

Capha Pharmaceuticals Inc.

(formerly FPS Pharma Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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Background

This discussion and analysis of financial position and results of operations is prepared as at November 29, 2017. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2016 and the unaudited consolidated financial statements for the nine months ended September 30, 2017 and the related notes thereof which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and the following MD&A are presented in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Company Overview

During 2015, the Company determined to cease carrying on a mineral exploration business. The Company's existing mineral exploration agreement was terminated and all related carrying costs were written off. The Company began exploring opportunities in the pharmaceutical distribution business.

During 2015, the Company attempted to acquire a 100% equity interest in Florida Pharmacy Solutions, Inc., a company based in Florida, United States of America but was not successful. As part of the attempted acquisition, the Company received net loans of US \$1,527,750 which were forgiven as partial consideration of the Company ceasing to pursue the acquisition.

During 2015, the Company incorporated a subsidiary in Hong Kong, called FPS Pharma Asia Limited and set up offices in Asia. All offices in Asia were closed in December 2016 and the Company recognized a write-off of \$ 57,161 relating to prepaid expenses and equipment. In January 2017, the Company changed its name to Capha Pharmaceuticals Inc.

In June 2017, the Company signed a Letter of Intent to purchase all of the shares of AgriForest Bio-Technologies Ltd. After a period of due diligence, the Company decided not to proceed with the transaction.

On September 9, 2015, the Company's common shares were de-listed from the TSX Venture Exchange ("TSXV") and commenced trading on the Canadian Securities Exchange ("CSE") on September 10, 2015 in United States dollars. On January 21, 2016, the Company's shares were suspended from trading by the CSE. On April 4, 2016, the CSE granted the Company's request to withdraw from listing all of the Company's securities on the CSE. The common shares of the Company are not currently trading. The Company intends to re-list its shares on a Canadian stock exchange. The Company's outstanding stock options and share purchase warrants are not listed.

Forward Looking Statements

All statements made in this MD&A, other than statements of historical fact, are forward looking statements. The Company's actual results may differ significantly from those anticipated in the forward looking statements and readers are cautioned not to place undue reliance on these forward looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events.

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Forward looking statements include, but are not limited to, statements with respect to the timing of the development of new ventures, currency fluctuations, requirements for additional capital, government regulations, environmental risks, limitations on insurance coverage and the timing and possible outcome of pending litigation and the settlement of same. In certain cases, forward looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” “does not anticipate”, “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, risks related to the integration of acquisitions; risks related to international operations; actual results of current activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the pharmaceutical industry; delays in obtaining governmental approvals or financing or in the completion of development activities; risks relating to the timing of obtaining the final approval order for the settlement agreement. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to not be as anticipated, estimated or intended. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

Financial Condition / Capital Resources

Historically, the Company’s activities have been funded through equity financings and short term shareholder loans. The financial condition and resources of the Company remain uncertain and it is expected that the Company will be funded through equity financings and shareholder loans until it develops cash flows from operations, subject to stock market and general economic conditions. There is no assurance, however, that the Company will be successful in its efforts.

As at September 30, 2017, the Company had a working capital deficit of \$ 445,268 and an accumulated deficit of \$ 15,092,680. To support operations over the next year the Company requires financing from equity or debt. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail all its activities until funding is available and can be obtained.

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Selected Financial Data

The table below presents selected financial information, expressed in Canadian dollars, for the Company's most recently completed quarters.

	2017			2016				2015
	Sept. 30	June 30	Mar. 31	Dec. 31	Sept 30	June 30	Mar. 31	Dec. 31
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss):	(16,130)	(74,607)	(100,001)	(161,999)	(186,377)	(241,720)	(299,804)	1,617,130
Basic and diluted income per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.03
Working capital	(445,268)	(425,767)	(351,979)	(251,493)	(162,949)	17,040	245,455	646,450
Total assets	7,185	6,050	11,643	5,897	69,485	175,312	402,308	773,538
Total long-term liabilities	-	-	-	-	-	-	-	-

Analysis of the nine months ended Sept. 30/17 versus the nine months ended Sept. 30/16

Throughout 2016, the Company had a subsidiary company, FPS Pharma Asia Limited ("FPS Asia"), which performed most of the operations for the Company. FPS Asia was closed at the end of 2016 and all assets were written off. Commencing from January 1, 2017, all operations are in Canada on a reduced basis.

The Company incurred net expenses of \$204,648 in the nine months ended September 30, 2017 compared with expenses of \$768,400 in the same period of 2016. All expenses were lower in the current period compared to the previous year due to the different levels of operation.

In the first nine months of 2017, the Company recorded a gain of \$467 on the fair value liability for warrants outstanding which expired in March 2017 and realized exchange gains of \$13,443. The net loss in the nine months ended September 30, 2017 was \$190,738 or \$0.00 per share. In the first nine months of 2016, the Company recorded a gain of \$48,182 on the fair value liability for warrants outstanding, realized a gain of \$1,251 on the sale of assets and incurred exchange losses of \$8,935, resulting in a net loss of \$727,902 or \$0.01 per share.

Analysis of the three months ended Sept. 30/17 versus the three months ended Sept. 30/16

With the closure of FPS Asia at the end of 2016, operations were significantly reduced in 2017 making any comparison of the financial results difficult.

The Company incurred net expenses of \$23,198 in the three months ended September 30, 2017 compared with expenses of \$193,569 in the same period of 2016. All expenses were lower in the current quarter compared to the previous year due to the different levels of operation.

In the third quarter of 2017, the Company realized exchange gains of \$7,068, resulting in a net loss in the three months ended September 30, 2017 of \$16,130 or \$0.00 per share. In the third quarter of 2016, the Company recorded a gain of \$5,720 on the fair value liability for warrants outstanding, realized a gain of \$1,251 on the sale of assets, and realized exchange gains of \$220, resulting in a net loss of \$186,377 or \$0.00 per share.

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Related party disclosures

Transactions with key management personnel

- a) In January 2017, the Company added a new President and Chief Operating Officer. Management fees of \$ 84,000 (2016 - \$ 41,246) and rent of \$ Nil (2016 - \$ 3,437) were paid to the Chairman and Chief Executive Officer, the President and Chief Operating Officer, and the Chief Financial Officer during the nine months ended September 30, 2017.

Included in accounts payable and accrued liabilities at September 30, 2017 is \$ 133,292 (2016 - \$ 105,337) due to directors.

During the nine months ended September 30, 2017, management fees of Nil (2016 - \$ 166,660) were paid to the Chief Executive Officer of the Company's former wholly owned subsidiary FPS Pharma Asia Limited.

- b) As at September 30, 2017, loans payable of \$ 306,119 (2016 - \$ 94,709) were due to a director. The loans do not bear interest.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common voting shares of no par value. As at September 30, 2017, there were 54,431,030 common shares issued and outstanding. There were no warrants outstanding and there were 1,947,058 share options outstanding, exercisable at prices ranging from \$0.10 to \$0.85 and expiry dates ranging from October 2017 to May 2020; 447,058 share options, exercisable at \$0.85, expired on October 1, 2017.

Business Development

The Company closed its wholly-owned subsidiary, FPS Pharma Asia Limited, at the end of 2016. In January 2017 the Company changed its name to Capha Pharmaceuticals Inc. and Kyle J. Remenda was appointed President and Chief Operating Officer of the Company.

In June 2017, the Company signed a Letter of Intent to purchase all of the shares of AgriForest Bio-Technologies Ltd. After a period of due diligence, the Company decided not to proceed with the transaction.

Effective June 30, 2017, Kyle J. Remenda resigned as President and Chief Operating Officer of the Company. The current officers of the Company are James R. Brown (Chairman, President and Chief Executive Officer) and Janice Brown (Chief Financial Officer and Corporate Secretary).

The Company continues to pursue opportunities in the cannabis sector.

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Risks Inherent in the Pharmaceutical Business

The Company's ability to continue its operations is dependent on its ability to generate revenue and/or obtain additional financing. Should the Company be unable to generate sufficient revenues and/or obtain additional financing, it may have no alternative but to significantly curtail, or cease to carry on, business operations.

Legal proceedings

The nature of the Company's business may subject it to numerous regulatory investigations, claims, lawsuits, and other proceedings. The result of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on the Company.

Credit risk

Credit risk arises due to the potential for one party to a financial instrument to fail to discharge its obligations and cause the other party to suffer a loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash with financial institutions that are believed to be creditworthy. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk arises when adequate funds cannot be raised to settle liabilities and commitments when they become payable. The Company manages its liquidity by maintaining adequate cash to meet anticipated cash needs. As at September 30, 2017, the Company had a working capital deficit of \$445,268 and the Company requires financing from equity or debt to meet its obligations.

Foreign currency risk

The Company is not subject to foreign exchange rate risk as the majority of the Company's transactions are in the Company's functional currency, which is the Canadian dollar.

Investor Relations Activities

The Company provides information packages to investors; the package consists of materials filed with regulatory authorities.