BioHarvest Sciences Inc.

(Formerly Canna-V-Cell Sciences Inc.)

Management's Discussion and Analysis

For the year ended December 31, 2020
(Expressed in U.S. dollars)

INTRODUCTION

The following Management Discussion and Analysis (”MD&A”) for BioHarvest Sciences Inc., together with its wholly owned subsidiaries ("BioHarvest Sciences” or “the Company”) prepared as of April 29, 2021 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.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Company (the “consolidated financial statements”) for the year ended December 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.

The Company is publicly traded on the Canadian Securities Exchange under the symbol BHSC, on the OTC under the symbol CNVCF and on the Frankfurt Stock Exchange under the symbol 8MV. Continuous disclosure materials are available on our website at www.bioharvest.com.

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 "Nature of the Business and Overview of Operations" 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 December 31, 2020, the Company has generated a cumulative loss of $49,878 thousands. For the year ended December 31, 2020, the Company generated negative cash flows from operating activities of $3,875 thousands and a loss in the amount of $6,584 thousands. As at the date of the issuance of these financial statements, despite a significant turn-around in the Company's revenue performance in its Israel operations, the Company has not generated significant enough sales, and therefore depends on financing activities from new and existing investors to fund its activities. On February 2, 2021, the Company completed a private placement financing for gross proceeds of $4,882 thousands (CAD $6,180 thousands).

Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities. The foregoing indicates the existence of a material uncertainty that may cast substantial doubt as to whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. The Company's consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business. The consolidated financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern. Such adjustments could be material.

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

1. Summary

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 Israel. BioHarvest Sciences 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 BioHarvest Sciences. Completion of the Transaction resulted in a reverse takeover and change of business for BioHarvest Sciences (the "RTO").

History

BioHarvest was incorporated in in Israel in January 2007 and commenced activities in July 2007.

In July 2014, BioHarvest incorporated a Delaware based subsidiary, BioHarvest Inc.

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

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

On October 28, 2020, BioHarvest Sciences incorporated a wholly owned subsidiary in Delaware, Superfood Nutraceuticals Inc. ("Superfood").

Merger Transaction

On December 9, 2019, BioHarvest entered into a merger agreement with Merger Sub (hereafter the "Merger Transaction"). Pursuant to the terms and subject to the closing conditions set forth in the Merger Agreement, 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 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's share capital, 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. 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 thousands;
- Approval of the Canadian Securities Exchange;
- The agreement of Convertible loans holders of BioHarvest to accept warrants of BioHarvest Sciences to replace their BioHarvest warrants;

- Termination of BioHarvest's outstanding options payable; and
- BioHarvest Sciences to complete a financing round of $4 million, 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 was 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 common shares of BioHarvest Sciences at $0.70 per share (CAD $1.00). Each warrant exercisable until August 31, 2020. These warrants replace the existing warrants held by the convertible loans holders in BioHarvest.

As part of the closing of the Merger Transaction, all of BioHarvest's convertible loans 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 amount payable 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 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 did not constitute a business combination within the scope of IFRS 3 and accordingly has been accounted 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 thousands (CAD $1,200 thousands).

In connection with the private placement, the Company issued 117,600 finders' fees 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.

From March 31, 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 nutraceutical and cannabis markets via its nutraceutical super fruits and cannabis verticals. The biofarming technology developed by the Company is protected with 14 granted patents.

Super fruits

The Company is engaged in research and development in the food industry. The Company's first nutraceutical super fruits product, VINIA®, is a red grape powder to be consumed as a food that supplies the benefits of red wine consumption but without the sugar and alcohol found in wine. The Company has conducted various clinical trials to verify the efficacy of the VINIA® powder and has made all required notifications required by the FDA to support the use of its claims on packaging and in communication materials. VINIA® has gone through the necessary regulatory approval processes both in the US and in Israel and is approved for classification as a food item as well as a dietary supplement in these respective markets.

Cannabis

The Company is engaged in research and development of its biofarming technology for use in the cannabis industry. This plant based technology produces cannabis cells in a process that is controlled, consistent, aseptic, non-GMO, pesticide-free and chemical-free.

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 bioreactor facility. VINIA® is 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 14 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) to demonstrate that VINIA® is the first natural vasodilator produced without sugar or calories. 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 indicate the benefits of VINIA®:

- supports heart health by improving blood flow and delivery of oxygen;
- increases dilation of arteries and blood vessels;
- supports blood pressure already within normal range;
- supports blood circulation;
- improves physical energy and mental alertness via the delivery of increased blood flow and oxygen to the body's tissues and organs; and
- fuels anti-oxidant activity with your veins and arteries.

The Company has also made all the required notifications required by the FDA to support the use of these claims on packaging and in communication materials.

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, UK, Australia, Japan and Canada. The recommended dose of VINIA® varies by application.

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 as well as extremely high levels of solubility and bio availability. Biofarming 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. 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 and is focused on having this facility commence the growth of VINIA® red grape cells by the end of Q3, 2021. The Company has a well developed innovation pipeline in its nutraceutical super fruits business vertical. Over the next three years, the Company plans to introduce two new products (based on olives and pomegranates), using its biofarming technology.

In Q4, 2020 the Company commenced a heavy online marketing program for VINIA® to develop a significant and scalable direct-to-consumer business in Israel. With a highly sophisticated and mature market, Israel can be regarded as a viable test market for the Company as it seeks to optimize all aspects of the marketing mix prior to launching in the USA market, which represents more than 40% of the global dietary supplement market.

Since launching this new marketing mix in November 2020, the Company has delivered average sales order revenues which exceed US $100 thousands per month. In Q1/2021 sales order revenues of VINIA ® reached an all-time high of US $377 thousands representing a 17% increase over Q4/2020 sales orders, and a 668% increase over Q1/2020. The total number of VINIA® purchase orders in Q1/2021 achieved a new high of 2,190, an increase of 45% versus Q4/2020.

The results in the Israeli market, with its relatively small population of 9 million, put the Company on track to achieve or exceed the higher end of the US$ 1.4- 1.5 million per annum guidance range given on March 23, 2021 for 2021 projected sales orders in Israel.

The company notes that the average dollar purchase amount for first-time customers is approximately US $169, which far exceeds the cost of acquisition of these customers, resulting in the healthy unit economics required to deliver a profitable direct-to-consumer business. The consistent traction achieved by VINIA® demonstrates recognition by the Israeli consumer of the quality and efficacy of VINIA®, and its position of being the only dietary supplement product containing piceied resveratrol from red grapes with high levels of solubility and bioavailability.

The Company will continue to accelerate its efforts in the Israeli market with the endorsement of VINIA® by Mordechai Shpigler, an Israeli football legend who holds the record of being the highest Israeli International goal scorer and who has achieved great fame and affection from the Israeli population, and has appeal to VINIA®'s core consumer target of consumers aged 40 and over. In Q2 2021, the Company plans to roll out a campaign involving Mordechai and VINIA® across both online and offline channels.

The Company plans to test, a VINIA® health bar in Israel which contains the same benefits of piceid resveratrol and polyphenols contained in 2 glasses of wine plus a perfect mix of walnuts, cashews, pecan nuts, peanuts and rice crackers. This test market will provide the Company with important learnings and data to optimize its potential launch of a VINIA® health bar into the US $10 billion snack bar market in 2022.

The accumulated knowledge and experience from the launch of VINIA® in the Israeli market will benefit the Company's launch of VINIA® into the US market, scheduled for May, 2021. The Company's marketing team is leveraging this experience to optimize the consumer messaging and the customer acquisition process to facilitate a successful launch of VINIA® in the US market and the building of a profitable direct-to-consumer business. As part of that e-commerce launch, BioHarvest plans to make a significant investment to establish the VINIA® brand and to communicate its unique properties to American consumers based on its sustainable and inimitable competitive advantages in its solubility, bioavailability and efficacy. This is driven largely as a result of the fact that it is the only entity in the world that is currently known to produce piceid resveratrol from red grapes which contains glucoside, on a commercial and industrial scale,. In addition, the Company's scientific and cardio vascular health credentials will be showcased based on the positive results achieved from its multiple clinical trials which have been published in peer reviewed scientific journals.

To address the business-to business market, 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 operating in the nutraceutical and beverage ingredient segments of the market. This agreement provides the Company with a best in class route-to-market for targeting 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. It will also allow the Company to address 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.

In December, 2020, Batory Foods, received the first order of VINIA® from "Designs for Health", a trusted source of health care professionals for research-backed health care nutritional products of superior quality. After a thorough review process, "Designs for Health" identified VINIA® as a key nutritional ingredient to utilize in its delivery of best-in-class science-based nutrition to its customers. VINIA will be integrated into a number of "Designs for Health" nutritional products and this strategic account is expected to deliver ongoing VINIA® product sales in its first 12 months.

The Company is focusing its efforts in Q2 on partnering with Batory Foods to build partnerships with carefully selected major leadership companies in the food and nutraceutical world.

From a manufacturing perspective, the Company has made significant progress with Sugart Israel, in the construction of its 20 ton per year manufacturing facility for superfruit nutraceuticals. Amidst many COVID driven challenges to the supply chain and the sourcing and importation of required materials for the new manufacturing facility, the Company is making all efforts to commence production of VINIA® at the new facility by the end of the 3rd Quarter of 2021 and will continue to produce VINIA® at its current 2 ton per year facility until manufacturing at the new facility has reached required levels to support consumers demand.

The Company continues to make significant progress on the application of its biofarming technology to cannabis growth. The Company announced on February 9th, 2021 that it is now able to consistently grow trichomes from multiple cannabis plant strains, in liquid media and has now developed the unique know-how to optimize the growth performance of these cannabis trichomes in a predictable and highly efficient manner. Cannabis trichomes are the "natural factories" that produce the hundreds of distinct cannabinoids, terpenes and flavonoids in the cannabis plant, and their complex structure creates a major challenge for growing them in a liquid media. To date, no other company or academic group has publicly claimed to have successfully grown cannabis trichomes in liquid media.

This optimization of the trichome's growth is a key condition and major enabler for the consistent, cost efficient and sustainable production of plant-cell based cannabis and cannabinoids. The Company has achieved this ground-breaking milestone by leveraging its patented biofarming technology, which independent of any specific cannabis strain genetics. The plant based biofarming technology produces cannabis cells in a process that is controlled, consistent, aseptic, non-GMO, pesticide-free and chemical-free.

The Company expects to be in a position to commercially produce its range of cannabis products by H1, 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 thousands (CAD $1,200 thousands). 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 thousands (CAD $472 thousands).
- 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 thousands (CAD $652 thousands).
- 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 thousands (CAD $3,224 thousands).
- 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 thousands (CAD $590 thousands).
- On February 2, 2021 the Company completed a Private Placement financing by issuing 15,449,829 units at a price of $0.32 (CAD $0.40) per unit for gross proceeds of $4,882 thousands (CAD $6,180 thousands). Each unit consists of one common share of the Company and one non-transferable share purchase warrant. Each warrant will be exercisable to purchase an additional common share at a price of $0.36 (CAD 0.45) per share for a period of 12 months from closing of the private placement.

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 challenges in finalizing the construction and installation of all equipment and systems required to fully operate the 20 Ton per year manufacturing facility by the end of Q3, 2021. 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 May 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. The Company believes that COVID-19, had no material effect on its business, operations or financial results.

SELECTED INFORMATION

	Year ended December 31, 2020	Year ended December 31, 2019
	USD in thousands	
Revenues	$ 396	$ 218
Net loss and comprehensive loss	$ 6,584	$ 5,310
Basic and Diluted loss per share	0.019	0.051

	Year ended December 31, 2020	2019	2018
	USD in thousands		
Total Assets	$ **5,304**	$ 2,022	$ 1,894
Total current liabilities	$ **1,894**	$ 26,468	$ 21,975
Total non-current liabilities	$ **5,705**	$ 2,524	$ 2,608

Year ended December 31, 2020 compared to the year ended December 31, 2019:

Our revenues, all of which relate to the superfruits segment of the Company, were $396 thousands for the year ended December 31, 2020, as compared to $218 thousands during the same period in the prior year. The increase in 2020 is a result of the Company's new business-to-consumer e-commerce strategy

Our cost of revenues were $258 thousands for the year ended December 31, 2020, as compared to $189 thousands 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 $1,264 thousands for the year ended December 31, 2020, as compared to $1,346 thousands during the same period in the prior year. The decrease in 2020 is not significant

Our selling and marketing expenses relate to superfruits and were $467 thousands for the year ended December 31, 2020, as compared to $145 thousands during the same period in the prior year. The increase was due to higher spend on marketing as part of the Company's new business-to-consumer e-commerce strategy.

Our general and administrative expenses increased to $3,974 thousands for the year ended December 31, 2020, as compared to $848 thousands 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 year ended December 31, 2020. The increase was also due to the hiring of a new CEO as well as new employees to support the Company's growth. Also contributing to the increase, the re-assessment of the Company's liability to the Agricultural Research Organization. Additionally, this increase was driven by the hiring of an investor relations consultancy to support the listing of BioHarvest Sciences on the Canadian Securities Exchange.
Our general and administrative expenses are incurred to support both our business segments.

Our listing expenses were $599 thousands for the year ended December 31, 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 $611 thousands for the year ended December 31, 2020, as compared to $3,757 thousands during the same period in the prior year. The main decrease is due to the conversion of the convertible loans on March 31, 2020 as part of the Merger Transaction. As a result of this conversion, the Company has not recorded interest expenses related to the convertible loans. The change is also due to the fair value adjustments to the convertible loan recorded in the year ended December 31, 2019.
Our finance expenses are incurred to support both our business segments.
Our finance incomes were $193 thousands for the year ended December 31, 2020, as compared to $758 thousands during the same period in the prior year. The main decrease is due to an increase in the fair value of the warrants, resulted from increase in the Company's share price.
Our finance incomes 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:

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	USD in thousands			
Total income for the period	262	53	39	42
Net loss before income taxes for the period	3,098	1,844	1,370	272
Net loss for the period	3,098	1,844	1,370	272
Loss per share for the period	0.007	0.005	0.004	0.003
	December 31, 2019	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
	USD in thousands			
Total income for the period	45	44	63	66
Net loss before income taxes for the period	1,983	1,130	746	1,451
Net loss for the period	1,983	1,130	746	1,451
Loss per share for the period	0.017	0.012	0.008	0.014

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, lease liabilities, ARO liability 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.

Liquidity and Capital resources

The consolidated 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 consolidated 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 consolidated financial statements, then adjustments of a material nature would be necessary in the carrying value of assets such as property and equipment, 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 programs beyond the next year.

At December 31, 2020 the Company held cash of $1,783 thousands (December 31, 2019 $911 thousands). The Company had current liabilities of $1,894 thousands (December 31, 2019 - $26,468 thousands including convertible loans of $23,412 thousands). At December 31, 2020, the Company's working capital was $343 thousands (December 31, 2019–deficit of $25,225 thousands).

During the year ended December 31, 2020, the Company's overall position of cash and cash equivalents increased by $878 thousands. (Year ended December 31, 2019 decreased by $295 thousands). This change in cash held can be attributed to the following:

- The Company's net cash used in operating activities during the year ended December 31, 2020 was $3,875 thousands as compared to net cash used of $2,383 thousands for the year ended December 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 year ended December 31, 2020 was $173 thousands as compared to cash used of $34 thousands for the year ended December 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 year ended December 31, 2020 was $4,926 thousands as compared to $2,122 thousands from financing activities for the year ended December 31, 2019. The cash generated in 2020 is primarily from the proceeds received from private placements and funds received from convertible loans.

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 year ended December 31, 2020 was as follows:

1. **Related party transactions:**

For the year and period ended December,	2020	2019
	USD in thousands	
Compensation of key management personnel of the Company:		
CEO Management fees	330	225
Chairman Management fees	136	-
CFO Management fees	19	47
Share base payment to CEO	451	178
Other related party transactions:		
Share base payments	403	262
Investment in Convertibles loans	-	150

2. **Balance with related parties:**

For the year and period ended December,	2020	2019
	USD in thousands	
Convertible loans	-	11,850
Loan from related party	-	7

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 consolidated financial statements include, but are not limited to 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	431,499,251
Stock options	61,216,913
Warrants	41,760,095

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 December 31, 2020, had an accumulated deficit of $49,878 thousands.

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.