

Capha Pharmaceuticals Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2023

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Background

This discussion and analysis of financial position and results of operations is prepared as at April 26, 2024. The Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2023 and related notes thereof which have been prepared in accordance with IFRS Accounting Standards. 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

The Company is incorporated under the laws of the Province of British Columbia and was formed as a result of an amalgamation on September 1, 2004. On January 16, 2017, the Company changed its name to Capha Pharmaceuticals Inc.

During 2015, the Company ceased 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.

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.

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.

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

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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 cannabis 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 short term shareholder loans until it develops cash flows from operations.

As at December 31, 2023, the Company had a working capital deficit of \$500,185. 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, the Company will be forced to curtail all its activities until funding is available and can be obtained.

Selected Financial Data

The following selected financial information, expressed in Canadian dollars, is derived from the audited annual financial statements of the Company prepared in accordance with IFRS Accounting Standards.

The table below presents selected financial information, expressed in Canadian dollars.

	Years Ended December 31,		
	2023	2022	2021
Revenues	\$ -	\$ -	\$ -
Net income/(loss)	(72,022)	(75,908)	(56,175)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)
Working capital	(500,185)	(428,354)	(352,719)
Total assets	1,748	2,262	4,415
Total long-term liabilities	-	-	-

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

	2023				2022			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss):	(19,615)	(20,184)	(14,589)	(17,634)	(17,775)	(20,879)	(22,210)	(15,044)
Basic and diluted income per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Working capital	(500,185)	(480,618)	(460,471)	(445,940)	(428,354)	(410,647)	(389,836)	(367,694)
Total assets	1,748	3,032	3,582	1,736	2,262	1,750	2,712	1,884
Total long-term liabilities	-	=	-	-	-	-	-	-

Analysis of the year ended December 31, 2023 versus the year ended December 31, 2022

The Company incurred expenses of \$71,723 in the year ended December 31, 2023 compared with expenses of \$75,369 in the same period of 2022, a decrease of \$3,646. The major decrease was \$8,551 in travel and meals, partially offset by an increase of \$4,022 in professional fees.

In the year ended December 31, 2023, the Company incurred exchange losses of \$299, resulting in a net loss of \$72,022 or \$0.00 per share. In the prior year, the Company incurred exchange losses of \$539, resulting in a net loss of \$75,908 or \$0.00 per share.

Analysis of the three months ended December 31, 2023 versus the three months ended December 31, 2022

The Company incurred expenses of \$19,417 in the three months ended December 31, 2023 compared with expenses of \$17,467 in the same period of 2022. The major increase in 2023 was \$1,763 in travel and meals.

In the fourth quarter of 2023, the Company incurred exchange losses of \$198, resulting in a net loss of \$19,615 or \$0.00 per share. In the prior year, the Company incurred exchange losses of \$308, resulting in a net loss of \$17,775 or \$0.00 per share.

Related party disclosures

Included in accounts payable and accrued liabilities at December 31, 2023 is \$ Nil (2022 - \$ 2,820) due to the CEO and CFO.

As at December 31, 2023, a loan payable of \$ 489,068 (2022 - \$ 416,068) was due to the CEO. The loan does 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 December 31, 2023, there were 64,431,030 common shares issued and outstanding. There were no warrants or options outstanding.

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Business Development

The Company is currently exploring various opportunities.

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 December 31, 2023, the Company had a working capital deficit of \$500,185 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.