, as described above. Effectively connected gains realized by a non-U.S. corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a rate of 30 percent or such lower rate as may be specified by an applicable income tax treaty.

### ***Backup Withholding and Information Reporting***

Payments, including dividends and proceeds of sales, in respect of our common shares that are made in the United States or by a United States related financial intermediary will be subject to United States information reporting rules. In addition, such payments may be subject to United States federal backup withholding tax. You will not be subject to backup withholding provided that:

- you are a corporation or other exempt recipient, or
- you provide your correct United States federal taxpayer identification number and certify, under penalties of perjury, that you are not subject to backup withholding.

Amounts withheld under the backup withholding rules may be credited against your United States federal income tax, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner.

### ***Foreign asset reporting***

Certain U.S. Holders who are individuals are required to report information relating to an interest in ordinary shares, subject to certain exceptions (including an exception for ordinary shares held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of ordinary shares.

### **(F) DIVIDEND AND PAYING AGENTS**

Not applicable.

### **(G) STATEMENT BY EXPERTS**

Not applicable.

## **(H) DOCUMENTS ON DISPLAY**

We are currently subject to the informational requirements of the Exchange Act applicable to foreign private issuers. We fulfill these requirements by filing annual, quarterly and current reports and other information with the SEC, which you can access using the means described above. As a foreign private issuer, we are exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to file with the Securities and Exchange Commission, within four months after the end of our fiscal year ended March 31, 2014 and each subsequent fiscal year, an annual report on Form 20-F containing financial statements which will be examined and reported on, with an opinion expressed, by an independent public accounting firm. We also intend to file with the Securities and Exchange Commission reports on Form 6-K containing unaudited financial information for the first three quarters of each fiscal year, within 90 days after the end of each quarter.

You may read and copy any document we file with the SEC without charge at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1 800 SEC 0330 for further information on the public reference room. The SEC also maintains an Internet site that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through this web site at <http://www.sec.gov>.

## **(I) SUBSIDIARY INFORMATION**

The documents concerning the Company's subsidiaries referred to in this Annual Report may be inspected at the Company's office at 47 Avenue Road, Suite 200, Toronto, Ontario, Canada, M5R 2G3.

## **ITEM 11 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfilment of obligations, the continuation of the Company's search for new business participation opportunities, and limited exposure to credit and market risks while ensuring greater returns on the surplus funds on hand. There were no changes to the objectives or the process from the prior year.

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

### ***a) Fair value of financial instruments***

The Company's financial assets and liabilities are comprised of cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

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

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

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

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

**b) Credit risk**

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

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

**c) Liquidity risk**

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

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

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to take care of its operating needs and needs for investing in new projects. The Company believes that it will require further funding to finance the committed drug development work apart from meeting its operational needs for the foreseeable future. However, the exact need for additional cash cannot be reasonably ascertained at this stage. The Company has already initiated actions to secure further funds through equity financing at its subsidiary level and potential partnership arrangement.

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



## **ITEM 12 - DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## **PART II**

## **ITEM 13 - DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

## **ITEM 14 - MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None

## **ITEM 15 - CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

The Company's disclosure controls and procedures, as such term is defined in Rules 13(a)-13(e) and 15(d)-15(e) of the Exchange Act are designed to provide reasonable assurance that all relevant information is communicated to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO. Based on this evaluation these officers concluded that as of the end of the period covered by this Annual Report on Form 20-F, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by our company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including our company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The conclusion that the disclosure controls and procedures were not effective was due to the presence of a material weakness in internal control over financial reporting as identified below under the heading "Internal Controls over Financial Reporting Procedures". Management anticipates that such disclosure controls and procedures will not be effective until the material weakness is remediated.

### **Management's Annual Report on Internal Control over Financial Reporting**

The management of the Company, including the CEO and CFO, is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control system was designed to provide reasonable assurance to the Company's management and the board of directors regarding the reliability of financial reporting and preparation and fair presentation of published financial statements for external purposes in accordance with IFRS. Internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO, CFO and Chairman, we conducted an evaluation of the design and operation of internal control over financial reporting as of March 31, 2017, based on the framework set forth in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

However, we have no accounting support staff to ensure segregation of duties and CFO handles all accounting, banking and treasury functions under direct supervision from the chairman and CEO. Based on this evaluation, management concluded that the Company's ICFR was not effective as at March 31, 2016 due to the following material weakness:

Due to the limited number of staff with an appropriate level of technical accounting knowledge, experience and training and the inability to attract outside expert advice on a cost effective basis, there is a risk of material misstatements related to the accounting and reporting for complex transactions. This control deficiency creates a reasonable possibility that a material misstatement of the annual financial statements would not have been prevented or detected in a timely manner.

#### ***Attestation Report of the Registered Public Accounting Firm***

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

#### ***Changes in Internal Control over Financial Reporting and Planned Remediation Activities***

There have been no changes in the Company's internal controls identified in connection with the evaluation described in the preceding paragraph that occurred during the period covered by this Annual Report on Form 20-F which have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

No remediation activities have been undertaken to date in fiscal 2017. Due to resource constraints and the present stage of the Company's development the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this material weakness at this time.

**ITEM 16(A) AUDIT COMMITTEE FINANCIAL EXPERTS**

The Board of Directors has determined that Mr. Steven Mintz, who is an independent director, is an audit committee financial expert as such term is defined in Rule 10A-3(b)(1) under the Exchange Act.

**ITEM 16 (B) CODES OF ETHICS**

We have adopted a Code of Ethics, which applies to all employees, consultants, officers and directors. A copy of our current code of ethics was included in the exhibits to the fiscal 2014 annual report.

A copy of our Code of Ethics can be obtained by writing to our corporate office at 47 Avenue Road, Suite 200, Toronto, ON M5R 2G3 attention: Chief Financial Officer.

During the most recently completed fiscal year, the Company has neither: (a) amended its Code of Ethics; nor (b) granted any waiver (including any implicit waiver) from any provision of its Code of Ethics.

**ITEM 16 (C) PRINCIPAL ACCOUNTANT'S FEES AND SERVICES**

The following outlines the expenditures for accounting fees for the last two fiscal periods ended:

<b>March 31,</b>	<b>2017</b>	<b>2016</b>
Audit fee	\$64,000	42,779
Other services	--	1,387

Under our existing policies, the audit committee must approve all audit and non-audit related services provided by the auditors.

**ITEM 16 (D) - EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16 (E) - PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

We did not, nor did any affiliated purchaser, purchase any of our equity securities during the fiscal year 2017.

**ITEM 16 (F) - CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

## **ITEM 16 (G) - CORPORATE GOVERNANCE**

Our securities are listed on the OTC QB and on Canadian Securities Exchange. There are no significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of that exchange except for proxy delivery requirements. As a foreign private issuer, the Company is exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Act. The Company solicits proxies in accordance with applicable rules and regulations in British Virgin Islands and requirements of Ontario Securities Commission and applicable CSE rules.

## **PART III**

### **ITEM 17 - FINANCIAL STATEMENTS**

Refer to Item 18 - Financial Statements

### **ITEM 18 - FINANCIAL STATEMENTS**

See the Financial Statements and Exhibits listed in Item 19 hereof and filed as part of this Annual Report.

### **ITEM 19 - EXHIBITS**

#### ***(a) Financial Statements***

<b>Description of Document</b>	<b>Page No.</b>
Cover Sheet	
Index	F1
Report of Independent Registered Public Accounting Firm	F2-3
Consolidated Statements of Financial Position	F4
Consolidated Statements of Operations and Comprehensive Loss	F5
Consolidated Statement of Shareholders Equity	F6
Consolidated Statements of Cash Flows	F7
Notes to Consolidated Financial Statements	F8-29

#### ***(b) Exhibits***

The following documents are filed as part of this Annual Report on Form 20-F

1.1	Certificate of Continuance - Incorporated herein by reference to Exhibit 3.1 to Form 6-K filed on August 1, 2013.
1.2	Memorandum and Articles of Association.
4(c) (iv).1	2017 Consultant stock compensation plan - Incorporated herein by reference to Form S-8 filed on March 21, 2017
4(c) (iv).2	2011 Consultant stock compensation plan - Incorporated herein by reference to Form S-8 filed on April 21, 2011.

4(c) (iv).3	2013 Stock option plan - Incorporated herein by reference to Form S-8 filed on December 19, 2013.
4(c) (iv).4	2013 option plan - Incorporated herein by reference to Form S-8 filed on March 17, 2015.
11.1	Charter of audit and compensation committee regarding compensation matters - Incorporated herein by reference to Form F-20 filed on July 17, 2014.
11.2	Charter of audit and compensation committee regarding audit matters - Incorporated herein by reference to Form F-20 filed on July 17, 2014.
11.3	Code of conduct - Incorporated herein by reference to Form F-20 filed on July 17, 2014.
12.1	Certifications of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
12.2	Certifications of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
13.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

DATED at Toronto, Ontario, Canada, this 27h day of July, 2017

**PORTAGE BIOTECH INC.**

Per: /s/ Declan Doogan  
Title: Chief Executive Officer

Per: /s/ Kam Shah  
Title: Chief Financial Officer

**Portage Biotech Inc.**

**Consolidated Financial Statements**

**For the Years Ended March 31, 2017 and 2016**

**(US Dollars)**

# Portage Biotech Inc.

## Consolidated Financial Statements

For the Years Ended March 31, 2017 and 2016

(US Dollars)

<b>Index</b>	<b>pages</b>
Independent Auditor's Report of Registered Public Accounting Firm	2-3
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-26



**INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM****To the Shareholders of Portage Biotech Inc.**

We have audited the accompanying consolidated financial statements of Portage Biotech Inc., which comprise the consolidated statements of financial position as at March 31, 2017 and March 31, 2016, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended March 31, 2017, 2016 and 2015 and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Portage Biotech Inc. as at March 31, 2017 and March 31, 2016, and its financial performance and its cash flows for the years ended March 31, 2017, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ SCHWARTZ LEVITSKY FELDMAN LLP

July 27, 2017 Chartered Accountants  
Toronto, Ontario

Licensed Public Accountants

2300 Yonge Street, Suite 1500, Box 2434  
Toronto, Ontario M4P 1E4  
Tel: 416 785 5353  
Fax: 416 785 5663

# Portage Biotech Inc.

## Consolidated Statements of Financial Position (US Dollars)

As at March 31,	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$159,377	\$4,688,929
Prepaid expenses and other receivable	4 64,141	203,940
Investment, available for sale	6 58,912,535	-
	\$59,136,053	\$4,892,869
<b>Long-term assets</b>		
Long term portion of other receivable	4 67,500	
Investment	5 700,000	700,000
Intangible assets	-	4,035,973
Goodwill	-	3,000,000
<b>Total assets</b>	<b>\$59,903,553</b>	<b>\$12,628,842</b>
<b>Liabilities and Shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	109,061	299,740
	\$109,061	\$299,740
<b>Non-current liabilities</b>		
Unsecured notes payable	7 180,815	-
Warrant liability	7 19,550	-
	200,365	-
<b>Total liabilities</b>	<b>\$309,426</b>	<b>\$ 299,740</b>
<b>Shareholders' Equity</b>		
Capital stock	8 18,360,197	17,055,197
Stock option reserve	9 1,705,465	5,075,853
Warrants	10 -	2,755,973
Accumulated other comprehensive loss	6 24,546,993	
Retained earnings (deficit)	14,981,472	(14,617,652)
<b>Total Shareholders' equity</b>	<b>\$59,594,127</b>	<b>\$10,269,371</b>
Non-controlling interests	\$ -	\$2,059,731
<b>Total equity</b>	<b>59,594,127</b>	<b>12,329,102</b>
<b>Total liabilities and Shareholders' equity</b>	<b>\$59,903,553</b>	<b>\$12,628,842</b>

Commitments and Contingent Liabilities (Note 12)  
Related Party Transactions (Note 14)

On behalf of the Board	<u>"Kam Shah" Director</u> (signed)	<u>"Declan Doogan" Director</u> (signed)
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The accompanying notes are an integral part of these consolidated financial statements.

# Portage Biotech Inc.

## Consolidated Statements of Operations and Comprehensive Loss (US Dollars)

Year ended March 31,	Note	2017	2016	2015
<b>Expenses</b>				
Research and development		32,449,945	4,577,136	2,928,639
Consulting fees	13,14(ii)	1,922,735	4,014,260	1,072,700
Professional fees		633,990	501,273	224,033
Other operating costs	14(i)	484,519	95,336	91,686
Bank charges and interest		552,422	7,384	20,036
Impairment of office furniture and equipment		-	-	4,122
		36,043,611	9,195,389	4,341,216
Gain on investment at date of loss of control of subsidiary	6	(49,863,542)	-	-
Share of losses in associate	6	14,461,205	-	-
<b>Net loss</b>		<b>\$(641,274)</b>	<b>\$(9,195,389)</b>	<b>\$(4,341,216)</b>
<b>Other comprehensive income</b>				
Unrealized gain on Investment, available for sale		(24,546,993)	\$ -	\$ -
<b>Total comprehensive Profit (loss) for year</b>		<b>\$23,905,719</b>	<b>\$(9,195,389)</b>	<b>\$(4,341,216)</b>
<b>Net profit (loss) attributable to:</b>				
Owners of the Company		16,298,662	(5,706,189)	(3,118,431)
Non-controlling interest		(16,939,936)	(3,489,200)	(1,222,785)
		<b>\$(641,274)</b>	<b>\$(9,195,389)</b>	<b>\$(4,341,216)</b>
<b>Net comprehensive Profit (loss) attributable to:</b>				
Owners of the Company		40,845,655	(5,706,189)	(3,118,431)
Non-controlling interest		(16,939,936)	(3,489,200)	(1,222,785)
		<b>\$23,905,719</b>	<b>\$(9,195,389)</b>	<b>\$(4,341,216)</b>
<b>Basic and diluted earnings (loss) per share</b>				
Basic	11	\$0.06	\$(0.02)	\$(0.02)
Diluted	11	\$0.06	\$(0.02)	\$(0.02)

The accompanying notes are an integral part of these consolidated financial statements.

# Portage Biotech Inc.

## Consolidated Statements of Changes in Shareholders' Equity

For the Year ended March 31, 2017

(US Dollars)

	Number of Shares	Capital Stock	Stock Option Reserve	Warrants	Accumulated other comprehensive income	Retained earnings (accumulated Deficit)	Non-controlling interest	Total Equity
<b>Balance, April 1, 2014</b>	<b>180,775,790</b>	<b>\$7,256,715</b>	<b>\$ 362,440</b>	<b>\$1,108,402</b>	<b>\$ -</b>	<b>\$(6,334,433)</b>	<b>\$2,678,317</b>	<b>\$5,071,441</b>
Options vested			238,221					238,221
Options of subsidiary vested			711,858					711,858
Conversion of debts and coupons	3,500,001	315,000						315,000
Issued under private placement	20,000,000	2,000,000						2,000,000
Commitment fee settled in shares	1,000,000	100,000						100,000
Private placement underwriting costs	-	(100,000)						(100,000)
Value of shares issued as compensation	1,500,000	120,000						120,000
Net loss for year						(3,118,431)	(1,222,785)	(4,341,216)
<b>Balance, March 31, 2015</b>	<b>206,775,791</b>	<b>\$9,691,715</b>	<b>\$1,312,519</b>	<b>\$1,108,402</b>	<b>\$ -</b>	<b>\$(9,452,864)</b>	<b>\$1,455,532</b>	<b>\$4,115,304</b>
Issued under private placement	43,488,670	6,155,080						6,155,080
Private placement finder's fee		(307,754)						(307,754)
Finder's fee settled in shares	2,174,433	307,754						307,754
Value of shares issued as compensation	1,000,000	100,000						100,000
shares and warrants issued by Biohaven to acquire intangible assets				\$2,755,973			280,000	3,035,973
Options vested			3,763,334					3,763,334
Transfer of carrying cost on expiration of warrants		1,108,402		(1,108,402)				-
Shares issued						541,401	3,813,399	4,354,800
Net loss for year						(5,706,189)	(3,489,200)	(9,195,389)
<b>Balance, March 31, 2016</b>	<b>253,438,894</b>	<b>\$17,055,197</b>	<b>\$5,075,853</b>	<b>\$2,755,973</b>	<b>\$ -</b>	<b>\$(14,617,652)</b>	<b>\$2,059,731</b>	<b>\$12,329,102</b>
Options vested			403,794					403,794
Value of shares issued as compensation	7,250,000	1,305,000						1,305,000
unrealized gain on investment, available for sale					24,546,993			24,546,993
Loss of control of subsidiary	-	-	(3,774,182)	(2,755,973)		13,300,462	14,880,205	21,650,512
Net income (loss) for year						16,298,662	(16,939,936)	(641,274)
<b>Balance, March 31, 2017</b>	<b>260,688,894</b>	<b>\$18,360,197</b>	<b>\$1,705,465</b>	<b>\$ -</b>	<b>\$24,546,993</b>	<b>\$14,981,472</b>	<b>\$ -</b>	<b>\$59,594,127</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Portage Biotech Inc.

## Consolidated Statements of Cash Flows

(US Dollars)

For the year ended March 31,	2017	2016	2015
<b>Cash flows from operating activities</b>			
Net loss for year	\$(641,274)	\$(9,195,389)	\$(4,341,216)
Adjustments for non-cash items:			
Value of shares and options expensed as consulting fee	1,696,927	3,810,260	876,221
Increase in warrant liability charged to interest	365	-	-
Impairment of office furniture and equipment	-	-	4,122
Gain on investment at date of loss of control of subsidiary	(49,863,542)	-	-
Share of losses in associate	14,461,205	-	-
Value of options expensed as research and development	11,867	53,074	136,632
Subsidiary's expenses to date of deconsolidation	33,064,238	-	-
Interest settled in shares	-	-	15,000
<b>Net change in working capital components</b>			
Prepaid expenses and other receivable	139,799	(186,365)	209,658
Accounts payable and accrued liabilities	(190,679)	(320,820)	485,814
	(1,321,094)	(5,839,240)	(2,613,769)
<b>Cash flows into investing activities</b>			
Acquisition of intangible by Biohaven	-	(1,000,000)	-
Disposal of cash on deconsolidation	(3,408,458)	-	-
Investment	-	(700,000)	-
	(3,408,458)	(1,700,000)	-
<b>Cash flows from financing activities</b>			
Shares issued under private placement	-	6,155,080	2,300,000
Unsecured notes payable	200,000	-	-
Shares issued by a subsidiary	-	4,354,800	-
	\$200,000	\$10,509,880	2,300,000
<b>(Decrease) Increase in cash during year</b>	<b>(4,529,552)</b>	<b>2,970,640</b>	<b>(313,769)</b>
<b>Cash at beginning of year</b>	<b>4,688,929</b>	<b>1,718,289</b>	<b>2,032,058</b>
<b>Cash at end of year</b>	<b>\$159,377</b>	<b>\$4,688,929</b>	<b>1,718,289</b>
<b>Supplemental disclosures</b>			
<b>Non-cash investing activities</b>			
Shares and warrants issued by subsidiary towards acquisition of intangible assets	-	(3,035,973)	-
	-	(3,035,973)	-
<b>Non-cash financing activities</b>			
Shares issued in settlement of finders' fees		(307,754)	-
		(307,754)	-

The accompanying notes are an integral part of these consolidated financial statements.

# Portage Biotech Inc.

## Notes to Consolidated Financial Statements

(US Dollars)

March 31, 2016 and 2015

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Portage Biotech Inc. (“the Company”) is incorporated in the British Virgin Islands (“BVI”) with its registered office located at FH Chambers, P.O. Box 4649, Road Town, Tortola, BVI. Its Toronto agent, Portage Services Ltd., is located at 47 Avenue Road, Suite 200, Toronto, Ontario, M5R 2G3, Canada.

The Company is a reporting issuer with the Ontario Securities Commission and US Securities and Exchange Commission and its shares trade on the OTC Markets under the trading symbol “PTGEF,” and are also listed for trading in US currency on the Canadian Securities Exchange under the symbol “PBT.U”.

The Company is engaged in researching and developing pharmaceutical and biotech products through to clinical “proof of concept” with an initial focus on unmet clinical needs. Following proof of concept, the Company will look to sell or license the products to large pharmaceutical companies for further development and commercialization.

On October 18, 2016, a significant ownership dilution of the Company’s investment in a subsidiary, Biohaven, occurred following the introduction of two major third party investors who agreed to finance Biohaven’s future research and development activities in exchange for shares. As a result, the Company reassessed its ability to control Biohaven and concluded that it had lost control of the subsidiary. On February 17, 2017, following the resignation of one of the Company’s representatives on Biohaven’s Board, the Company further concluded it was unable to exert significant influence over Biohaven. See Notes 2(b) and 6.

The Company’s subsidiaries are in the pre-clinical stage, and as such no revenue has been generated from their operations. The Company has negative cash flows from operating activities of approximately \$5 million during the year ended March 31, 2017.

Management has secured sufficient financing which it believes will enable it to meet its operating commitments. However, it will require additional resources to continue into clinical trials and/or for additional acquisitions. The Company has subsequent to the balance sheet date secured further financing (note18) and also believes that it can also raise necessary financing by divesting some of its existing investment in the securities of a publicly traded entity once they are free of trading restrictions. The Company believes that these available resources will be sufficient to meet its cash requirements for its operational, portfolio expansion through strategic acquisitions and research and development activities.

### 2. BASIS OF PRESENTATION

#### (a) Statement of Compliance and Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee.

## **2. BASIS OF PRESENTATION (cont'd)**

These consolidated financial statements have been prepared on a historical cost basis except for items disclosed herein at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company has only one material operating segment.

These consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors on July 27, 2017.

### **(b) Consolidation**

The consolidated financial statements include the accounts of the Company and,

- a. Portage Services Ltd., a wholly owned subsidiary incorporated in Ontario on January 31, 2011.
- b. Portage Pharmaceuticals Ltd. (“PPL”) a wholly owned subsidiary resulting from a merger on July 23, 2013 and is incorporated under the laws of the British Virgin Islands, as a BVI business company.
- c. EyGen Limited, (“EyGen”) which is a wholly owned subsidiary of PPL, was incorporated on September 20, 2016 under the laws of the BVI.
- d. Biohaven Pharmaceutical Holding Company Limited (“Biohaven”), a private corporation incorporated in BVI on September 25, 2013. Biohaven financials were consolidated for the period from April 1, 2016 to September 30, 2016 and continued to be accounted on an equity basis until February 15, 2017. However, on February 15, 2017, the Company lost significant influence and as a result accounted for its investment in Biohaven at a fair value as explained in Note 6.

All inter-company balances and transactions have been eliminated on consolidation.

### **(c) Functional and presentation currency**

The Company’s functional and presentation currency is US Dollar.

### **(d) Use of 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 from these estimates.

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 areas where estimation uncertainty and critical judgments are applied include valuation of financial instruments, research and development costs, fair value used for acquisition, assessment of impairment in goodwill and other intangible assets and measurement of share- based compensation, in the current and prior years.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, which have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

#### **Financial instruments**

##### *Financial assets*

All financial assets are initially recorded at fair value and are designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. The Company's advances and other receivables are classified as loans and receivables, investment is classified as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

##### *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's trade and other payables are classified as other financial liabilities.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### *Warrant liability and note payable*

The loan notes issued by PPL and EyGen have warrants attached to them which are convertible into common shares of PPL and EyGen respectively. Accordingly, at inception the warrant part is treated as an embedded derivative and recorded at fair value as a financial liability and the face value of the Loan note as a whole less the value of the warrant is recorded as a note payable.

At subsequent balance sheet dates the fair value of the warrant is remeasured with movements in the fair value being recorded in the income statement. The loan element is recorded at amortized cost and is subject to a notional interest charge in each reporting period which is recorded in the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### ***Impairment of financial assets***

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is reversed through profit or loss.

#### **Foreign currency translation**

The functional and presentation currency of the Company and its subsidiaries (note 2(c)) is the US dollar. Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Non-monetary assets are translated at exchange rates in effect when they were acquired. Revenue and expenses are translated at the approximate average rate of exchange for the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### **Share-based payments**

The Company accounts for share-based payments granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the plan at the grant date. Share-based payments to employees, officers and directors are recorded and reflected as an expense over the vesting period with a corresponding amount reflected in stock option reserve. On exercise, the associated amounts previously recorded in the stock option reserve are transferred to the common share capital.

The quoted market price of the Company's shares on the date of issuance under any share-based plan is considered as fair value of the shares issued.

Share-based payments to non-employees are recognized and measured at the date the services are received based on the fair value of the services received unless if the fair value of the services cannot be reliably measured in which case it is based on the fair value of equity instruments issued using the Black-Scholes option pricing model.

#### **Accounting for equity units**

When the Company issues Units under a private placement comprising of common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model which is added to fair value of the common shares determined using the stock price at the date of issuance and the percentage relative to the fair values determined. The fair value of the common shares and the warrants are proportionately adjusted to the net proceeds received.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Loss per Share

Basic loss per share is calculated by dividing net loss (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period. Diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

#### Investment

The investment is comprised of shares of a private company that have been acquired through a private placement. The investment is initially recorded at fair value. Following acquisition, the Company evaluates whether control or significant influence is exerted by the Company over the affairs of the investee company. Based on the evaluation, the Company accounts for the investment using either the consolidation, equity accounting or fair value method. The Company evaluates the investment each reporting period for evidence of impairment and adjusts the carrying value accordingly (see notes 1 and 6).

#### Research and Development Expenses

##### (i) *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

##### (ii) *Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (iii) *Clinical trial expenses:*

Clinical trial expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organizations, clinical sites, and other organizations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognized in a period related to clinical agreements are based on estimates of the work performed using an accrual basis of accounting. These estimates incorporate factors such as patient enrolment, services provided, contractual terms, and prior experience with similar contracts

#### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

#### **Contingent liability:**

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation; or the amount of the obligation cannot be estimated reliably.

#### **Determination of fair value**

A number of the Company's accounting policies and disclosures required the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of prepaid expenses and receivable and accounts payable and accruals are equivalent to their carrying amounts due to the short term nature of these items.

#### **Income Tax**

The Company is a British Virgin Island corporation. The Government of British Virgin Islands does not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or its security holders. The British Virgin Islands is not party to any double taxation treaties.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **New standards and interpretations not yet adopted**

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

##### *IAS 7 - Statement of Cash Flows*

In February 2016, IASB published amendments of limited scope to IAS 7 - Statement of Cash Flows to require that companies provide information concerning changes in their financing liabilities. The amendments will apply prospectively to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. These standards will have no material impact on the Company's financial statements.

##### *IFRS 9 - Financial Instruments*

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

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

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

##### *IAS 12 - Income Taxes*

In January 2016, IASB published amendments to IAS 12 - Income Taxes on the accounting of deferred tax assets relating to unrealized losses. Essentially, these amendments aim to clarify when a deferred tax asset should be recognized regarding an unrealized loss. These amendments will apply to the financial statements of fiscal years beginning on or after January 1, 2017. These amendments will have no impact on the Company's financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### *IFRS 15, Revenue from Contracts with Customers*

IFRS 15, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company does not believe that the above standard will have any impact on its financial statements.

#### *IFRS 16, Leases*

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

#### *IFRS 2, Share-based payments*

In June 2016, the IASB issued amendments to IFRS 2 to clarify the classification and measurement of share-based payment transactions. The IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company does not believe that the above standard will have any impact on its financial statements.

#### *IFRIC 22, Foreign currency transactions and advance consideration*

In December 2016, IFRIC issued an amendment to IFRIC 22 clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company does not believe that the above standard will have any impact on its financial statements.

### 4. PREPAID EXPENSES AND OTHER RECEIVABLE

	2017	2016
Prepaid expenses	47,693	199,157
Other receivable (i)	16,448	4,783
	<b>\$64,141</b>	<b>\$203,940</b>

(i) The Company's wholly-owned subsidiary, PPL agreed to a settlement on October 19, 2016 with a supplier in respect of a claim made by PPL against the said supplier. As per the terms of this agreement, supplier agreed to pay a total of \$ 120,000 to PPL, of which \$41,250 was received during the year ended March 31, 2017 and balance payable in seven annual instalments of \$ 11,250 starting from January 3, 2018.

Accordingly, \$11,250 was classified as prepaid expenses and other receivable under current assets and the balance of \$67,500 classified as long term assets.

## 5. INVESTMENT

In August 2015, the Company acquired 210,210 Series A preferred stock in Sentien Biotechnologies Inc., a Medford, MA based private company (“Sentien”) for \$ 700,000 in cash. The preferred stock is fully convertible into equal number of common shares. The Company’s holdings represent 6.9% of the equity of Sentien on a fully diluted basis. The Company has determined that it has no significant control or influence over the affairs of Sentien and has therefore accounted for this investment at cost since these shares do not have a quoted price in an active market and the fair value cannot be reliably measured. Sentien raised \$12 million in April 2017 and commenced its Phase /12 clinical trial in June 2017 of its lead product SBI-101, a cell-containing dialysis device for the treatment of Acute Kidney Injury.

As at March 31, 2017, the Company has determined that there was no evidence of any impairment in the value of this investment and as a result no adjustment was considered necessary in its carrying value.

## 6. INVESTMENT, AVAILABLE FOR SALE

The Company held 52.85% of the issued outstanding shares of Biohaven as at March 31, 2016 and through a majority representation on Biohaven’s Board, exercised control over the subsidiary. Accordingly, Biohaven was consolidated in accordance with IFRS 10. In May, June and July 2016, Biohaven raised additional financing in which the Company did not participate. This equity raise resulted in the Company’s ownership interest being diluted to 48.45%. While the Company’s shareholding in Biohaven was below 50%, management considered other factors including the representation on the board and concluded that it still had control and therefore consolidated Biohaven results and financial position as a subsidiary for the period from April 1, 2016 to September 30, 2016.

In October 2016, Biohaven secured an \$80 million equity funding commitment from third party investors. The first tranche of the financing, in the amount of \$40 million, closed in October 2016, after which the Company’s ownership in Biohaven declined to 35.16% of Biohaven’s outstanding capital stock. The second tranche of the financing, in the amount of \$40 million, closed in February 2017. Thus, with the presence of more significant third-party investment and potential future changes to the board structure, it was considered most likely that the Company’s substantive position was moving away from control to significant influence. The Company therefore concluded that Biohaven ceased to be its subsidiary effective October 1, 2016 and recognized it as a disposal of the subsidiary and investment in associate as per IFRS 10 and IAS 28.

As an associate, Company’s investment in Biohaven was accounted for on an equity basis until February 15, 2017. The equity basis accounting involved taking that portion of Biohaven net income or loss proportionate to the Company’s equity interest in Biohaven for the period from October 1, 2016 to February 15, 2017. Total loss of Biohaven for the period from October 1, 2016 to February 15, 2017 as per Biohaven’s financial statements for the said period, prepared in accordance with IFRS, as adjusted by the Company for the equity accounting purposes, was \$37,712,760.

On February 15, 2017, several factors led the Company to conclude that it no longer had significant influence over Biohaven.

Therefore the Company accounted for its investment in Biohaven as a financial asset classified as “available-for-sale” effective February 15, 2017 and stated at a fair value as at March 31, 2017 based on the price of the last available third-party financing by Biohaven.

## 6. INVESTMENT, AVAILABLE FOR SALE (cont'd)

The accounting effects of the above changes included in these consolidated financial statements are as follows:

	\$	\$
Fair value of retained investment in former subsidiary, at 48.45% of the fair value of Biohaven based on the price of the last financing by Biohaven prior to September 30, 2016		48,826,747
Add: The carrying amount of former subsidiary:		
Biohaven Liabilities net of assets and goodwill consolidated at September 30, 2016		
Net of non-controlling interest at September 30, 2016		1,036,794
<b>Net gain on restating interest in associate at fair value charged to income statement</b>		<b>49,863,541</b>
<b>Carrying value of investment in Biohaven at October 1, 2016</b>		<b>48,826,747</b>
<b>Equity accounting between October 1, 2016 to February 15, 2017</b>		
Share of net loss of Biohaven for October 2016 at 48.45% being the average equity holding in Biohaven	(4,485,764)	
Share of net loss of Biohaven for the period from November 1, 2016 to February 15, 2017 at 35.16% being the average equity holding in Biohaven	(9,975,441)	(14,461,205)
<b>Net carrying value of investment in Biohaven as at February 15, 2017</b>		<b>34,365,542</b>
Gain on revaluation of Investment in Biohaven at fair value at March 31, 2017 charged to accumulated other comprehensive income		24,546,993
<b>Investment, available for sale at fair value at March 31, 2017</b>		<b>58,912,535</b>

Since the Company is currently considering divesting this investment by way of disposal or distribution as dividend once its lock up period expires in November 2017, it is classified as current as assets.

## 7. UNSECURED NOTES PAYABLE

Effective March 7, 2017, the Company completed a private placement of unsecured notes in the aggregate principal amount of \$200,000 (the "March 2017 notes"). The notes bear interest at a rate of 7% per annum, payable annually on each anniversary date. The notes were not redeemable by the Company prior to maturity. The notes holders were granted a warrant to subscribe for \$7,500 new ordinary shares for every \$10,000 of note held, provided that certain qualifying event occurs within the three anniversary years of issuance. The exercise price of the warrant will be based on the price of equity shares determined by the qualifying event and the year in which it takes place. Given that there was an obligation to issue a variable number of shares, the warrant was classified as a financial liability. Accordingly, \$180,450 of the face value was ascribed to the note payable component and \$19,550 fair value was ascribed to the warrant. The value of note payable component was further increased by \$365 to \$180,815 as at March 31, 2017 representing the difference between the notional interest at 11% and actual interest at 7% being charged to interest expense.

Fair value was determined by reference to market transactions and similar debt instruments without warrants. The Company did not incur financing costs in connection with this placement of notes.



## 8. CAPITAL STOCK

(a) Authorized: Unlimited number of common shares

(b) Issued

	As at March 31,			
	2017		2016	
	Common Shares	Amount	Common Shares	Amount
Balance, beginning of year	253,438,894	\$17,055,197	206,775,791	\$9,691,715
Expired warrants	-	-	-	1,108,402
Issued under private placement (i)	-	-	43,488,670	6,155,080
Finder/Commitment fee settled in shares (i)	-	-	2,174,433	307,754
Finders fee/Underwriting costs	-	-	-	(307,754)
Shares issued as compensation (ii)	7,250,000	1,305,000	1,000,000	100,000
Balance, end of year	260,688,894	\$18,360,197	253,438,894	\$17,055,197

- (i) On March 21, 2017, four of the directors were issued 7,250,000 shares under the 2017 Consultants Stock Compensation Plan in lieu of cash fee for services provided. The shares were valued at \$1,305,000 based on the market price of the Company's common shares prevailing on the dates of their issuance. Since the shares were issued without any conditions of forfeiture or cancellation, the entire value was expensed during the year ended March 31, 2017 as consulting fee (note 13).
- (ii).a. On June 24, 2015, the Company completed a private placement comprising non-brokered offering of 36,822,003 restricted common shares at a price of US\$0.14 per share for gross proceeds of \$5,155,080 to accredited investors. Two directors subscribed approximately 11.4 million shares at a total cost of \$1.6 million. The private placement was done in two tranches. First tranche closed on June 15, 2015 and second one closed on June 24, 2015. MediqVentures Ltd., a private corporation owned by two of the directors of the Company and/or its nominees received 5% of the gross proceeds or \$257,754 as finder's fee as per the terms of the consulting agreement with them. The fee was settled by issuance of 1,841,100 restricted common shares valued at US\$ 0.14 per common shares.
- (ii).b. On March 31, 2016, the Company completed another private placement comprising non-brokered offering of 6,666,667 restricted common shares at a price of US\$ 0.15 per share for gross proceeds of \$ 1 million to accredited investors. Two directors of the Company subscribed for all the 6,666,667 million issued shares for \$1 million. MediqVentures Ltd., a private corporation owned by two of the directors of the Company and/or its nominees received 5% of the gross proceeds or \$50,000 as finder's fee as per the terms of the consulting agreement with them. The fee was settled by issuance of 333,333 restricted common shares valued at US\$ 0.15 per common shares.
- (iii) On February 25, 2016, the Chairman was issued 1,000,000 shares under the 2011 Consultants Compensation Plan in lieu of cash fee for services provided. The shares were valued at \$100,000 based on the market price of the Company's common shares prevailing on the dates of their issuance. Since the shares were issued without any conditions of forfeiture or cancellation, the entire value was expensed during the year ended March 31, 2016 as consulting fee (note 13).

## 8. CAPITAL STOCK (Contd.)

(c) As at March 31, 2016, the Company had the following active Consultant Stock Compensation Plan:

	<b>Date of registration*</b>	<b>Registered shares under Plan</b>	<b>Issued to March 31, 2016</b>	<b>As at April 1, 2016</b>	<b>Issued</b>	<b>Cancelled</b>	<b>Balance at March 31, 2017</b>
2011 Plan	11-Apr-11	6,000,000	(3,438,333)	2,561,667	(1,000,000)	-	1,561,667
2017 Plan	21-Mar-17	7,250,000	-	7,250,000	(7,250,000)	-	-
		13,250,000	(4,438,333)	8,811,667	(7,250,000)	-	1,561,667

\* Registered with the Securities and Exchange Commission of the United States of America (SEC) as required under the Securities Act of 1933.

As at March 31, 2016, the Company had the following active Consultant Stock Compensation Plan:

	<b>Date of registration*</b>	<b>Registered shares under Plan</b>	<b>Issued to March 31, 2015</b>	<b>As at April 1, 2015</b>	<b>Issued</b>	<b>Cancelled</b>	<b>Balance at March 31, 2015</b>
2011 Plan	11-Apr-11	6,000,000	(3,438,333)	2,561,667	(1,000,000)	-	1,561,667

(d) As required under listing requirements by Canadian Securities Exchange, the Company signed, on October 25, 2013, an escrow agreement with TMX Equity Transfer Services to escrow 88,444,293 of its common shares and 68,724,447 of its warrants issued to four insiders. The escrowed shares and warrants were to be released in agreed tranches over the period of three years. As at March 31, 2017, nil common shares (as at March 31, 2016: 26,533,294 common shares) were still under escrow. All warrants expired in June 2015 and were cancelled.

## 9. STOCK OPTION RESERVE

(a) The movements during the year were:

	<b>Year ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance, beginning of year	\$5,075,853	\$1,312,519
Options vested during the year ((i) to (iv))	391,927	454,078
Options to acquire equity in PPL granted to PPL management and vested (v)	11,867	53,074
Options to acquire equity in Biohaven granted to Biohaven consultants and directors	-	3,256,182
Options granted by former subsidiary reversed on loss of control	(3,774,182)	-
Balance, end of year	\$1,705,465	\$5,075,853

- i. On October 11, 2016, The Board of Directors of the Company approved and issued total of 1,267,194 options to the two independent directors as joining bonus under the 2013 Option Plan. These options are valid for five years and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per common share. These Options will vest in four equal annual instalments starting from October 11, 2017.

## 9. STOCK OPTION RESERVE (Contd.)

The fair value of these options has been estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1%
Expected dividend	Nil
Expected volatility	65.83%
Expected life	1825 days
Market price on the date of grant	US\$0.13

The fair value of the options as per the Black-Scholes option pricing model amounted to \$85,183. None of the options was vested on March 31, 2017. The value of the options will be accounted upon vesting of the related options as per the accounting policy.

- (ii) On December 19, 2016, The Board of Directors of the Company approved and issued total of 2,300,000 options to five consultants including 350,000 Options to the two independent directors for services provided under the 2013 Option Plan. These options are valid for five years and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per common share. These Options vested in equal monthly instalments over the two years starting from January 1, 2017.

The fair value of these options has been estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1%
Expected dividend	Nil
Expected volatility	67.42%
Expected life	1826 days
Market price on the private placement	US\$0.14

The fair value of the options as per the Black-Scholes option pricing model amounted to \$175,352. The value of the options vested during the year ended March 31, 2017 of \$62,988 was expensed and charged to the stock option reserve.

- (iii) On December 7, 2015 the Board of Directors of the Company approved and on January 21, 2016, issued total of 7,050,000 options to 8 consultants including 5,450,000 options to the four directors under 2013 Option Plan. These options are valid till December 7, 2020 and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per common share. The Options were registered with the US Securities and Exchange Commission on March 17, 2015 and will vest in 24 equal instalments over the next two years effective January 1, 2016.

The fair value of the options as per the Black-Scholes option pricing model amounted to \$509,499. Using the graded vesting method, the value of the options vested as at March 31, 2017 of \$276,779 (March 31, 2016 was \$187,408) was expensed and charged to the stock option reserve.

- (iv). The fair value of 5.3 million options granted on March 17, 2015 and vested during the year ended March 31, 2017 of \$52,160 (March 31, 2016 of \$266,670) was expensed and charged to the stock option reserve.

## 9. STOCK OPTION RESERVE (Contd.)

- (v) On March 1, 2015 and April 1, 2015, PPL granted options to its CEO and CSO respectively, to acquire additional 3% equity interest in PPL for an exercise price of \$74,996 vesting over two years in equal quarterly instalments and expiring in five years under new Option Agreements dated the dates of the grants. (note 9(vii))

The fair value of the options as per the Black-Scholes option pricing model amounted to \$64,941. Using the graded vesting method, the value of the options vested as at March 31, 2017 was \$11,867 (March 31, 2016 was \$53,074), which was included in research and development costs.

- (vi)a. The fair value of the options granted by Biohaven on November 26, 2014 and vested during the year ended March 31, 2017 of \$nil (March 31, 2016 - \$269,819) was expensed as consulting fee.
- (vi)b. The fair value of the options granted by Biohaven on October 23, 2015 and vested during the year ended March 31, 2017 of \$nil (March 31, 2016 of \$2,986,363) was expensed as consulting fee.

(b) The following is a summary of all active Stock Option Plans:

Stock Option Plan	As at		As at March 31, 2016	
	March 31, 2017	2005	2013	Total
Plan	2013	2005	2013	
	<b>Option Plan</b>	Option Plan	Option Plan	
Date of Registration	<b>Dec 19, 2013</b>		Dec 19, 2013	
	<b>and</b>		<b>and</b>	
	<b>March 17, 2015</b>	Dec 5, 2005	March 17, 2015	
Registered *	<b>26,068,889</b>	1,000,000	20,167,579	21,167,579
Issued to beginning of year	<b>16,750,000</b>	1,000,000	9,750,000	10,750,000
Outstanding, beginning of year	<b>16,750,000</b>	560,000	9,700,000	10,260,000
Issued	<b>3,567,194</b>	-	7,050,000	7,050,000
Exercised	-	-	-	-
Expired	-	(560,000)	-	(560,000)
<b>Outstanding, end of year</b>	<b>20,317,194</b>	-	16,750,000	16,750,000
Options fully vested	<b>14,489,583</b>	-	7,931,246	7,931,246
Options not yet vested	<b>5,827,611</b>	-	8,818,754	8,818,754
	<b>20,317,194</b>	-	16,750,000	16,750,000

\* The maximum number of common shares for issuance at any time pursuant to this Plan shall not exceed 10% of the issued and outstanding shares. Based on this, total available options for issuance as at March 31, 2017 was 26,068,889.

\* Registered with the Securities and Exchange Commission of the United States of America (SEC) as required under the Securities Act of 1933. On March 17, 2015, the Company filed form S-8 with SEC registering an additional 15,717,579 options under 2013 Stock Option Plan.

## 9. STOCK OPTION RESERVE (Contd.)

(c) The weighted average exercise price of the outstanding stock options was US\$0.15 as at March 31, 2017 (US\$0.15 as at March 31, 2016) and weighted average remaining contractual life was approximately 3.25 years as at March 31, 2017.(approximately 3.95 years as at March 31, 2016).

The options can be exercised at any time after vesting within the exercise period in accordance with the applicable option agreement. The exercise price was more than the market price on the date of the grants for all options outstanding as at March 31, 2017 and March 31, 2016.

## 10. WARRANTS

(i) The movements during the year were as follows:

	Year ended March 31,					
	2017			2016		
	# of warrants	Weighted average exercise price	Fair value	# of warrants	Weighted average exercise price	Fair value
<b>Issued and outstanding, beginning of year</b>	1,200	\$2,800	2,755,973	87,906,420	\$0.30	1,108,402
Exercised	-	-	-	-	-	-
Expired	-	-	-	(87,906,420)	(0.30)	(1,108,402)
Warrants issued by Biohaven to acquire intangible assets				1,200	2,800	2,755,973
Reversed on loss of control of Biohaven	(1,200)	(2,800)	(2,755,973)			
<b>Issued and outstanding, end of year</b>	-	\$ -	\$ -	1,200	\$2,800	\$2,755,973

## 11. EARNINGS (LOSS) PER SHARE

Year ended March 31,	2017	2016	2015
Numerator			
Net profit(loss) attributable to owners of the Company	\$16,298,662	\$(5,706,189)	\$(3,118,431)
Denominator			
Weighted average number of shares - Basic	254,043,061	239,745,044	193,442,457
Diluted effect of average number of options	18,150,264	-	-
Weighted average number of shares - Diluted	272,193,325	239,745,044	193,442,457
Basic earnings (loss) per share	\$0.06	\$(0.02)	\$(0.02)
Diluted earnings (loss) per share	\$0.06	\$(0.02)	\$(0.02)

Inclusion of the options in the computation of diluted loss per share would have an anti-dilutive effect on the loss per share and are therefore excluded from the computation. Consequently, there is no difference between loss per share and diluted loss per share for the years ended March 31, 2016 and 2015.

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Under the terms of the License Agreement dated January 25, 2013, PPL is required to reimburse to the Licensor, Trojan Technologies Limited, 50% of all maintenance costs of the US Patent # 7,968,512 and to pay royalties of 3% on Net Receipts from sales of the Licensed Product and 5% on Net Receipts from third parties in respect of development or other exploitation of Licensed Intellectual Property and/or Licensed Products up to a maximum of \$ 30 million.
- (b) PPL has extended consulting contracts with its Chief Executive Officer and Chief Scientific Officer expiring on March 31, 2018 and carrying a total monthly commitment of \$22,667. Early termination without cause would require a lump sum compensation of \$ 75,000 to be paid to the two consultants.

## 13. CONSULTING FEE

	Year ended March 31,		
	2017	2016	2015
Cash fee	\$225,808	\$204,000	\$196,479
Shares and Options issued to management and directors	1,571,851	466,262	277,226
Options issued to others	125,076	87,816	80,995
Biohaven options granted to the Company's directors	-	1,018,692	174,825
Biohaven options granted to Biohaven consultants and management		2,237,490	343,175
	<b>\$1,922,735</b>	<b>\$4,014,260</b>	<b>\$1,072,700</b>

## 14. RELATED PARTY TRANSACTIONS

All related part transactions occurred with key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chairman, Chief Executive Officer and Chief Financial Officer are key management personnel.

Related party transactions have been listed below, unless they have been disclosed elsewhere in the consolidated financial statements.

- (i) Business expenses of \$3,491 (2016: \$2,701, 2015: 6,145) were reimbursed to directors of the Company.
- (ii) Consulting fees include cash fee paid to key management for services of \$ 180,000 (2016: \$180,000, 2015: \$180,000). Refer to notes 8(i), 9(a) and 13 for shares and options issued to key management in lieu of fees.

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	March 31, 2017		March 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash (level 1)	159,377	159,377	4,688,929	4,688,929
Advances and other receivable (level 2)	131,641	131,641	203,940	203,940
Investment (level 3)	700,000	700,000	700,000	700,000
Investment, available for sale (level 3)	35,365,542	58,912,535	-	-
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities (level 2)	109,061	109,061	299,740	299,740
Unsecured notes payable (Level 2)	200,000	180,815	-	-

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

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

### a) Fair value of financial instruments

The Company's financial assets and liabilities are comprised of cash, advances and receivable and, accounts payable and accrued liabilities.

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

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

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

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

### b) Credit risk

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

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Contd.)

- a. Cash - Cash is held with major international financial institutions in Canada and therefore the risk of loss is minimal.
- b. Other receivable - The Company is exposed to credit risk attributable to customers since a significant portion of this amount represents the amount agreed on a settlement of a claim by PPL (Note 4) payable over the next seven years. The debtor has so far been diligent in paying the amounts on due dates and PPL management will be monitoring the account on a regular basis.

### *c) Liquidity risk*

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

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

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to take care of its operating needs and needs for investing in new projects. The Company believes that it will require further funding to finance the committed drug development work apart from meeting its operational needs for the foreseeable future. However, the exact need for additional cash cannot be reasonably ascertained at this stage. The Company has already initiated actions to secure further funds through equity financing at its subsidiary level and potential partnership arrangement.

The above liquidity risk has been mitigated by the fact that the Company has investments that can be disposed of, the proceeds of which can be utilized to meet its cash flow requirements for the next twelve months.

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

## 16. CAPITAL DISCLOSURES

The Company considers the items included in Shareholders' Equity as capital. The Company had payables of approximately \$ 0.1 million as at March 31, 2017 (approximately \$ 0.3 million as at March 31, 2016) and current assets, mostly in cash, of approximately \$0.2 million (approximately \$4.9 million as at March 31, 2016). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue new business opportunities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.



## **16. CAPITAL DISCLOSURES...(Contd)**

As at March 31, 2017, the shareholders' equity was approximately \$ 59.6 million (approximately \$ 10.2 million as at March 31, 2016), \$0.2 million (\$ 4.7 million as at March 31, 2016) of it was held in the form of cash. In addition, as at March 31, 2017, the Company holds equity investment in Biohaven whose common shares have, subsequent to the balance sheet date, began trading on New York Stock Exchange. The Biohaven common shares held by the Company are currently under trading restrictions until November 2017. However, after the expiry of the trading restriction, the Company may decide to generate required cash through disposal of some of its Biohaven shares in the open market.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There have been no changes to the Company's approach to capital management during the years ended March 31, 2017 and March 31, 2016.

## **17. EVENTS AFTER THE BALANCE SHEET DATE**

- (i) In May 2017, Biohaven closed an initial public offering of 11,385,000 common shares at \$17 per share for aggregate gross proceeds of approximately \$193.5 million.
- (ii) On June 14, 2017, a director of the Company exercised 3,239,589 of his options for \$485,938.



**TERRITORY OF THE BRITISH VIRGIN ISLANDS**

**THE BVI BUSINESS COMPANIES ACT, 2004**

**MEMORANDUM OF ASSOCIATION**

**AND**

**ARTICLES OF ASSOCIATION**

**OF**

**PORTAGE BIOTECH INC.**

Incorporated on 9 April 1973 in the Province of Ontario, Canada as Kamlo Gold Mines Limited  
and continued as a BVI Business Company on 5 July 2013  
Amended and Restated on July 6\_2017

**FH CORPORATE SERVICES LTD**

**TERRITORY OF THE BRITISH VIRGIN ISLANDS**

**BVI BUSINESS COMPANIES ACT, 2004**

**MEMORANDUM OF ASSOCIATION**

**OF**

**PORTAGE BIOTECH INC.**

**(the “Company”)**

**NAME**

1. The name of the Company at the date of its application to continue to the British Virgin Islands was Bontan Corporation Inc. The name of the Company on continuation as a BVI Business Company is Portage Biotech Inc.

**CONTINUATION**

2. The Company was incorporated under the laws of the Province of Ontario, Canada on 9 April 1973 and amalgamated with its wholly owned subsidiary on 15 May 2012. The Company is continued as a BVI Business Company on 5 July 2013.

**CHANGE OF NAME**

3. The Company may make application to the Registrar of corporate Affairs in the approved form to change its name in accordance with section 21 of the Act and the change of name takes effect from the date of the certificate of change of name issued by the Registrar of Corporate Affairs.

**TYPE OF COMPANY**

4. The Company is a company limited by shares.

**REGISTERED OFFICE AND REGISTERED AGENT**

5. The first registered office of the Company at the date of continuation will be situated at FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands. Thereafter, the registered office may be situated at such other place as the directors or members may from time to time determine.

6. The first registered agent of the Company at the date of continuation will be FH Corporate Services Ltd, of FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands
7. The Company may, by Resolution of Shareholders or by Resolution of Directors, change the location of its Registered Office or change its Registered Agent and any such changes shall take effect on the registration by the Registrar of Corporate Affairs of a notice of change, filed by the existing Registered Agent or a legal practitioner in the British Virgin Islands action on behalf of the Company.

#### **LIMITATIONS ON BUSINESS OF COMPANY**

8. The business and activities of the Company are limited to those businesses and activities which it is not prohibited from engaging in under any law for the time being in force in the British Virgin Islands.
9. Subject to the Act, any other enactment and this Memorandum (including, without limitation, paragraph 7 immediately above this Memorandum) and the Articles, the Company has:

- (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
- (b) for the purposes of paragraph (a) immediately above, full rights, powers and privileges.

#### **NUMBER, CLASSES AND PAR VALUE OF SHARES**

10. The Company is authorized to issue an unlimited number of Ordinary Shares of no par value.

#### **RIGHTS, PRIVILEGES, RESTRICTION AND CONDITIONS OF SHARES**

11. All Shares shall:

- (a) have the right to one vote on any Resolution of Shareholders;
- (b) have equal rights with regard to dividends; and
- (c) have equal rights with regard to distributions of the surplus assets of the Company.

#### **FRACTIONAL SHARES**

12. The Company may issue Fractional Shares. A Fractional Share shall have the corresponding fractional rights, obligation and liabilities of a whole Share of the same Class. If more than one fraction of a

Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

### **VARIATION OF CLASS RIGHTS AND PRIVILEGES**

13. If at any time, there are different Classes or Series of Shares in issue, unless otherwise provided by the terms of issue of the Shares of that Class or Series, the rights and privileges attaching to any such Class or Series of Shares may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued Shares of the Class or Series and of the holders of not less than three-fourths of the issued Shares of any other Class or Series of Shares which may be adversely affected by such variation.

### **RIGHTS AND PRIVILEGES NOT VARIED BY THE ISSUE OF SHARES PARI PASSU**

14. The rights and privileges conferred upon the Shareholder of any Class of Shares issued with preferred or other rights and privileges shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

### **NO BEARER SHARES**

15. The Company is not authorized to issue bearer shares and all Shares shall be issued as registered shares.

### **NO EXCHANGE FOR BEARER SHARES**

16. Shares may not be exchanged for, or converted into, bearer shares.

### **TRANSFERS OF SHARES**

17. Subject to the provisions of this Memorandum and the Articles, Shares in the Company may be transferred.

### **AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

18. The Company may amend its Memorandum or Articles by a Resolution of Shareholders or by a Resolution of Directors except that the Directors have no power to amend the Memorandum or the Articles:

(a) to restrict the rights or powers of the Shareholders to amend the Memorandum or the Articles;

(b) to change the percentage of Shareholders required to pass a resolution to amend the Memorandum or the Articles;

(c) in circumstances where the memorandum or the Articles cannot be amended by the Shareholders; or

(d) to change the provision of paragraphs 10, 11, 13, 14 or 18 of the Memorandum.

#### **DEFINITIONS**

19. Words used in this Memorandum and not defined herein shall have the meanings set out in the Articles.

#### **SHAREHOLDER LIABILITY**

20. The liability of a Shareholder to the Company, as shareholder, is limited to:

(a) any amount unpaid on a Share held by the Shareholder;

(b) (where applicable) any liability expressly provided for in this Memorandum or the Articles; and

(c) any liability to repay a distribution under section 58(1) of the Act.

21. A Shareholder has no liability, as a member, for the liabilities of the Company.

#### **SEPARATE LEGAL ENTITY AND PERPETUAL EXISTENCE**

22. In accordance with section 27 of the Act, the Company is a legal entity in its own right separate from its Shareholders and continues in existence until it is dissolved.

#### **EFFECT OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

23. In accordance with section 11(1) of the Act, this Memorandum and the Articles are binding as between:

(a) the Company and each Shareholder of the Company; and

(b) each Shareholder of the Company.

24. In accordance with section 11(2) of the Act, the Company, the board of Directors, each Director and each Shareholder of the Company has the rights, powers, duties and obligations set out in the Act except to the extent that they are negated or modified, as permitted by the Act, by this Memorandum or the Articles.

25. In accordance with section 11(3) of the Act, this Memorandum and the Articles have no effect to the extent that they contravene or are inconsistent with the Act.

We, **FH Corporate Services Ltd**, of FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands for the purpose of continuing a Company as a BVI Business Company limited by shares under the laws of the British Virgin Islands hereby sign this Memorandum of Association on 5 July 2013 for and on behalf of the Shareholders and Directors of the Company:

Authorised Signatory

(Sgd.) Jose Santos

By: Jose Santos  
Authorised Signatory  
FH Corporate Services Ltd

TERRITORY OF THE BRITISH VIRGIN ISLANDS

BVI BUSINESS COMPANIES ACT, 2004

ARTICLES OF ASSOCIATION

OF

PORTAGE BIOTECH INC.

The following shall comprise the Articles of Association of Portage Biotech Inc. (the “**Company**”).

INTERPRETATION

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

“**Act**” means the BVI Business Companies Act, 2004, including any modification, amendment, extension, re-enactment or renewal thereof and any regulations made thereunder;

“**Articles**” means these articles of association of the company, as amended and/or restated from time to time;

“**Class**” or “**Classes**” means any class or classes of Shares as may from time to time be issued by the Company;

“**Directors**” means the directors of the company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof, and “**Director**” means any one of them;

“**Distribution**” means, in relation to a distribution by the Company to a Shareholder:

(a) the direct or indirect transfer of an asset, other than Shares, to or for the benefit of the Shareholder; or

(b) the incurring of a debt to or for the benefit of the Shareholder,

in relation to the Shares held by the Shareholder, and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of Shares, a transfer of indebtedness or otherwise, and includes a dividend;

“**Fractional Share**” means a fraction of a Share;

“**Memorandum**” means the memorandum of association of the Company, as amended and/or restated from time to time;



**“Officer”** means any natural person or corporation appointed by the Directors as an officer of the Company and may include a chairman of the board of Directors, a vice chairman of the board of Directors, a president, one or more vice presidents, secretaries and treasurers and such other officers as may from time to time be deemed desirable but shall exclude any auditor appointed by the Company;

**“Person”** means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;

**“Register of Directors”** means the register of the Directors of the company required to be kept pursuant to the Act;

**“Register of Members”** means the register of the members of the Company required to be kept pursuant to the Act;

**“Registered Agent”** means the registered agent of the company from time to time, as required by the Act;

**“Registered Office”** means the registered office of the Company from time to time, as required by the Act;

**“Registrar”** means the Registrar of Corporate Affairs appointed under section 229 of the Act;

**“Resolution of Directors”** means a resolution:

- (a) approved at a duly convened and constituted meeting of Directors or of a committee of Directors, by the affirmative vote of a simple majority of the Directors present at such meeting who voted and did not abstain; or
- (b) consented to in writing or by telex, telegram, cable, facsimile or other written electronic communications by a simple majority of the Directors or a simple majority of the members of a committee of Directors, as the case may be, in one or more instruments each signed by one or more of the Directors and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed.

**“Resolution of Shareholders”** means a resolution:

- (a) passed by a majority, or such larger majority as may be specified in the memorandum or these Articles, or such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a meeting of Shareholders of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled; or

(b) approved in writing by a majority, or such larger majority as may be specified in the Memorandum or these Articles, of such Shareholders entitled to vote at a meeting of Shareholders of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;

“**Seal**” means the common seal of the Company;

“**Secretary**” means any natural person or corporation appointed by the Directors to perform any of the duties of the secretary of the Company;

“**Series**” means a division of a Class as may from time to time be issued by the Company;

“**Share**” means a share in the Company issued subject to and in accordance with the provisions of the Act, the Memorandum and these Articles. All references to “**Shares**” herein shall be deemed to be Shares of any or all classes or Series as the context may require. For the avoidance of doubt in these Articles the expression “**Share**” shall include any Fractional Share;

“**Shareholder**” means a Person whose name is entered as a holder of one or more Shares in the Register of Members;

“**signed**” means bearing a signature or representation of a signature affixed by mechanical means;

“**Solvency Test**” means the solvency test prescribed by section 56 of the Act and set out in Article 124;

“**Treasury Shares**” means Shares that were previously issued but were purchased, redeemed or otherwise acquired by the Company and not cancelled.

2. In these Articles, save where the context requires otherwise:

(a) words importing the singular number shall include the plural number and vice versa;

(b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;

(c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;

(d) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;

(e) reference to any determination by the Directors shall be construed as a determination by the Directors in their sole and absolute discretion and shall be applicable either generally or in any particular case; and

(f) reference to “in writing” shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represent by any other substitute or format for storage or transmission for writing or partly one and partly another.

3. Subject to the last two preceding Articles, any words defined in the Act shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

#### **PRELIMINARY**

4. The business of the Company may be commenced at any time after incorporation.

5. The Registered office shall be at such address in the British Virgin Islands as the Shareholders or Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

6. The expenses incurred in the formation of the Company and in connection with the offer for subscription and issue of Shares shall be paid by the Company.

7. The Directors shall keep, or cause to be kept, the original Register of Members at such place as the Directors may from time to time determine and, in the absence of any such determination, the original Register of Members shall be kept at the office of the Registered Agent.

#### **SHARES**

8. Subject to the Act and these Articles, all Shares for the time being unissued shall be under the control of the Directors who may:

(a) issue, allot and dispose of the same to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine; and

(b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto;  
and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.

9. Left Blank.

10. The pre-emption rights set out in section 46 of the Act shall not apply to the Company.

11. The Company may insofar as may be permitted by law, pay a commission in any form to any Person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. The Company may also pay such brokerage as may be lawful on any issue of Shares.
12. The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.
13. The Company may treat the holder of a Share as named in the Register of Members as the only Person entitled to:
  - (a) exercise any voting rights attaching to the Share;
  - (b) receive notices;
  - (c) receive a Distribution; and
  - (d) exercise other rights and powers attaching to the Share.
14. The Company may, subject to the terms of the Act, the Memorandum and these Articles, issue bonus Shares, partly paid Shares and nil paid Shares.
15. Shares may, subject to the terms of the Act and these Articles, be issued for consideration in any form, including money, a promissory note or other written obligation to contribute money or property, real property, personal property (including goodwill and know how), services rendered or a contract for future services.
16. When the consideration in respect of the Share has been paid, the Share is for all purposes fully paid, but where the Share is not fully paid on issue that Share is subject to forfeiture in the manner prescribed in these Articles.
17. Shares may be issued for such amount of consideration as the Directors may from time to time by Resolution of Directors determine, except that in the case of Shares issued with a par value, the consideration paid or payable shall not be less than the par value.
18. Before issuing Shares for a consideration other than money, the Directors shall by a Resolution of Directors state:
  - (a) the amount to be credited for the issue of Shares; and

- (b) that, in their opinion, the present cash value of the non-money consideration and money consideration, if any, is not less than the amount to be credited for the issue of the Shares.

- 19. A Share issued by the Company upon conversion of, or in exchange for, another Share or a debt obligation or other security in the Company, shall be treated for all purposes as having been issued for money equal to the consideration received or deemed to have been received by the Company in respect of the other Share, debt obligation or security.

## **CERTIFICATES**

- 20. Every Shareholder is entitled to a share certificate signed by a Director or Officer of the Company or under the Seal, with or without the signature of a Director or an Authorised Person. The signature of the Director or of the Authorised Person and the Seal may be a facsimile.
- 21. A share certificate shall be manually signed by at least one Director or Officer or by or on behalf of a registrar, transfer agent, branch transfer agent or other authenticating agent of the Company.
- 22. If a share certificate contains a printed or mechanically reproduced signature of a person, the Company may issue the share certificate, notwithstanding that the person has ceased to be a Director or Officer, and the share certificate is as valid as if he were a Director or Officer at the date of its issue.
- 23. Any Shareholder receiving a share certificate for Shares shall indemnify and hold the Company and its Directors and Officers harmless from any loss or liability which it or they may incur by reason of the issue of that share certificate. If a share certificate for Shares is worn out or lost it may be renewed or replaced on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by a Resolution of Directors.

## **FORFEITURE OF SHARES**

- 24. Where Shares are not fully paid on issue or have been issued subject to forfeiture, the following provision shall apply.
- 25. Written notice of a call specifying a date for payment to be made in respect of a Share shall be served on a Shareholder who defaults in making payment in respect of that Share.
- 26. The written notice referred to in the immediately preceding Article shall:
  - (a) name a further date not earlier than the expiration of fourteen days from the date of service of the notice on or before which the payment required by the notice is to be made; and

(b) contain a statement that in the event of non-payment at or before the time named in the notice the Shares, or any of them, in respect of which payment is not made will be liability to be forfeited.

27. Where a written notice has been issued under these Articles and the requirements have not been complied with, the Directors may at any time before tender of payment forfeit and cancel the Shares to which the notice relates.

28. The Company is under no obligation to refund any moneys to the Shareholder whose Shares have been forfeited and cancelled pursuant to these Articles. Upon forfeiture and cancellation of the Shares the Shareholder is discharged from any further obligation to the Company with respect to the Shares forfeited and cancelled.

### **TRANSFER OF SHARES**

29. Subject to these Articles, Shares are transferred by a written instrument of transfer.

30. The instrument of transfer of any Share shall be in any usual or common form or such other form as the Directors may, in their absolute discretion approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up Share, or where the transfer otherwise imposes a liability to the Company on the transferee, or if so required by the Directors, shall also be executed by or on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register of members in respect of the relevant Shares.

31. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine.

32. All instruments of transfer effecting a transfer which is registered shall be retained by the company, but any instrument of transfer relating to a transfer which the Directors decline to register shall (except in any case of fraud) be returned to the Person depositing the same.

### **TRANSMISSION OF SHARES**

33. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only Person recognised by the Company as having any title to the Share.

34. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
35. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

#### **ALTERATION OF NUMBER OF AUTHORISED SHARES**

36. The Company may amend the Memorandum to increase or reduce the number of Shares the Company is authorized to issue.

37. The Company may:

(a) divide the Shares, including issued Shares, of a Class or Series into a larger number of Shares of the same Class or Series; or

(b) combine the Shares, including issued Shares, of a Class or Series into a smaller number of Shares of the same Class or Series;

provided, however, that where Shares with a par value are divided or combined under (a) or (b) of this Article, the aggregate par value of the new Shares must be equal to the aggregate par value of the original Shares.

#### **REDEMPTION AND PURCHASE OF SHARES**

38. The Company may purchase, redeem or otherwise acquire and hold its own Shares in such manner and upon such other terms as the directors may agree with the relevant Shareholder(s) save that the Company may not purchase, redeem or otherwise acquire its own Shares without the consent of Shareholders whose Shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the Shares without their consent.

39. The Company may acquire its own fully paid Share or Shares for no consideration by way of surrender of the Share or Shares to the Company by the Shareholder holding the Share or Shares. Any surrender of a Share or Shares under this Article shall be in writing and signed by the Shareholder.

## TREASURY SHARES

40. Shares that the Company purchases, redeems or otherwise acquires pursuant to these Articles shall be cancelled immediately or held as Treasury Shares in accordance with the Act and Article 41.
41. Shares may only be purchase, redeemed or otherwise acquired and held as Treasury Shares where, when aggregated with the number of Shares of the same Class already held by the Company as Treasury Shares, the total number of Treasury Shares does not exceed 50 percent of the Shares of the Class previously issued by the Company, excluding those Shares that have been cancelled.
42. Where and for so long as Shares are held by the Company as Treasury Shares, all rights and obligations attaching to such Shares are suspended and shall not be exercised by or against the Company.
43. Treasury Shares may be disposed of by the Company on such terms and conditions (not otherwise inconsistent with these Articles) as the Company may by Resolution of Directors determine.

## MEETINGS OF SHAREHOLDERS

44. The Directors may, whenever they think fit, convene a meeting of Shareholders at such times and in such manner and places within or outside the British Virgin Islands as the Directors consider necessary or desirable, but the Directors shall call a meeting of Shareholders designated as an “annual meeting” not later than eighteen months after the Company’s registration under the laws of the British Virgin Islands and subsequently not later than fifteen months after holding the last preceding annual meeting.
45. Shareholders’ meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at a meeting of the Shareholders of the Company on the matter for which the meeting is being requested holding at least ten percent of outstanding Shares entitled to vote in the Company deposited at the Registered Office specifying the objects of the meeting for a date no earlier than twenty one days from the date of deposit of the requisition signed by the requisitionists, and if the Directors do not convene such meeting for a date not later than forty five days after the date of such deposit, the requisitionists themselves may convene the Shareholders’ meeting in the same manner, as nearly as possible, as that in which Shareholders’ meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the Shareholders’ meeting shall be reimbursed to them by the Company.
46. If at any time there are no Directors, any two Shareholder (or if there is only one Shareholder then that Shareholder) entitled to vote at meetings of the Shareholders of the Company may convene a



Shareholders' meeting in the same manner as nearly as possible as that in which Shareholders' meetings may be convened by the Directors.

### **NOTICE OF MEETINGS OF SHAREHOLDERS**

47. At least twenty-one days' notice in writing counting from the date service is deemed to take place as provided in these Articles specifying the place, the day and the hour of the meeting and the general nature of the business to be considered at the meeting, shall be given in the manner hereinafter provided to such Persons as are, under these Articles, entitled to receive such notices from the Company. In addition, notice of the meeting shall be posted on SEDAR at least 25 days before the record date and at least 65 days before the date of the meeting.
48. The Directors may fix as the record date for determining those Shareholders that are entitled to vote at the meeting the date notice is given of the meeting and may also fix in advance a date as the record date for determining those Shares that are entitled to vote at the meeting but the record date shall not precede by more than 60 days or by less than 40 days the date of which the meeting is to be held.
49. A meeting of Shareholders held in contravention of the notice requirements set out above is valid if Shareholders holding not less than ninety percent majority of the:

(a) total number of Shares entitled to vote on all matters to be considered at the meeting; or

(b) votes of each Class of Shares where Shareholders are entitled to vote thereon as a Class together with not less than an absolute majority of the remaining votes,

have waived notice of the meeting and for this purpose presence at the meeting shall be deemed to constitute a waiver.

50. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Shareholder shall not invalidate the proceedings at any meeting.

### **PROCEEDINGS AT SHAREHOLDERS' MEETINGS**

51. No business shall be transacted at any Shareholders' meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided by the Articles, two or more Shareholders entitled to vote at the meeting, present in person or by proxy, shall form a quorum.
52. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved. In any other case it

shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholder or Shareholders present and entitled to vote shall form a quorum.

53. If the Directors wish to make this facility available for a specific Shareholders' meeting or all Shareholders' meetings of the Company, participation in any Shareholders' meeting may be by means of a telephone or by other electronic means provided that all Persons participating in such meeting are able to hear each other and such participation shall be deemed to constitute presence in person at the meeting.
54. The chairman, if any, of the Directors shall preside as chairman at every Shareholders' meeting.
55. If there is no such chairman, or if at any Shareholders' meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, any Director or Person nominated by the Directors shall preside as chairman, failing which the Shareholders present in person or by proxy shall choose any Person present to be chairman of that meeting.
56. The chairman may with the consent of any Shareholders' meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for fourteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
57. The Directors may cancel or postpone any duly convened Shareholders' meeting at any time prior to such meeting, except for a Shareholders' meeting requisitioned by the Shareholders in accordance with these Articles, for any reason or for no reason, upon notice in writing to Shareholders. A postponement may be for a stated period of any length or indefinitely as the Directors may determine.
58. At any Shareholders' meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or one or more Shareholders present in person or by proxy entitled to vote, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

59. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
60. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
61. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

#### **VOTES OF SHAREHOLDERS**

62. Subject to any rights and restrictions for the time being attached to any Share, on a show of hands every Shareholder present in person and every Person representing a Shareholder by proxy shall, at a Shareholders' meeting, each have one vote and on a poll every Shareholder and every Person representing a Shareholder by proxy shall have one vote for each Share of which he or the Person represented by proxy is the holder.
63. The following shall apply in respect of joint ownership of Shares:
- (a) if two or more Persons hold Shares jointly each of them may be present in person or by proxy at a meeting of Shareholders and may speak as a Shareholder;
  - (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and
  - (c) if two or more of the joint owners are present in person or by proxy they must vote as one.
64. A Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote in respect of Shares carrying the right to vote held by him, whether on a show of hands or on a poll, by the Person or Persons appointed by that court, and any such Person or Persons may vote by proxy.
65. No shareholder shall be entitled to vote at any Shareholders' meeting unless all calls, if any, or other sums presently payable by him in respect of Shares carrying the right to vote held by him have been paid.
66. A Shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder.

67. The instrument appointing a proxy shall comply with all applicable securities laws and shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorized. A proxy need not be a Shareholder.
68. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
69. The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting or, if the meeting is adjourned, the time for holding such adjourned meeting.
70. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
71. An action that may be taken by the Shareholders at a meeting may also be taken by a resolution of Shareholders consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication, without the need for any notice, but if any such resolution is adopted otherwise than by written consent of a majority of the Shareholders, a copy of such resolution shall forthwith be sent to all Shareholders not consenting to such resolution. The consent may be in the form of counterparts in like form each counterpart being signed by one or more Shareholders.
72. If the Company shall have only one Shareholder the provisions herein contained for meetings of the Shareholders shall not apply and in lieu of minutes of a meeting shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Shareholders. Such a note or memorandum shall constitute sufficient evidence of such resolution for all purposes.

#### **CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS**

73. Any Shareholder or Director that is a corporation or other entity may by resolution of its directors or other governing body authorise such natural person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or Series or of the Directors or of a committee of Directors, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation or other entity which he represents as that corporation or entity could exercise if it were an individual Shareholder or Director.

#### **DIRECTORS**

74. The Directors shall be elected by Resolution of Shareholders or, subject to Article 82, appointed by Resolution of Directors.

75. No person shall be appointed as a Director of the Company unless he has consented in writing to be a director.
76. The Company may by a resolution of Shareholders from time to time fix the maximum and minimum number of Directors to be appointed but unless such numbers are fixed as aforesaid the minimum number of Directors shall be one and the maximum number of Directors shall be ten.
77. Subject to these Articles, the Company may appoint any natural person or corporation to be a Director. The following are disqualified from appointment as a Director:
- (a) an individual who is under eighteen years of age;
  - (b) a person who is a disqualified person within the meaning of section 260(4) of the Insolvency Act (or any successor provision);
  - (c) a person who is a restricted person within the meaning of section 409 of the Insolvency Act (or any successor provision);
  - (d) an undischarged bankrupt; and
  - (e) any other person disqualified by the Memorandum and these Articles.
78. Each Director holds office for the term, if any, including on an annual basis, fixed by the Resolution of Shareholders or the Resolution of Directors appointing him or until his earlier death, resignation or removal. If no term is fixed on the election or appointment of a Director, the Director shall serve for a term not exceeding the close of the next annual meeting of Shareholders following his election or appointment.
79. In the case of a Director who is an individual the term of office of a Director shall terminate on the Director's death, resignation, removal or the expiry of any fixed term appointment. The bankruptcy of a Director or the appointment of a liquidator, administrator or receiver of a corporate Director shall terminate the term of office of such Director.
80. A director may be removed from office, with or without cause, by Resolution of Shareholders passed at a meeting of Shareholders called for the purpose of removing the director or for purposes including the removal of the director or by a written Resolution of Shareholders. Section 114 of the Act does not apply to the Company.
81. A Director may resign his office by giving written notice of his resignation to the Company and the resignation shall have effect from the date the notice is received by the Company or from such later date as may be specified in the notice.

82. Subject to any Resolution of Shareholders to the contrary, the directors may at any time by a Resolution of Directors appoint any person to be a director either to fill a vacancy (except a vacancy resulting from an increase in the minimum number of Directors or from a failure of the Shareholders to elect the minimum number of Directors) or as an addition to the existing Directors. However, the Directors may not between meeting of Shareholders, appoint an additional Director if, after such appointment, the total number of Directors would be greater than one and one third time the number of Directors to have been elected at the last annual meeting of Shareholders. In the absence of a quorum of the Board of Directors or if the vacancy has arisen from a failure of the Shareholders to elect the minimum number of Directors, the Board of Directors shall forthwith call a meeting of Shareholders to fill the vacancy. If the Board of Directors fails to call such meeting or if there are no such Directors then in office, any Shareholder may call the meeting.
83. A vacancy in the board of Directors arising as a result of the death of a Director or if a Director otherwise ceases to hold office prior to the expiration of his stipulated term of office, may be filled by a Resolution of Shareholders or by a resolution of a majority of the remaining Directors.
84. The remuneration of the Directors may be determined by a Resolution of Directors<sup>1</sup> or by a Resolution of Shareholders.
85. There shall be no shareholding qualification for Directors unless determined otherwise by a Resolution of Shareholders.
86. The Company shall keep a Register of Directors containing the particulars set out in section 118(A)(1)(b) of the Act with respect to corporate directors and the following particulars in the case of an individual director (or such other particulars as may be prescribed by Act):
- (a) his full name;
  - (b) any former name, if any, unless the former name was changed by deed poll or other legal means or disused for ten years;
  - (c) date of appointment as director or nomination as reserve director;
  - (d) date of cessation of director or reserve director;
  - (e) address for service of documents;
  - (f) usual residential address, unless that address is the same as individual's address for the service of documents;
  - (g) date and place of birth; and
  - (h) nationality.

87. A copy of the Register of Directors shall be kept at the office of the Registered Agent and filed with the Registrar and the Company shall, within 30 days of any change occurring, ensure that any changes in the Register of Directors are filed with the Registrar by arranging the filing of a copy of the Register of Directors containing the changes.
88. Where a copy of the Register of Directors is kept at the office of the Registered Agent, the Company shall within fifteen days of any change in the Register of Directors, notify the Registered Agent in writing of the change and provide the Registered Agent with a written record of the physical address of the place at which the original Register of Directors is kept.

#### **ALTERNATE DIRECTOR**

89. Any Director may in writing appoint another person, who need not be a Director, to be his alternate, provided such person has consented in writing to be an alternate director. An alternate Director has the same rights as the appointing director in relation to any director's meeting and any written resolution circulated for written consent. Every such alternate shall therefore be entitled to attend meetings in the absence of the Director who appointed him and to vote in the place of the Director and sign written consents. Where the alternate is a Director he shall be entitled to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an Officer. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.

#### **POWERS OF DIRECTORS**

90. The business and affairs of the Company shall be managed by, or be under the direction or supervision of, the Directors who may pay all expenses incurred preliminary to and in connection with the formation and registration of the Company and may exercise all such powers of the company as are not by the Act or the Memorandum or these Articles required to be exercised by the Shareholders, subject to any delegation of such powers as may be authorised by these Articles and to such requirements as may be prescribed by a Resolution of Shareholders, but no requirement made by a resolution of Shareholders shall prevail if it be inconsistent with these Articles nor shall such requirement invalidate any prior act of the Directors which would have been valid if such requirement had not been made.
91. Notwithstanding section 175 of the Act, the Directors have the power to sell, transfer, lease, exchanges or otherwise dispose of the assets of the Company, without restriction and without complying with the provision of section 175, which shall not apply to the Company.
92. The Directors may, by a Resolution of Directors, appoint any Person, including a person who is a Director, to be an Officer or agent of the Company. The Resolution of Directors appointing an agent may authorise the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.

93. Every Officer or agent of the Company has such powers and authority of the Directors, including the power and authority to affix the Seal, as are set forth in these Articles or in the Resolution of Directors appointing the Officer or agent, except that no Officer or agent has any power or authority with respect to the matters requiring a Resolution of Directors under the Act or these Articles or are otherwise not permitted to be delegated under the Act.

94. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.

95. The Directors may, by a Resolution of Directors, designate one or more committees, each consisting of one or more Directors.

96. Each committee of Directors has such powers, and authorities of the Directors, including the power and authority to affix the Seal, as are set forth in the Resolution of Directors establishing the committee, except that no committee has any power or authority:

- (a) to amend the memorandum or these Articles;
- (b) to designate committees of Directors;
- (c) to delegate powers to a committee of Directors;
- (d) to appoint Directors;
- (e) to appoint agents;
- (f) to approve a plan of merger, consolidation or arrangement; or
- (g) to make a declaration of solvency or approve a liquidation plan.

97. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand or otherwise) appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys or authorized signatory (any such Person being an “**Attorney**” or “**Authorised Signatory**”, respectively) of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such Attorney or Authorised Signatory as the Directors may think fit, and may also authorise any such Attorney or Authorised Signatory to delegate all or any of the powers, authorities and discretion vested in him.



## **BORROWING POWERS OF DIRECTORS**

98. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

## **DUTIES OF DIRECTORS**

99. Subject to the following Article, the Directors when exercising their powers or performing their duties, shall act honestly and in good faith and in what the Director believes to be in the best interests of the Company.

100. Notwithstanding the foregoing:

(a) where the Company is a wholly owned subsidiary, the Directors may, when exercising their powers or performing their duties as Directors, act in a manner which they believe to be in the best interests of the Company's holding company, even though it may not be in the best interest of the Company;

(b) where the Company is a subsidiary, but not a wholly owned subsidiary, the Directors may, when exercising their powers or performing their duties, and with the prior agreement of the Shareholders other than the holding company, act in a manner which they believe to be in the best interest of the Company's holding company, even though it may not be in the best interests of the Company; and

(c) where the Shareholders are carrying out a joint venture, the Directors may, when exercising their powers or performing their duties in connection with the carrying out of the joint venture, act in a manner which they believe to be in the best interests of a Shareholder or Shareholders, even though it may not be in the best interests of the Company.

## **PROCEEDINGS OF DIRECTORS**

101. The Directors may meet together (either within or outside of the British Virgin Islands) for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall not have a second or casting vote. A Director may, and a Secretary or assistant Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.

102.A Director may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director is a member, by means of telephone or other electronic means provided that all persons participating in such meeting can hear one other and such participation shall be deemed to constitute presence in person at the meeting.

103.A Director shall be given not less than two days' notice of meetings of Directors, but a meeting of Directors held without two days' notice having been given to all Directors shall be valid if all the Directors entitled to vote at the meeting who do not attend, waive notice of the meeting, and for this purpose, the presence of a Director at the meeting shall be deemed to constitute waiver on his part. The inadvertent failure to give notice of a meeting to a Director, or the fact that a Director has not received the notice, does not invalidate the meeting.

104.The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, shall be one-half of the total number of Directors, unless there are only two directors, in which case, the quorum shall be two. A Director represented by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.

105.If the Company shall have only one Director the provisions herein contained for meetings of the Directors shall not apply but such sole Director shall have full power to represent and act for the Company in all matters as are not by the Act or the Memorandum or these Articles required to be exercised by the Shareholders and in lieu of minutes of a meeting shall record in writing and sign a note or memorandum of all matter requiring a Resolution of Directors. Such a note or memorandum shall constitute sufficient evidence of such resolution for all purposes.

106.A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may by a Resolution of Directors determine. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

107.The Directors shall cause the following corporate records to be kept:

- (a) minutes of all meetings of Directors, Shareholders, committees of Directors, committees of Officers and committees of Shareholders; and
- (b) copies of all resolutions consented to by Directors, Shareholders, Classes of Shareholders, committees of Directors, committees of Officers and committees of Shareholders.

108. The above corporate records shall be kept at the office of the Registered Agent, at the Company's principal place of business or at such other place as the Directors determine provided that where the records are kept at a place other than the office of the Registered Agent of the Company, the Company must provide the Registered Agent with a written record of the physical address of the place or places at which the records are kept and where such place is changed, the Company shall provide the Registered Agent with the physical address of the new location of the records within fourteen days of the change of location.
109. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or what there may have been a technical defect in the proceedings.
110. An action that may be taken by the Directors or a committee of Directors at a meeting may also be taken by a resolution of Directors or a committee of Directors consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication by a simple majority of the Directors or a simple majority of the members of the committee, as the case may be, without the need for any notice. The consent may be in the form of counterparts, each counterpart being signed by one or more Directors.
111. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors, or of summoning a Shareholders' meeting, but for no other purpose.
112. The Directors may elect a chairman of their meetings and determine the period for which he is to hold office but if no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.
113. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
114. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
115. All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of

them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

## **OFFICERS**

116. The Company may by Resolution of Directors appoint Officers at such times as shall be considered necessary or expedient. Any number of officers may be held by the same person.

117. The Officers shall perform such duties as shall be prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by Resolution of Directors or Resolution of Shareholders, but in the absence of any specific allocation of duties it shall be the responsibility of the chairman of the board of Directors to preside at meetings of Directors and Shareholders, the vice chairman to act in the absence of the chairman, the president to manage the day to day affairs of the Company, the vice presidents to act in order of seniority in the absence of the president but otherwise to perform such duties as may be delegated to them by the president, the secretaries to maintain the Register of Members, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the treasurer to be responsible for the financial affairs of the Company.

118. The emoluments of all Officers shall be fixed by Resolution of Directors.

119. The Officers shall hold office until their successors are duly elected and qualified, but any Officer elected or appointed by the Directors may be removed at any time, with or without cause, by Resolution of Directors. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.

## **CONFLICT OF INTERESTS**

120. A Director shall forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to the board of Directors. Where a Director's interest in a transaction is not disclosed in accordance with this Article prior to the transaction being entered into, unless it is not required to be disclosed in accordance with Article 122 below, the transaction is voidable by the Company.

121. Notwithstanding the previous Article, a transaction entered into by the Company is not voidable by the Company if:

- (a) the material facts of the interest of the Director in the transaction are known by the Shareholders entitled to vote at a meeting of Shareholders and the transaction is approved or ratified by a Resolution of Shareholders; or

(b) the Company received fair value for the transaction, and such determination of fair value is made on the basis of the information known to the Company and the interest Director at the time that the transaction was entered into.

122.A Director is not required to comply with Article 120 above, if the transaction is between the Company and the Director and the transaction or proposed transaction is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

123.A Director who is interested in a transaction entered into or to be entered into by the Company may:

- (a) vote on a matter relating to the transaction;
- (b) attend a meeting of Directors at which the matter relating to the transaction arises and be included among the Directors present at the meeting for the purpose of quorum; and
- (c) sign a document on behalf of the company, or do any other thing in his capacity as a Director, that relates to the transaction.

#### **REGISTER OF CHARGES**

124.The Company shall maintain at the Registered office or at the office of the Registered Agent a register of all charges created by the Company showing:

- (a) if the charge is a charge created by the Company, the date of its creation or, if the charge is an existing charge on property acquired by the Company, the date on which the property was acquired;
- (b) a short description of the liability secured by the charge;
- (c) a short description of the property charged;
- (d) the name and address of the trustee for the security, or if there is no such trustee, the name and address of the chargee;
- (e) unless the charge is a security to bearer, the name and address of the holder of the charge; and
- (f) details of any prohibition or restriction, if any, contained in the instrument creating the charge on the power of the Company to create any future charge ranking in priority to or equally with the charge.

## THE SEAL

125. The Directors shall provide for the safe custody of the Seal. An imprint of the Seal shall be kept at the office of the Registered Agent.
126. The Seal shall not be affixed to any instrument except by the authority of a Resolution of Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
127. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a Resolution of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of an the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more persons as the Directors may appoint for the purpose.
128. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

## DISTRIBUTIONS

129. The Company may, from time to time, by a Resolution of Directors authorise a Distribution by the Company at such time, and of such amount, to any Shareholders, as it thinks fit if they are satisfied, on reasonable grounds, that immediately after the Distribution, the Company satisfies the following solvency test:
- (a) the value of the Company's assets will exceed its liabilities; and
  - (b) the Company will be able to pay its debts as they fall due.
130. Distributions may be paid in money, Shares or other property.

131. The Directors may, before making any Distribution, set aside out of the profits of the Company such sum as they think proper as a reserve fund, and may invest the sum so set apart as a reserve fund upon such securities as they may select.
132. Notice of any Distribution that may have been authorised shall be given to each Shareholder in the manner hereinafter mentioned and all Distributions unclaimed for three years after having been declared may be forfeited by Resolution of Directors for the benefit of the Company.
133. No Distribution shall bear interest as against the Company and no Distribution shall be authorised or made on Treasury Shares.
134. The Directors may determine in their sole discretion to issue bonus Shares from time to time.
135. A division of the issued and outstanding Shares of a Class or Series of Shares into a larger number of Shares of the same Class or Series having a proportionately smaller par value does not constitute the issue of a bonus Share.
136. If several Persons are registered as joint holders of any Shares, any one of such Persons may give receipt for any Distribution made in respect of such Shares.

#### **ACCOUNTS AND AUDIT**

137. The Company shall keep such accounts, records and underlying documentation that:
- (a) are sufficient to show and explain the Company's transactions; and
  - (b) will at any time, enable the financial position of the Company to be determined with reasonable accuracy.
138. The books of account, records and underlying documentation shall be kept at the office of the Registered Agent or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
139. Where the accounts, records and underlying documentation are kept at a place other than the office of the Registered Agent of the Company, the Company must provide the Registered Agent with a written record of the physical address of the place at which the records are kept and record the name of the person who maintains and controls the Company's accounts, records and underlying documentation.
140. Where the place at which the accounts, records and underlying documentation of the Company, or the name of the person who maintains and controls the Company's accounts, records and underlying documentations changes, the Company shall within fourteen days of any change, provide

the Registered Agent with the physical address of the new location of the records or the name of the new person who maintains and controls the Company's accounts, records and underlying documentation (as applicable).

141. The Company shall retain the records and underlying documentation for a period of at least five years from the date:

- (a) of completion of the transaction to which the records and underlying documentation relate; or
- (b) the Company terminates the business relationship to which the records and underlying documentation relate.

142. The Company shall provide the Registered Agent without delay any records and underlying documentation in respect of the Company that the Registered Agent requests pursuant to the Act.

143. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by a Resolution of Directors or by a Resolution of Shareholders.

144. The accounts relating to the Company's affairs shall only be audited if the Directors so determine, in which case the financial year end and the accounting principles will be determined by the Directors.

145. The auditors of the Company shall not be deemed to be Officers.

#### **NOTICES**

146. Any notice of document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by posting it airmail or air courier service in a prepaid letter addressed to such Shareholder at his address as appearing in the Register of Members, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile should the Directors deem it appropriate. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all joint holders.

147. Any Shareholder present, either personally or by proxy, at any Shareholders' meeting shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.



148. Any notice or other document, if served by:

- (a) post, shall be deemed to have been served five days after the time when the letter containing the same is posted;
- (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
- (c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or
- (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.

In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

149. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interest (whether jointly with or as claiming through or under him) in the Share.

150. Notice of every Shareholders' meeting shall be given to:

- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of Shareholders' meetings.

#### **INDEMNITY**

151. Subject to the limitations hereinafter provided the Company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and

reasonably incurred in connection with legal, administrative or investigative proceedings any Person (an “**Indemnifiable Person**”) who:

- (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the Person is or was a Director, an Officer, agent or a liquidator of the Company; or
- (b) is or was, at the request of the Company, serving as a director, officer, agent or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.

152. The Company may only indemnify an Indemnifiable Person if such Person acted honestly and in good faith and in what the Indemnifiable Person believed to be in the best interests of the Company and, in the case of criminal proceedings, the Indemnifiable Person had no reasonable cause to believe that his conduct was unlawful.

153. The decision of the Directors as to whether the Indemnifiable Person acted honestly and in good faith and in what the Indemnifiable Person believed to be in the best interests of the Company and, in the case of criminal proceedings, as to whether such Person had no reasonable cause to believe that his conduct was unlawful, is in the absence of fraud, sufficient for the purposes of these Articles, unless a question of law is involved.

154. The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the Indemnifiable Person did not act honestly and in good faith and with a view to the best interests of the Company or that such Person had reasonable cause to believe that his conduct was unlawful.

155. Expenses, including legal fees, incurred by an Indemnifiable Person in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the Indemnifiable Person to repay the amount if it shall ultimately be determined that the Indemnifiable person is not entitled to be indemnified by the Company in accordance with these Articles.

156. Expenses, including legal fees, incurred by a former Director, Officer or agent in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former Director, Officer or agent, as the case may be, to repay the amount if it shall ultimately be determined that the former Director, Officer or agent is not entitled to be indemnified by the Company in accordance with these Articles and upon such other terms and conditions, if any, as the Company deems appropriate.

157. The indemnification and advancement of expenses provided by, or granted pursuant to, this section is not exclusive of any other rights to which the Person seeking indemnification or advancement of expenses may be entitled under the agreement, resolution of members, resolution of disinterested Directors or otherwise, both as to acting in the Person's official capacity and as to acting in another capacity which serving as a Director, if applicable.

158.If a Person to be indemnified has been successful in defence of any proceedings described above the Person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the Person in connection with the proceedings.

#### **INSURANCE**

159.The Company may purchase and maintain insurance in relation to any person who is or was a Director, or who at the request of the Company is or was serving as a Director of, or in any other capacity is or was acting for another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability in the preceding Article.

#### **NON-RECOGNITION OF TRUSTS**

160.Subject to the proviso hereto, no Person shall be recognised by the Company as holding any Share upon any trust and the company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as required by law) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register of Members, provided that, notwithstanding the foregoing, the Company shall be entitled to recognise any such interests as shall be determined by the Directors.

#### **WINDING UP**

161.If the Company shall be wound up, the liquidator may divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders of different Classes or Series. The liquidator may vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator shall think fit, but so that no Shareholder shall be compelled to accept any asset whereon there is any liability.

#### **AMENDMENT OF ARTICLES OF ASSOCIATION**

162. These Articles may be amended in the manner prescribed in the Memorandum.

## **CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE**

163. For the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at any meeting of Shareholders or any adjournment thereof, or those Shareholders that are entitled to receive payment of any Distribution, or in order to make a determination as to who is a Shareholder for any other purpose, the Directors may provide that the Register of Members shall be closed for transfer for a stated period which shall not exceed in any case forty days. If the Register of Members shall be so closed for the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders the Register of Members shall be so closed for at least ten days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.

164. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of the Shareholders and for the purpose of determining those Shareholders that are entitled to receive payment of any Distribution the Directors may, at or within ninety days prior to the date of declaration of such Distribution, fix a subsequent date as the record date for such determination.

165. If the Register of Members is not so closed and no record date is fixed for the determination of those Shareholders entitled to receive notice of, attend or vote at a meeting of Shareholders or those Shareholders that are entitled to receive payment of a Distribution, the date of which notice of the meeting is posted or the date on which the resolution of the Directors declaring such Distribution is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

## **REGISTRATION BY WAY OF CONTINUATION**

166. The Company may by Resolution of Directors or by Resolution of Shareholders resolve to be registered by way of continuation in a jurisdiction outside the British Virgin Islands in the manner provided under those laws. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Corporate Affairs to deregister the Company in the British Virgin Islands and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

## **DISCLOSURE**

167. The Directors, or any service providers (including the Officers, the Secretary and the Registered Agent of the Company) specifically authorised by the Directors, shall be entitled to disclose to any regulatory or judicial authority any information regarding the affairs of the Company including without limitation information contained in the Register of Members and books of the Company.

We, **FH Corporate Services Ltd**, of FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands for the purpose of continuing a Company as a BVI Business Company limited by shares under the laws of the British Virgin Islands hereby sign these Articles of Association on 5 July 2013 for and on behalf of the Shareholders and Directors of the Company:

Authorised Signatory

(Sgd.) Jose Santos

By: Jose Santos

Authorised Signatory

FH Corporate Services Ltd

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**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dr. Declan Doogan, Chief Executive Officer of Portage Biotech Inc., certify that:

1. I have reviewed this Annual Report on Form 20-F of Portage Biotech Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: July 28, 2017

/s/ Declan Doogan

By: Dr. Declan Doogan

Title: Chief Executive Officer

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kam Shah, Chief Financial Officer of Portage Biotech Inc., certify that:

1. I have reviewed this Annual Report on Form 20-F of Portage Biotech Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: July 28, 2017

/s/ Kam Shah

By: Kam Shah

Title: Chief Financial Officer

EXHIBIT 13.1

CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Dr. Declan Doogan, Chief Executive Officer of Portage Biotech Inc. (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (i) the Annual Report on Form 20-F of the Company for the fiscal year ended March 31, 2017 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2017

/s/ Declan Doogan

By: Dr. Declan Doogan

Title: Chief Executive Officer

*This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 20-F. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

*This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*



EXHIBIT 13.2

CERTIFICATION OF  
CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kam Shah, Chief Financial Officer of Portage Biotech Inc. (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (i) the Annual Report on Form 20-F of the Company for the fiscal year ended March 31, 2017 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2017

/s/ Kam Shah  
By: Kam Shah  
Title: Chief Financial Officer

*This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 20-F. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

*This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*