

# **BioHarvest Sciences Inc.**

**(Formerly Canna-V-Cell Sciences Inc.)**

**Management's Discussion and Analysis**

**For the three months ended March 31, 2020**

**(U.S. dollars in thousands)**

## **INTRODUCTION**

The following Management Discussion and Analysis (“MD&A”), prepared as of May 27, 2020 has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (IASB). The Company’s comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in U.S dollars in thousands unless otherwise indicated.

The following information should be read in conjunction with the consolidated financial statements for the three months ended March 31, 2020, and the related notes to those financial statements.

Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains certain information that may constitute forward-looking information and forward-looking statements within the meaning of applicable securities laws (collectively, “Forward-Looking Statements”), which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. All information contained herein that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “potential”, “proposed”, “estimate” and other similar words, expressions and phrases, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of historical fact.

Certain of the Forward-Looking Statements contained herein concerning the cannabis industry are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of this industry, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While we are not aware of any misstatement regarding any industry or government data or other information presented herein that is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

---

**NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS**

**1. General**

BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc. ("CannaVCell") (the "Company" or "BioHarvest Sciences") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013. On September 27, 2018, the Company completed a qualifying transaction (the "Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel. The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a reverse takeover and change of business for the Company (the "RTO"). Subsequent to the Transaction, the Company's principal business is to develop and produce cannabis active ingredients based on biopharming technology. The Company's shares trade on the Canadian Securities Exchange under the symbol "BHSC".

BioHarvest was incorporated in January 2007 and commenced its activity in July 2007. In July 2014, BioHarvest established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

BioHarvest is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. BioHarvest has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

On February 26, 2018, BioHarvest established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On December 5, 2019, BioHarvest Sciences established a wholly owned subsidiary in Israel, BioFarming Ltd. ("BioFarming" or "Merger Sub").

**Merger Transaction**

On December 9, 2019, BioHarvest signed on a merger agreement with BioFarming (hereafter "Merger Transaction"). Pursuant to the terms and subject to the closing conditions set forth in the Merger Agreement, the Merger Sub shall be merged into the Company in accordance with sections 314 through 327 of the Israeli Companies Law, and the separate corporate existence of the Merger Sub shall cease. Following the Merger Transaction, BioHarvest shall become a wholly owned subsidiary of BioHarvest Sciences, which will become the record and beneficial owner of all of the issued and outstanding shares of BioHarvest's share capital, and there shall be no outstanding shares, options, warrants or rights of any kind to subscribe for or purchase any shares of BioHarvest's share capital. According to the Merger Transaction, the closing of the merger is subjected to the following closing conditions:

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

---

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding \$500;
- Approval of the Canadian Securities Exchange;
- The Agreement of Convertible Debt holders of BioHarvest to accept warrants of BioHarvest Sciences to replace their warrants in BioHarvest
- Termination of BioHarvest's director, officer, employee or consultant options outstanding; and
- BioHarvest Sciences is required to complete a financing round of \$4 million. This amount is subject to adjustment at the option of BioHarvest Sciences depending on the financial position of BioHarvest at closing

On March 31, 2020, all terms of the Merger Transaction were met. Following is the merger consideration:

- Issuance of 299,057,739 common shares of BioHarvest Sciences to the shareholders of BioHarvest at a deemed price of \$0.11 per share (CAD\$0.15).
- Issuance of 39,565,579 warrants to purchase an additional common share of BioHarvest Sciences at \$0.70 per share (CAD \$1.00). Each warrant is exercisable until August 31, 2020. These warrants replace the existing warrants that the convertible debt holders in BioHarvest have.

In addition, 11,910,000 stock options of BioHarvest Sciences were granted to BioHarvest's Chief technology officer Dr. Yochi Hagai and are exercisable for a period of two years at an exercise price of \$0.11 per share (CAD \$0.15). The options granted vest at a rate of 12.5% in each quarter of the 2-year period.

As part of the closing of the Merger Transaction, all of BioHarvest's Convertible Notes (as defined in note 4) signed a statement of conversion (the "Statement of Conversion") according to which each lender agrees that effective as of immediately prior to, and subject to the closing of the Merger Transaction, the loan amount shall be converted into BioHarvest's shares that will be replaced with approximately 1.7 shares of BioHarvest Sciences and each existing warrant to purchase an additional common share of BioHarvest shall be converted to approximately 1.7 warrants to purchase an additional common share of BioHarvest Sciences at \$0.76 per share (CAD \$1.00).

As part of the closing of the Merger Transaction, all of BioHarvest's outstanding share based compensation options were cancelled (731,348 options).

The Merger Transaction does not constitute a business combination within the scope of IFRS 3 and accordingly is treated by the Company in the financial statements as a pooling of interest. According to this method, the Company prepared its financial statements in order to reflect as if the Merger was in effect as of the date the two entities were under common control.

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

---

Concurrent with closing the Merger Transaction, BioHarvest Sciences completed a private placement of 8,000,000 shares at a price of \$0.11 per share (CAD \$0.15) for gross proceeds of \$890 (CAD \$1,200).

In connection with the private placement, the Company issued 117,600 finders warrants (the "Finder Warrants") to purchase an additional common share the Company. The Finders Warrants amount equals to 6% of the number of shares placed with persons introduced by the finders. The Finder Warrants are exercisable at \$0.11 per share (CAD \$0.15). Each warrant is exercisable until September 30, 2021.

As of March 31, 2020 BioHarvest Sciences held 100% of the issued share capital of BioHarvest Ltd.

**COVID-19**

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Israel, have been taking measures designated to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may dramatically affect the Company's ability to conduct its business effectively, including, but not limited to, adverse effect relating to employees' welfare, slowdown and stoppage of manufacturing, commerce, shipping, delivery, work, travel and other activities which are essential and critical for maintaining on-going business activities. Given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition. Infections may become more widespread and the limitation on the ability to work, travel and timely sell and distribute products, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company's business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets and global economy which could result in an economic downturn that could affect demand for the Company's products and have a material adverse effect on its operations and financial results, earnings, cash flow and financial condition.

The primary impact of the COVID-19 worldwide pandemic is on our R&D delivery schedule. Since we completed the initial R&D program in September 2019 and announced the results, we have been waiting to complete the Merger Transaction and Concurrent Financing in order to settle how the next phase will be developed.

Despite having completed the Merger transaction and Concurrent Financing, we still face the impact of the COVID-19 pandemic. Given the extensive lab work required and physical presence of the scientists and engineers in the labs, it is difficult to make any significant progress due to the strict confinement regulations imposed by the government of Israel. We cannot yet assess the

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

---

impact in terms of delay in delivering the second phase until we understand what restrictions may remain in place that could hinder the work required in the labs.

The second area which suffers from the pandemic is the sales of Vinia. The plan was to commence marketing and sales in the US starting in March 2020, however, this has been postponed by at least a few months. In Israel sales of Vinia are also impacted severely due to the pandemic and related the restrictions.

The third impacted area is the readiness for large scale manufacturing for Vinia and for the Cannabis products. We have experienced significant work interruptions in our existing factory and we are limited in our ability to bring in third party experts to assist in preparations for higher volume production.

Management is fully engaged in assessing the impact and adjusting its operations accordingly.

**2. Overview of the business**

The first product developed by BioHarvest, called VINIA™, made of red grape (*Vitis vinifera*) cells grown in the vertical reactors (BioFarms) proprietary facility, is in a form of a fine dry pink-purple powder containing the whole matrix of polyphenols (with a high concentration of Piceid Resveratrol) in their natural state, that have additive and synergistic benefits. These polyphenols can be found in red wine. The composition is natural and patent protected. One of the main active ingredients in VINIA™ is Piceid-resveratrol, maintaining the quality and inherent benefits present in nature without any solvent extraction or genetic modification. VINIA™ is very soluble when integrated with various liquids or cosmetics.

BioHarvest conducted several clinical trials at independent institutions (following rigorous protocols) showing that Vinia is the first ever natural vasodilator without sugar or calories (see below details). Vinia's major mechanism is the increase of NO's (Nitric Oxide) and decrease of ET1's (Endothelial protein) resulting in the vasodilation of blood vessels (arterial and capillary) and blood perfusion. The following 4 FDA reviewed functional claims supported by the clinical trials clearly state the benefits: improving blood flow, inhibiting oxidation of LDL cholesterol, keeping arteries flexible and maintaining blood pressure within normal range.

Vinia is food and went through the regulatory necessary approvals both in the US and in Japan. As such the functional claims do not require a disclaimer as is the case for all dietary supplements. The Company also applied for similar approvals in Europe and planning to do so in some parts of Asia and Latin America. The recommended dose of Vinia varies by application. For example, for support of healthy cardiovascular functioning, it is recommended to use 400mg per day.

The Company has invested over \$25,000 primarily in R&D. Such investment has resulted in the development of the biofarming platform technology which also created significant IP in the form of patents and know-how. The list of patents is available below.

In terms of manufacturing capacity, the Company currently has a two tons/year production facility (with an inventory of 1 ton) and has plans to expand the manufacturing to 20 tons/year and

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

For the Three Months Ended March 31, 2020

U.S. dollars in thousands

**Management's Discussion and Analysis**

subsequently 100 tons/year. BioHarvest plans to introduce 3 new products based on the biofarming technology over the next 5 years. These products are based on olives, pomegranates and blueberries.

The Company has successfully completed a B2C (on-line based) pilot marketing and sales program in Israel. The results (to be described below in the document) are very encouraging and provide for the base to continue into a full scale sales plan in Israel as well as in the US starting in 2020. Revenue projections based on such pilot are also described below.

The Company is also negotiating agreements with multiple strategic distribution partners in order to commercialize its biofarming platform based products starting with Vinya. The goal is to secure a multi-year partner/s based on need, volume, price, format of usage and geography in order to maximize both revenues and brand awareness while taking into account the supply capacity constraints. With a longer term orientation, we are also aiming to build a secondary distribution channel with CPG (consumer package goods) for the integration of our ingredients into products from fortune 500 players such as Nestle, Coca Cola and Conagra.

We believe that this partnership approach including B2B and B2C is the best way towards the rapid commercialization and adoption of BioHarvest's technology and Vinya.

**SELECTED ANNUAL INFORMATION**

	Three-months period ended	
	March 31,	
	2020	2019
Note	Unaudited	
Revenues	\$ 42	\$ 66
Cost of revenues	31	53
<b>Gross revenue</b>	<b>11</b>	<b>13</b>
<b>Operating expenses</b>		
Research and development	260	284
Selling and marketing	38	41
General and administrative	462	392
<b>Total operating expenses</b>	<b>(760)</b>	<b>(717)</b>
<b>Loss from operations</b>	<b>(749)</b>	<b>(704)</b>
Listing expenses	1 434	-
Finance expenses (income)	(911)	747
<b>Net loss before tax</b>	<b>(272)</b>	<b>(1,451)</b>
Tax expenses	-	-
<b>Net loss and comprehensive loss</b>	<b>\$ (272)</b>	<b>\$ (1,451)</b>
Basic and Diluted loss per share	<b>(0.00)</b>	<b>(0.00)</b>
Weighted Average Number of Shares Outstanding	<b>103,243,680</b>	<b>96,577,013</b>

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**  
**For the Three Months Ended March 31, 2020**  
**U.S. dollars in thousands**  
**Management's Discussion and Analysis**

---

	<b>Three-months period ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
Total Assets	\$ 2,921	\$ 2,022
Total non-current liabilities	\$ 2,389	\$ 2,524

**Three month period ended March 31, 2020 compared to the three month period ended March 31, 2019:**

The Company operates in two segments: Vinia and the development or medical Cannabis. The medical Cannabis segment is in the research and development stage.

Our revenues were \$42 for the three month period ended March 31,2020, as compared to \$66 during the same period in the prior year. The decrease in 2020 is due the impact of the COVID-19 worldwide pandemic. All our revenues in both periods relate to Vinia.

Our cost of revenues was \$31 for the three month period ended March 31,2020, as compared to \$53 during the same period in the prior year. The decrease is due to a decrease in revenues during the period. All our cost of revenues in both periods relate to Vinia.

Our research and development expenses relate to our medical Cannabis segment only, and were \$260 for the three month period ended March 31,2020, as compared to \$284 during the same period in the prior year. The decrease in 2020 is due the strict confinement regulations imposed by the government of Israel, as a result of the COVID-19 worldwide pandemic.

Our selling and marketing expenses relate to Vinia and were \$38 for the three month period ended March 31,2020, as compared to \$41 during the same period in the prior year.

Our listing expenses were \$434 for the three month period ended March 31, 2020 as compared to nil during the same period in the prior year. The listing expenses is due to the Merger Transaction that closed on March 31, 2020.

Our general and administrative expenses increased to \$462 for the three month period ended March 31,2020 as compared to \$392 during the same period in the prior year. The increase is mainly due to an increase in professional and legal fees. Our general and administrative expenses are incurred to support both our business segments.



**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

---

Our net finance income was \$911 for the three month period ended March 31, 2020 as compared to \$747 finance expenses during the same period in the prior year. The main change is due to the fair value adjustments of derivative liability (warrants) and due to the conversion of the convertible loans as part of the Merger Transaction. Due to the conversion of the convertible loans on March 31, 2020 the Company has not recorded interest expenses related to the convertible loans. Our finance expenses are incurred to support both our business segments.

**Financial instruments and risk management**

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

**1. Foreign currency risk:**

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company is exposed to currency risk to the extent that there is a mismatch between the currency in which it denominated and the respective functional currency of the company.

The currencies in which some transactions are primarily denominated are CAD, US dollars and NIS.

The company's policy is not to enter into any economic hedging transactions to neutralize the effects of foreign currency fluctuations.

**2. Liquidity and Capital resources**

The Financial Statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for the Financial Statements, then adjustments of a material nature would be necessary in the carrying value of assets such as petroleum and natural gas licenses, liabilities, the reported expenses, and the balance sheet classifications used. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned program beyond the next year.

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**  
**For the Three Months Ended March 31, 2020**  
**U.S. dollars in thousands**  
**Management's Discussion and Analysis**

---

At March 31, 2020 the Company held cash of \$1,826 (March 31, 2019 \$656). The Company had current liabilities of \$2,050 (March 31, 2019 - \$23,006 including convertible loans of \$19,868). At March 31, 2020, the Company's working capital was positive \$155 (March 31, 2019– negative \$22,062).

During the three month period ended March 31, 2020, the Company's overall position of cash and cash equivalents increased by \$918. This increase in cash can be attributed to the following:

- The Company's net cash used in operating activities during the three month period ended March 31, 2020 was \$665 as compared to net cash used of \$418 for the three months period ended March 31, 2019. The amount is primarily a result of the losses incurred in the operations of the Company.
- Cash used in investing activities for the three month period ended March 31, 2020 was \$1 as compared to cash used of \$24 for the three months period ended March 31, 2019. The amount used in 2020 and 2019 relates primarily to the purchase of property, plant and equipment.
- Cash generated from financing activities during the three month period ended March 31, 2020 was \$1,584 as compared to \$86 used in financing activities for the three months period ended March 31, 2019. The amount in 2020 is primarily from convertible loans received and proceed received from the private placement.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options, warrants and loans to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

**Off Balance Sheet Agreements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations or arrangements with respect to any obligations under a variable interest equity arrangement.

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

**Transactions With Related Parties**

The Company's key management personnel have the authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. Compensation earned by key management for three month period ended March 31, 2020 was as follows:

**1. Related party transactions:**

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
<b>Compensation of key management personnel of the Company:</b>		
CEO Management fees	69	48
CFO Management fees	3	3
Share base payment to CEO	17	69
<b>Other related party transactions:</b>		
Share base payments	72	84
Investment in Convertibles loans	-	38

**2. Balance with related parties:**

<b>Three months ended March 31</b>	<b>2020</b>	<b>2019</b>
Convertible loans	-	14,220
Loan from related party	40	19

**Critical Accounting Estimates**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)****For the Three Months Ended March 31, 2020****U.S. dollars in thousands****Management's Discussion and Analysis**

of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**1. Share based compensation**

The Company has a share based compensation plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates.

**2. Derivative liability – Warrants**

The Company uses the Black-Scholes option-pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the warrants. Significant estimates used in the preparation of the Company's Financial Statements include, but are not limited to impairment of exploration license costs capitalized in accordance with IFRS, stock based compensation and future income taxes.

**3. Liability to Agricultural Research Organization**

The Company measured the Liability to Agricultural Research Organization, each period, based on discounted cash flows derived from Company's future anticipated revenues. The discount rate reflects the market rate.

**Common Share Data**

As at the date of this MD&A, the Company had the following securities issued and outstanding securities:

- a) 410,301,419 common shares with no par value.
- b) The following table summarizes information about warrants outstanding as at March 31, 2020:

<b>Date of issuance</b>	<b>Date of expiry</b>	<b>Exercise price</b>	<b>Exercisable at March 31, 2020</b>
September 27, 2018	September 26, 2020	\$ 0.17 (CAD 0.23)	20,890,148
September 23, 2019	September 22, 2021	\$ 0.23 (CAD 0.30)	6,666,667
March 31,2020	August 30, 2020	\$ 0.70 (CAD 1.00)	39,565,579
March 31,2020	September 30, 2021	\$ 0.11 (CAD 0.15)	117,660
			<b>67,240,054</b>

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

For the Three Months Ended March 31, 2020

U.S. dollars in thousands

**Management's Discussion and Analysis**

c) The following table summarizes information about the options outstanding as at March 31, 2020:

Number Outstanding at March 31, 2020	Options Outstanding		Options Exercisable	Weighted Exercise Price
	Exercise Price	Expiry Date	at March 31, 2020	
9,510,279	\$0.15 (CAD 0.20)	September 26, 2020	9,043,256	\$0.15 (CAD 0.20)
750,000	\$0.15 (CAD 0.20)	September 10, 2021	572,781	\$0.15 (CAD 0.20)
11,910,000	\$0.10 (CAD 0.15)	March 31, 2022	-	\$0.11 (CAD 0.15)
<b>22,170,279</b>			<b>9,616,037</b>	<b>\$0.12 (CAD 0.17)</b>

**Investor Relations Contracts**

There are no investor relations contracts outstanding.

**Contractual Obligations**

The Company has no contractual obligations that have not been disclosed.

**Risks and Uncertainties****1. Limited Operating History**

The Company is in the early stages of its business activities. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

**2. History of Losses**

The Company has incurred net losses every period since inception and as of March 31, 2020, had an accumulated deficit of \$43,566.

**3. No History of Dividends**

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance the Company's operations. The Company will need to achieve profitability prior to any dividends being declared.

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

**For the Three Months Ended March 31, 2020**

**U.S. dollars in thousands**

**Management's Discussion and Analysis**

---

**4. Dilution**

The Company does not generate significant revenues from operations and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

**5. Capital and Liquidity Risk**

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

**6. Dependence on Key Personnel**

Loss of certain members of the executive team or key operational leaders of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

**Subsequent Events**

No subsequent events occurred after the reporting period.

**MD&A Preparation**

This MD&A is intended to assist the reader's understanding of BioHarvest Ltd and its operations, business, strategies, performance and future outlook from the perspective of management.