BioHarvest Sciences Inc.

(Formerly Canna-V-Cell Sciences Inc.)

Management's Discussion and Analysis

For the three and nine months ended September 30, 2020
(Expressed in U.S. dollars)

INTRODUCTION

The following Management Discussion and Analysis ("MD&A"), prepared as of November 26, 2020 has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB). All amounts (other than per share amounts) are stated in U.S dollars rounded to the nearest thousand, unless otherwise indicated.

The following information should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020, and the related notes to those financial statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain information that may constitute "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, 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 fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: a) licensing risks; b) regulatory risks; c) change in laws, regulations and guidelines; d) market risks; e) expansion of facilities; f) history of net losses; and g) competition. Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the bio-farming, nutraceutical and cannabis industries, the general expectations of the Company concerning these industries and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources, from market research and industry analysis and on assumptions based on data and knowledge of this industry, which the Company believes to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third party information. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under "Overview of the business" as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risk and Uncertainties" for further details. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward- looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements.

Going Concern

Since inception through September 30, 2020, the Company has generated a cumulative loss of $46,780,000. The Company generated negative cash flows from operating activities of $2,629,000 and a loss in the amount of $3,486,000 for the nine-months period ended September 30, 2020. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

These factors raise material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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 BioHarvest 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"). 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").

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 entered into a merger agreement with BioFarming (hereafter the "Merger Transaction"). Pursuant to the terms and subject to the closing conditions set forth in the Merger Agreement, the Merger Sub would merge into the Company in accordance with sections 314 through 327 of the Israeli Companies Law, and the separate corporate existence of the Merger Sub would cease. Following the Merger Transaction, BioHarvest would become a wholly owned subsidiary of BioHarvest Sciences, which would become the record and beneficial owner of all of the issued and outstanding shares of BioHarvest, and there would 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 was subject to the following closing conditions:

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding $500,000;
- 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 $4,000,000. 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. The following were 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 held by the convertible debt holders in BioHarvest.

As part of the closing of the Merger Transaction, the holders of all of BioHarvest's convertible notes signed a statement of conversion (the "Statement of Conversion") according to which each lender agreed that effective as of immediately prior to, and subject to the closing of the Merger Transaction, the loan amount would be converted into BioHarvest's shares. These shares would be replaced with approximately 1.7 shares of BioHarvest Sciences for each BioHarvest share held and each existing warrant to purchase an additional common share of BioHarvest would 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.

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 $890,000 (CAD $1,200,000).

In connection with the private placement, the Company issued 117,600 finders warrants (the "Finder Warrants") to purchase an additional common share of 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 September 30, 2020 BioHarvest Sciences held 100% of the issued share capital of BioHarvest.

2. Overview of the business

The Company is focused on driving its growth in the multi-billion dollar nutraceutical and cannabis markets via its Nutraceutical Super Fruits and Cannabis business verticals.

The Company's first Nutraceutical Super Fruits product, VINIA®, is made of red grape (Vitis vinifera) cells grown in the Company's proprietary bioreactors facility. VINIA® is in a form of a fine dry pink-purple powder containing a matrix of polyphenols (with a high concentration of Piceid Resveratrol) in their natural state (as can be found in red wine), that have additive and synergistic benefits. The technology is protected with 11 granted patents. 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 soluble when integrated with various liquids or cosmetics.

The Company has 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 of action is the increase of NOs (Nitric Oxidase) and decrease of ET1, an endothelial secreted protein, resulting in the vasodilation of blood vessels and blood perfusion. The following functional claims supported by the clinical trials clearly state the benefits: Supports healthy arteries, supports blood circulation and supports blood pressure already within normal range. The Company has also made all the required notifications required by the FDA to support the use of these claims on packaging.

VINIA® has gone through the necessary regulatory approval processes both in the US and in Israel. It has approval to be classified as a food item as well as a dietary supplement in these respective markets. The Company is also currently in the process of applying for regulatory approvals for the EU, Australia, Japan and Canada. The recommended dose of VINIA® varies by application. For example, for support of healthy vascular functioning, it is recommended to use 400mg per day, whilst to support blood pressure within a normal range, only 200mg per day is required.

The Company has invested over $35 million, primarily in R&D activities to support the business. This investment has enabled the Company to develop a disruptive technology platform which mirrors nature and allows it to efficiently produce plant cells that are identical to those that were originally sourced from the parent plant, ensuring optimal bio-availability and efficacy of the secondary metabolites and is herein referred to as BioFarming. In addition, our BioFarming technology is the only non GMO platform that can produce plant cells with significantly higher concentration of the active ingredients, as compared to those that are produced by nature. Bio-Farming technology provides us with a) consistent product production, b) a year round production cycle and c) products that are devoid of sugar, calories and contaminants such as pesticides, heavy metals and residues).

In terms of manufacturing capacity, the Company currently has a two tons/year production facility (with an available inventory of 900 kg). The Company has signed a binding Memorandum of Understanding with Sugart Israel which will provide it with an additional capacity of 20 tons per year in order to meet expected demand from the market and drive significant cost reduction through economies of scale. The Company has a well developed innovation pipeline in its Nutraceutical

Superfruits business vertical. Over the next three years, the Company plans to introduce two new products (based on olives, pomegranates), using its BioFarming technology

Over the next 12 months, the Company will focus on deploying a B2B and B2C strategy on its VINIA® product which will enable it to create a healthy balance between driving top line revenue growth and driving healthy margins. The Company will be scaling its already successful B2C proof of concept conducted in Israel in 2018 with increased media spend and building of new e-commerce capabilities for the Israeli market. In the second half of September 2020, the Company launched its new website in Israel and saw encouraging results with September E-Commerce revenue increasing by 32% vs previous year. The positive trend has continued into Q4 with October E-Commerce Sales increasing by 380% versus the average revenue per month YTD September 2020, with customer count increasing by 300% versus the average monthly customer count in the previous 9 months. The Company is looking forward to continued improvement of results for the full Q4, 2020 as additional spending on marketing activities are released to the market. These initial results are extremely encouraging for the Company and provide validation of the potential of VINIA® and increased confidence in the launch of VINIA® in the USA at the end of Q1, 2021.

From a B2B perspective, on September 16th, 2020 the Company signed an exclusive performance-driven distribution agreement with Batory Foods ("Batory"), a leading food ingredients distributor in the USA and one of the top three companies in the nutraceutical and beverage ingredient segments of the market. This agreement provides the Company with a best in class route-to-market for addressing major Food, Beverage, and Nutraceutical companies, enabling it to effectively capture a significant share of the US$16 Billion USA nutraceutical ingredients market focused on food, beverage, and dietary supplements and the fast growing US hemp-based CBD market focused on edible CBD, which is valued at US$2.2. billion in 2020 and is expected to reach US$8 Billion by 2025.

This partnership solidifies the B2B pillar of the Company's recently unveiled growth strategy. It not only provides for significant revenue generation and distribution of the Company's products but also enables the Company to support significant manufacturing scale enabling the Company to derive a projected, estimated weighted gross profit margin of 60%-70%, across its combined B2B and B2C Routes to Market. This partnership provides Batory customers with the unique ability to deliver superior functional benefits to their consumers, backed by the Company's unwavering focus on scientific validation of the efficacy of its products. Additionally, this agreement will, in the future, enable Batory to offer hemp-based CBD with < 0.3% THC to major food, beverage, and nutraceutical companies. Batory is the perfect partner for the Company in its drive to disrupt the nutraceutical ingredients industry. Batory provides the Company with access to approximately 5,000 food, beverage, and nutraceutical customers including many of the major players in these sectors, for its unique portfolio of Nutraceutical Superfruit Wellness solutions and supply of gold class grade Hemp Based CBD with THC <0.3%, in the future.

The agreement will enable the Company and Batory to be at the forefront of innovative functional solutions to meet the growing health and wellness trends facing the industry and it highlights the Company's evolution from an R&D Company to a fully operating, end-to-end performance-driven organization. Under the terms of the agreement, to maintain exclusivity, Batory needs to purchase a minimum of $18.6 million CAD of Nutraceutical products over a 7-year period. The maintenance amount ramps up over the term of the agreement in line with BHSC's production capacity and product offerings and will potentially grow further upon the launch of Hemp Based CBD with <0.3% THC. Batory has exclusivity in the US market for all B2B sales of Food and Beverage Customers as well as specific major Nutraceutical customers, with which it has significant relationships. Commencing immediately, the Batory sales team will focus on the sale of VINIA® Red Grape cells to a select group of targeted customers. This sales process has an estimated lead time to conversion of approximately 6-18 months depending on the size of the customer and the nature of the product being sold. Batory Foods will focus on VINIA® sales for 2021 and will have a pipeline of new products to engage their customers with in 2022, including Hemp Based CBD with < 0.3% THC and other nutraceutical superfruit variants including olive and pomegranate in 2023.

The Company continues to make progress on the application of its BioFarming technology for cannabis. During the 3rd quarter its R&D team continued to work on scaling the technology for commercial purposes, following their achieving in October 2019, the significant milestones of growing cannabis cells in suspension. The Company expects to be in a position to commercially produce its range of Cannabis products by Q1, 2022.

Significant Developments

To better understand the Company's financial results, it is important to gain an appreciation of the significant events, transactions and activities that occurred during or have affected the period under review up to and including the date of this MD&A.

- On March 31, 2020 the Company completed a private placement financing by issuing 8,000,000 common shares at a price of $0.11 (CAD $0.15) per share for gross proceeds of $890,000 (CAD $1,200,000). In connection with the private placement, the Company issued 117,600 finders warrants (the "Finder Warrants") to purchase an additional common share of the Company.
- On May 7, 2020 the Company completed a private placement financing by issuing 3,150,000 common shares at a price of $0.11 (CAD $0.15) per share for gross proceeds of $350,000 (CAD $472, 500).
- On August 4, 2020 the Company completed a Private Placement of 4,349,195 shares at a price of $0.11(CAD $0.15) per share for gross proceeds of $483,000 (CAD $652,000).
- On September 14, 2020 the Company completed a Private Placement of 21,492,221 shares at a price of $0.11 (CAD $0.15) per share for gross proceeds of $2,886,000 (CAD $3,224,000).

- On October 7, 2020 the Company completed a Private Placement of 3,935,834 shares at a price of $0.11 (CAD $0.15) per share for gross proceeds of $448,500 (CAD $590,375).

COVID-19

The continued global spread of COVID-19 could have an adverse impact on the business, operations and financial results of the Company, including with respect to issues related to the expansion of our VINIA® B2C E-Commerce product launch into the USA in first quarter 2021, acquisition of new B2B customers in the USA purchasing VINIA® to be integrated into their brands/products and impacting our ability to set up an efficient supply chain in USA. The Company has already implemented a number of precautionary measures, which would not have otherwise been implemented prior to the COVID-19 outbreak, at its facility to ensure the safety of its personnel, and to potential clients and partners, which may adversely impact the Company's productivity from an R&D perspective and its business in the supply chain sector. The Company is also fully compliant with local rules and regulations instituted during COVID 19 and understands that mandatory or voluntary self-quarantines may limit the staffing at the Company's facility which will have a further impact on productivity. Management continues to be fully engaged in assessing the impact of COVID-19 and adjusting its operations accordingly to minimize the impact on business performance.

Amidst this highly challenging operating environment, the Company believes from a revenue generation perspective that COVID 19 pandemic has the potential ability to positively impact future revenue in Israel and in the USA. The COVID 19 pandemic has resulted in consumers having a heightened awareness of the importance of taking all possible preventative actions to improve their overall cardio-vascular health. In addition, consumers have become more discerning in identifying products which are credible in delivering the benefits they seek and that are backed by appropriate scientific studies/clinical trials. Accordingly, the Company has seen increased demand for its VINIA® product in Israel during the first few months of its E-Commerce launch and believes that these increased demand levels may be a positive factor in aiding its USA launch scheduled for Q1 2021.

It is important to note that Continued spread of COVID-19 globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the unpredictability and scale of the effects of COVID-19, the Company is unable at this point of time to accurately fully estimate the impact or level of materiality of COVID-19 on its business, operations or financial results.

(Expressed in U.S. dollars)

SELECTED INFORMATION

	Three-months period ended September 30,		Nine-months period ended September 30,	
	2020	**2019**	**2020**	**2019**
	Unaudited		**Unaudited**	
Revenues	**$ 53,000**	$ 44,000	**$ 134,000**	$ 173,000
Cost of revenues	**35,000**	28,000	**93,000**	122,000
Gross revenue	**18,000**	16,000	**41,000**	51,000
Operating expenses				
Research and development	**351,000**	307,000	**893,000**	981,000
Selling and marketing	**237,000**	31,000	**332,000**	94,000
General and administrative	**1,011,000**	413,000	**2,002,000**	469,000
Total operating expenses	**(1,599,000)**	(751,000)	**(3,227,000)**	(1,544,000)
Loss from operations	**(1,581,000)**	(735,000)	**(3,186,000)**	(1,493,000)
Listing expenses	**7,000**	-	**573,000**	-
Finance expenses	**256,000**	602,000	**445,000**	2,528,000
Finance income	**-**	(207,000)	**(718,000)**	(694,000)
Net loss before tax	**(1,844,000)**	(1,130,000)	**(3,486,000)**	(3,327,000)
Tax expenses	**-**	-	**-**	-
Net loss and comprehensive loss	**$ (1,844,000)**	$ (1,130,000)	**$ (3,486,000)**	$ (3,327,000)
Basic and Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Number of Shares Outstanding	420,037,084	97,084,259	312,212,102	103,243,680

	Nine-month period ended September 30,	
	2020	**2019**
	Unaudited	
Total Assets	$ **3,927,000**	$ 1,709,000
Total current liabilities	$ **1,292,000**	$ 26,468,000
Total non-current liabilities	$ **2,782,000**	$ 2,513,000

Three-month period ended September 30, 2020 compared to the three-month period ended September 30, 2019:

The Company operates in two segments: SuperFruits and the development of Cannabis. The Cannabis segment is still in the research and development stage.

Our revenues, all of which relate to the SuperFruits segment, were $53,000 for the three-month period ended September 30, 2020, as compared to $44,000 during the same period in the prior year. The increase in 2020 is due the lauching of VINIA® in Israel and the Company's new B2C e-commerce strategy.

Our cost of revenues were $35,000 for the three-month period ended September 30, 2020, as compared to $28,000 during the same period in the prior year. The increase is due to an increase in revenues during the period.

Our research and development expenses, relate solely to our Cannabis segment, were $351,000 for the three-month period ended September 30, 2020, as compared to $307,000 during the same period in the prior year. The increase in 2020 is due an increase in salaries due to the hiring of new R&D staff members.

Our selling and marketing expenses were $237,000 for the three-month period ended September 30, 2020, as compared to $31,000 during the same period in the prior year. The increase was due to higher spend on marketing as part of the Company's new B2C e-commerce strategy. This increase was also driven by the hiring of an investor relations consultancy to support the new listing of BioHarvest Sciences on the Canadian Securities Exchange.

Our general and administrative expenses increased to $1,011,000 for the three-month period ended September 30, 2020 as compared to $413,000 during the same period in the prior year. The increase is mainly due to share based compensation expenses recorded in connection with options issued under the Company ESOP plan. The increase was also due to an increase in salaries due to the hiring of a new CEO. Our general and administrative expenses are incurred to support both our business segments.

Our listing expenses were $7,000 for the three-month period ended September 30,2020 as compared to $Nil during the same period in the prior year. The listing expenses are due to the Merger Transaction that closed on March 31, 2020.

Our finance expenses were $256,000 for the three-month period ended September 30, 2020 as compared to $602,000 during the same period in the prior year. The main decrease is 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 income was $Nil for the three-month period ended September 30, 2020 as compared to $207,000 during the same period in the prior year. Finance income was recorded in the three-month period ended September 30, 2019 as a result of fair value adjustment of derivative warrants liability.

Our net finance expenses are incurred to support both our business segments.

Nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2019:

Our revenues, all of which relate to the SuperFruits segment, were $134,000 for the nine-month period ended September 30, 2020, as compared to $173,000 during the same period in the prior year. The decrease in 2020 is due the impact of the COVID-19 worldwide pandemic.

Our cost of revenues were $93,000 for the nine-month period ended September 30, 2020, as compared to $122,000 during the same period in the prior year. The decrease is due to a decrease in revenues during the period.

Our research and development expenses, relate solely to our Cannabis segment, were $893,000 for the nine-month period ended September 30, 2020, as compared to $981,000 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 SuperFruits and were $332,000 for the nine-month period ended September 30, 2020, as compared to $94,000 during the same period in the prior year. The increase was due to higher spend on marketing as part of the Company's new B2C e-commerce strategy. This increase was also driven by the hiring of an investor relations consultancy to support the new listing of BioHarvest Sciences on the Canadian Securities Exchange.

Our general and administrative expenses increased to $2,002,000 for the nine-month period ended September 30, 2020 as compared to $469,000 during the same period in the prior year. The increase is mainly due to share based compensation expenses recorded in connection with options issued under the Company ESOP plan during the nine-month period ended September 30, 2020. The increase was also due to the hiring of a new CEO. In addition, the Company had to pay finder fees for the money raised as part of recent private placements. Our general and administrative expenses are incurred to support both our business segments.

Our listing expenses were $573,000 for the nine-month period ended September 30, 2020 as compared to $Nil during the same period in the prior year. The listing expenses are due to the Merger Transaction that closed on March 31, 2020.

Our finance expenses were $445,000 for the nine-month period ended September 30, 2020 as compared to $2,528,000 during the same period in the prior year. The main decrease is 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. The change is also due to the fair value adjustments of the convertible loan recorded in the nine-month period ended September 30, 2019.

(Expressed in U.S. dollars)

Our finance income was $718,000 for the nine-month period ended September 30, 2020 as compared to $694,000 during the same period in the prior year.

Our net finance expenses are incurred to support both our business segments.

Summary of Quarterly Results

The following represents the summarized quarterly financial results for the past eight quarters:

	September 30, 2020	**June 30, 2020**	**March 31, 2020**	**December 31, 20219**
	$	**$**	**$**	**$**
Total income for the period	53,000	39,000	42,000	45,000
Net loss before income taxes for the period	1,844,000	1,370,000	(272,000)	(660,000)
Net loss for the period	1,844,000	1,370,000	(272,000)	(660,000)
Loss per share for the period	(0.00)	(0.00)	(0.00)	(0.01)
	September 30, 2019	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**
	$	**$**	**$**	**$**
Total income for the period	44,000	63,000	66,000	62,000
Net loss before income taxes for the period	(3,486,000)	(746,000)	(1,451,000)	(1,564,014)
Net loss for the period	(3,486,000)	(746,000)	(1,451,000)	(1,564,014)
Loss per share for the period	(0.00)	(0.00)	(0.00)	(0.00)

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.

At September 30, 2020 the Company held cash of $2,825,000 (September 30, 2019 $492,000). The Company had current liabilities of $1,292,000 (September 30, 2019 - $24,120,000 including convertible loans of $21,597,000). At September 30, 2020, the Company's working capital was $1,983,000 (September 30, 2019–deficit of $23,311,000).
During the nine-month period ended September 30, 2020, the Company's overall position of cash and cash equivalents increased by $1,916,000. (Nine month period ended September 30, 2019 decreased by $711,000). This change in cash held can be attributed to the following:

- The Company's net cash used in operating activities during the nine-month period ended September 30, 2020 was $2,629,000 as compared to net cash used of $1,647,000 for the nine-month period ended September 30, 2019. The amount is primarily a result of the losses incurred in the operations of the Company.
- Cash used in investing activities for the nine-month period ended September 30, 2020 was $18,000 as compared to cash used of $38,000 for the nine-month period ended September 30, 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 nine-month period ended September 30, 2020 was $4,563,000 as compared to $974,000 used in financing activities for the nine-month

(Expressed in U.S. dollars)

period ended September 30, 2019. The amount in 2020 is primarily from convertible loans received and proceeds 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.

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 the three and nine-month period ended September 30, 2020 was as follows:

1. **Related party transactions:**

	Nine months ended September 30, 2020	**Three months ended September 30, 2020**	**Nine months ended September 30, 2019**	**Three months ended September 30, 2019**
Compensation of key management personnel of the Company:				
CEO Management fees	328,000	151,000	158,000	58,000
CFO Management fees	11,000	6,000	9,000	3,000
Share base payment to CEO	310,000	210,000	153,000	36,000
Other related party transactions:				
Share base payments	227,000	146,000	223,000	59,000
Investment in Convertibles loans	-	-	113,000	38,000

2. Balance with related parties:

	As of September 30,	
	2020	**2019**
Convertible loans	-	14,258,000
Loan from related party	-	11,000

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 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 measures 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:

Type of Security	Number Outstanding
Common shares	444,055,335
Stock options	43,417,113
Warrants	31,319,907

Investor Relations Contracts

There are no investor relations contacts 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 September 30, 2020, had an accumulated deficit of $46,780,000.

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.

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.

MD&A Preparation

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