BioHarvest Sciences Inc.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021
(Expressed in U.S. dollars)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for BioHarvest Sciences Inc., together with its wholly owned subsidiaries ("BioHarvest Sciences" or "the Company") prepared as of November 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.

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, 2021, 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 these industries, 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 September 30, 2021, the Company has generated a cumulative loss of $57,952 thousands. For the nine month period ended September 30, 2021, the Company generated negative cash flows from operating activities of $4,508 thousands and a loss in the amount of $8,074 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.

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 of business. 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 interim 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. (the "Company" or "BioHarvest Sciences") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013.

History

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

2. Overview of the business

The Company is focused on driving its growth in the nutraceutical and cannabis markets via its nutraceutical superfruits 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 superfruits 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 superfruits and cannabis business verticals.

Super fruits

The Company's first nutraceutical superfruits 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 and Canada.

The Company has invested over $40 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. Our biofarming technology provides 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. The Company 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 superfruits 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 Israel in November 2020, the Company has delivered average sales order revenues which exceed US $100 thousands per month. In Q3/2021 sales order revenues of VINIA ® reached an all-time high of US $452 thousands representing a 10% increase over Q2/2021 sales orders, and a 768% increase over Q3/2020. The total number of VINIA® purchase orders in Q3/2021 achieved a new high of 2,454, an increase of 9% versus Q2/2021. It is important to point out that the Company has now increased its sales order revenues by 10% versus previous quarter for Q2 as well as Q3, demonstrating the continued positive growth momentum in the Israeli business. Further, the Company continued to improve the overall mix of its available VINIA packages so as to increase the average order value to $USD 188 per customer per order.

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$ 1.6- 1.7 million per annum sales orders guidance range given on October 13, 2021 for 2021 projected sales orders in Israel. 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.

During Q3, 2021, the Company 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. The Company successfully rolled out a marketing campaign involving Mordechai and VINIA® across on-line channels which will continue for the balance of the year. This campaign has been successful in attracting new users to the VINIA franchise.

The Company will commence its VINIA® health bar test market in Israel at the end of Q4-21 /early Q1-22. This was delayed a few months due to the need to obtain the required Kosher status for the VINIA® health bar. The health bar contains the same benefits of piceid resveratrol and polyphenols contained in two glasses of wine plus a mix of walnuts, cashews, pecan nuts, peanuts and rice crackers. This test market will provide the Company with important information 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 benefits the Company's launch of VINIA® into the USA market. The Company commenced its U.S pilot program in mid May 2021. Sales orders in Q3-21 were $USD 236K, representing 251% growth over Q2-21, with sales orders in September 2021 exceeding $USD 100K. 90% of sales being subscription packages generating monthly recurring revenue, $USD 80 average transaction spend and with 48% of customers being "repeat" customers, we are confident that we can build a scalable, sustainable, and profitable business.

The metrics are a good predictor of future demand in the U.S. for VINIA®. Supplying the anticipated demand growth requires our new manufacturing facility to be up and running before we add additional marketing layers and increase spending levels as part of the scaling of our U.S. business.

The Company continues to receive significant positive consumer reviews on its website and in social media forums on Facebook and will continue its efforts to build social trust in the product with the release of an important influencer marketing programs in Q4-21, featuring Jacinta Bonilla, the oldest cross fit competitor in the world, describing the many benefits he enjoys from daily consumption of VINIA®. In addition, the Company will continue to apply significant focus in Q4-21 from a USA perspective in continuing to optimize the e-commerce funnel and the marketing mix to support conversion with the intent to more aggressively increase investment levels behind the brand in 2022 as increased capacity comes on stream from the Company's newly approved 20 ton per year VINIA® manufacturing facility

To address the business-to business market, 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 with its focus 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 has already been integrated into 3 unique new products under the "Designs for Health" branding ("NRF2 Modulator", "Senolytic Synergy" and "Bergavin™").

This strategic account is expected to deliver ongoing VINIA® product sales in the next 12 months as increased capacity of VINIA® becomes available from its new 20 ton per year manufacturing facility.

The Company continued to focus its efforts in Q3-21 on partnering further with Batory Foods to build partnerships with carefully selected major leadership companies in the food and nutraceutical markets. The Company now has the manufacturing capacity available to service the needs of these key strategic B2B customers. Accordingly, the Company initiated dialogue with key Companies in the USA who are well positioned in the health and wellness space, have premium brands with high unit economics which lead their respective segments and who have a purpose driven commitment to driving sustainability across all aspects of their business.

From a manufacturing perspective, the Company focused its efforts in Q3-21 on finalizing the completion of building its 20 ton per year new manufacturing facility and in implementing all the required protocols to drive full regulatory approval from the Israeli Ministry of Health.

On September 9th, the Company announced that this facility in Israel has successfully met the Israeli Ministry of Health's ISO9001 and ISO22000 (HACCP) certification requirements. The ISO9001 certification covers internationally recognized standards for quality assurance and management, and the ISO22000 (HACCP) certification ensures that the required quality control and quality management systems are in place across the end-to-end manufacturing process to ensure the highest product safety levels. These two certifications are critical steps required prior to obtaining the GMP (Good Manufacturing Practices) certification from the Israeli Ministry of Health.

On November 19, the Company announced that the new manufacturing facility in Israel had obtained the GMP (Good Manufacturing Practices) certification from the Israeli Ministry of Health. The Company has now obtained all required certifications to commence manufacturing and to ensure that the factory employs the best practices in quality control and quality management systems across the end-to-end manufacturing process. The Company will now focus significant efforts on completing the technology transfer process to the new facility and commence growing its red grape cells VINIA ® product at scalable levels.

Cannabis

The Company continued its significant momentum in Q3-21 across its Cannabis Development and Commercialization Program.

The Company announced on February, 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, to our knowledge, 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 is 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.

In addition to announcing the above significant historical milestones in Q1-21, the Company in Q2-21 continued to make significant progress in its Cannabis commercialization program with the goal of bringing its first Cannabis product to market by H1, 2022.

In early June, 2021 the Company announced it had achieved a number of critical milestones in the biofarming of Cannabis and its Cannabis commercialization program including:

a. Developing the required baseline scientific measurement methods to be able to evaluate the level of cannabinoids in its unique composition of cells with trichomes.
b. Developing a unique configuration of cells with trichomes called "Bio-Tricho-Bubbles". The Company's "Bio-Tricho-Bubbles" have a unique appearance to regular trichomes on a Cannabis plant due to the fact that it leverages its BioFarming technology to grow trichomes at a higher density.
c. Optimizing the cannabinoid levels in its unique "Bio-Tricho-Bubbles". For that purpose, a significant quantity of dedicated bioreactors is already in use producing cannabinoids.
d. Optimizing the drying process of these unique "Bio-Tricho-Bubbles" to minimize any potential damage to the trichome during the drying process.

In July, 2021 the Company announced it had reached a significant milestone in its production of cannabinoids, with its first cell reservoir producing Cannabis trichomes (the natural micro-factories producing cannabinoids) for the past two years. This achievement demonstrates the efficiency and reliability of the Company's BioFarming technology to produce the "flowering" stage of the Cannabis growth cycle at scale, which is significantly shorter, more productive, more cost-efficient, and more environmentally sustainable than conventional Cannabis cultivation. The issuer's ground-breaking technology employs the original Cannabis plant and its respective cells as starting material only once, allowing the Company to harvest 13-17 cycles per year versus an average of 4 cycles per year for conventional Cannabis cultivation.

In August, 2021 the Company announced its development of a groundbreaking "Amalgamated Trichomes Coral Structure" (ATCS) that it believes will enable it to revolutionize the production of Cannabis. The Company has successfully grown multiple trichomes in coral-shaped clusters where they are attached together in a natural structure. This structure protects the trichomes from the shear forces and guarantees much-needed mechanical stability during the growth process. This major advancement will allow the Company to quickly scale up its Cannabis production and assist in delivering its first cannabis product to market by H1, 2022

On September 1, 2021, the Company announced that it has successfully scaled its Cannabis cells with trichomes production by a factor of 250x and it is now growing Cannabis in medium-scale bioreactors, paving the way for its next scale-up milestone, where it will reach industrial-scale production. The next milestone, combined with the drying and measurement standards being concurrently developed, would constitute the successful completion of the Company's Cannabis development program.

Moving to the medium-scale bioreactors stage is not only a critical milestone in the scale-up and the proof of the capability of the BioFarming technology to produce Cannabis biomass, but is also an integral part of the industrial process development itself. The next milestone of the development program is growing Cannabis trichomes in industrial size bioreactors.

To support the Company's commercialization program in key Cannabis markets in North America, the Company has engaged top-ranked law firms, DLA Piper and GOWLING WLG, to assist the Company in fulfilling all required compliance mandates and regulatory approvals to produce and commercialize Cannabis and hemp products in the US and Canada, respectively.

<u>Environmental, Social and Governance Reporting:</u>

In June, 2021 the Company announced the publication of its inaugural Environmental, Social, and Governance (ESG) Report, detailing the Company's performance and ongoing commitment to creating a sustainable future. The Company a biotechnology company engaged in the production of Cannabis and cannabinoids to publish a comprehensive ESG report that commits to meaningful science-based targets over the next five years. Sustainability has always been at the core of the Company, with the Company's BioFarming technology allowing it to produce active plant ingredients without having to grow the plant itself. This practice substantially reduces resource requirements in general, as well as greenhouse gas emissions – which would otherwise be generated – and prevents biodiversity loss. For example, the Company:

- Uses 99.99% less land than traditional agriculture
- Produces zero Scope 1 or direct GHG emissions in the BioFarming manufacturing process
- Uses no solvents or pesticides in the manufacturing process, resulting in wastewater that is 100% biodegradable and contains no chemicals

- Produces no hazardous waste in the BioFarming manufacturing process

The report details the policies, metrics, and programs that support each of the Company's four key ESG pillars:

1. **Product:** Promoting pure well-being by providing fully traceable, science-based and innovative products with proven health benefits that improve the well-being of our customers.
2. **Process:** Demonstrating the minimal footprint of our production process while striving to reduce any adverse impact on water use, climate, and the environment.
3. **People:** Supporting our people by treating them with the utmost respect, the safest working conditions and allowing them to develop and thrive in the workplace; and
4. **Governance:** Setting the standard for end-to-end sustainability, ethical marketing, business ethics, and transparency in our industry.

The report is aligned with the United Nations Sustainable Development Goals and the reporting requirements of the Task Force on Climate-Related Financial Disclosures and the Sustainability Accounting Standards Board.

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 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 $4,865 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.

- On May 12 2021 the Company launched its North American direct to consumer marketing programs for VINIA®

- In June, 2021 the Company announced it had achieved a number of critical milestones in the BioFarming of Cannabis as detailed above

- In August, 2021 the Company announced its development of a groundbreaking Amalgamated Trichomes Coral Structure as detailed above

- On August 30, 2021 the Company completed a private placement financing by issuing 6,845,368 units at a price of $0.36 (CAD 0.45) per unit for gross proceeds of $2,431 (CAD 3,080). Net proceeds were $2,421 (CAD 3,067). Each unit consists of one common share of the Company and one half (1/2) of one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of $0.43 (CAD 0.55) per share for a period of 12 months.

- During the nine-month period ended September 30, 2021 the Company issued 19,779,844 common shares as a result of 15,074,846 warrants that were exercised at $0.17 (CAD 0.23), 3,106,386 warrants that were exercised at $0.23 (CAD 0.3) and 1,598,612 warrants that were exercised at $0.11 (CAD 0.15).

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 at 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 continued increasing demand for its VINIA® product in Israel during the first nine months of its e-commerce launch and believes that the heightened focus of consumers on their overall health and wellness will continue to be a positive tail wind for the Israeli business and USA launch.

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 to date.

SELECTED INFORMATION

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2021	**2020**	**2021**	**2020**
	USD in thousands			
Revenues	**$ 644**	$ 53	**$ 1,372**	$ 134
Net (loss) and comprehensive (loss)	**$ (3,044)**	$ (1,844)	**$ (8,074)**	$ (3,486)
Basic and diluted (loss) per share	**$ (0.01)**	$ (0.00)	**$ (0.02)**	$ (0.01)

	Nine months period ended September 30,		
	2021	**2020**	**2019**
	USD in thousands		
Total Assets	$ **12,394**	$ 3,927	$ 1,709
Total current liabilities	$ **2,313**	$ 1,292	$ 24,120
Total non-current liabilities	$ **6,219**	$ 2,782	$ 2,513

Three month period ended September 30, 2021 compared to the three month period ended September 30, 2020:

Our revenues, all of which relate to the superfruits segment of the Company, were $644 thousands for the three month period ended September 30, 2021, as compared to $53 thousands during the same period in the prior year. The increase in 2021 is a result of the Company's new business-to-consumer e-commerce strategy.

Our cost of revenues were $446 thousands for the three month period ended September 30, 2021, as compared to $35 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, which relate solely to our cannabis segment, were $814 thousands for the three month period ended September 30, 2021, as compared to $351 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 three month period ended September 30, 2021, the increase is also due to hiring of new employees and professional fees.

Our selling and marketing expenses relate to superfruits and were $981 thousands for the three month period ended September 30, 2021, as compared to $237 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 in Israel. The marketing expenses also includes the associated marketing start-up costs for the Q2 launch of VINIA® in the USA.

Our general and administrative expenses increased to $1,086 thousands for the three month period ended September 30, 2021, as compared to $1,011 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 three month period ended September 30, 2021. The increase was also due to the hiring of new employees to support the Company's growth in Israel and internationally.

Our general and administrative expenses are incurred to support both our business segments.

Our listing expenses were $Nil for the three month period ended September 30, 2021, as compared to $7 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 $439 for the three month period ended September 30, 2021, as compared to $295 thousands during the same period in the prior year. The main increase is due to fair value adjustments of the Company's outstanding warrants.
Our finance expenses are incurred to support both our business segments.

Our finance incomes were $78 thousands for the three month period ended September 30, 2021, as compared to $39 thousands during the same period in the prior year. Changes are due to exchange rate differences.
Our finance incomes are incurred to support both our business segments.

Nine month period ended September 30, 2021 compared to the nine month period ended September 30, 2020:

Our revenues, all of which relate to the superfruits segment of the Company, were $1,372 thousands for the nine months period ended September 30, 2021, as compared to $134 thousands during the same period in the prior year. The increase in 2021 is a result of the Company's new business-to-consumer e-commerce strategy.

Our cost of revenues were $974 thousands for the nine months period ended September 30, 2021, as compared to $93 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, which relate solely to our cannabis segment, were $2,188 thousands for the nine months period ended September 30, 2021, as compared to $893 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 nine months period ended September 30, 2021, the increase is also due to hiring of new employees and professional fees.

Our selling and marketing expenses relate to superfruits and were $2,058 thousands for the nine months period ended September 30, 2021, as compared to $332 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 in Israel. The marketing expenses also includes the associated marketing start-up costs for the Q2 launch of VINIA® in the USA.

Our general and administrative expenses increased to $3,459 thousands for the nine months period ended September 30, 2021, as compared to $2,002 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 nine months period ended September 30, 2021. The increase was also due to the hiring of new employees to support the Company's growth in Israel and internationally.

Our general and administrative expenses are incurred to support both our business segments.

Our listing expenses were $Nil for the nine months period ended September 30, 2021, as compared to $573 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 $998 thousands for the nine months period ended September 30, 2021, as compared to $445 thousands during the same period in the prior year. The main increase is due to fair value adjustments of the Company's outstanding warrants.
Our finance expenses are incurred to support both our business segments.

Our finance incomes were $231 thousands for the nine month period ended September 30, 2021, as compared to $718 thousands during the same period in the prior year. The main decrease is due to a decrease in the fair value of the warrants, resulted from the decrease 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:

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
	USD in thousands			
Total income for the period	644	415	313	262
Net income (loss) before income taxes for the period	(3,044)	1,779	(6,809)	(3,098)
Net income (loss) for the period	(3,044)	1,779	(6,809)	(3,098)
Net income (loss) for the period per share	(0.01)	0.00	(0.02)	(0.007)

	September 30, 2020	June 30, 2019	March 31, 2020	December 31, 2019
	USD in thousands			
Total income for the period	53	63	42	45
Net loss before income taxes for the period	(1,844)	(746)	(272)	(1,983)
Net loss for the period	(1,844)	(746)	(272)	(1,983)
Loss per share for the period	(0.005)	(0.008)	(0.003)	(0.017)

<u>Financial instruments and risk management</u>

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.

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 September 30, 2021 the Company had cash of $6,812 thousands (September 30, 2020 $2,825 thousands). The Company had current assets of $8,073 (September 30, 2020 $3,275) and current liabilities of $2,313 thousands (September 30, 2020 - $1,292 thousands). At September 30, 2021, the Company's working capital was $5,760 thousands (September 30, 2020–$1,983 thousands).
During the nine months period ended September 30, 2021, the Company's overall position of cash and cash equivalents increased by $5,031 thousands. (September 30, 2020- $1,983 thousands). 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, 2021 was $4,508 thousands as compared to net cash used of $2,629 thousands for the nine month period ended September 30, 2020. 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, 2021 was $1,286 thousands as compared to cash used of $18 thousands for the nine month period ended September 30, 2020. The amount used in 2021 and 2020 relates primarily to the purchase of property, plant and equipment.

- Cash generated from financing activities during the nine month period ended September 30, 2021, was $10,825 thousands as compared to $4,563 thousands from financing activities for the nine month period ended September 30, 2020. The cash generated in 2021 and 2020 is primarily from the proceeds received from private placements and exercise of warrants.

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 nine month period ended September 30, 2021 was as follows:

1. **Related party transactions:**

	Nine months ended September 30, 2021	**Three months ended September 30, 2021**	**Nine months ended September 30, 2020**	**Three months ended September 30, 2020**
Compensation of key management personnel of the Company:				
CEO Management fees	330	129	229	115
Chairman Management fees	156	36	99	36
CFO Management fees	23	8	11	6
Share based payment to CEO	167	28	277	177
Share based payment to Chairman	448	165	250	250
Other related party transactions:				
Share base payments	257	60	227	146

2. **Balance with related parties:**

As of September 30 ,	2021	2020
Due to CEO	41	32

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 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	453,630,137
Stock options	63,108,113
Warrants	22,032,983

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

Market Risks. The Company's securities trade on public markets and the trading value thereof is

determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and long term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Financing Risks. The Company will be dependent on raising capital through a combination of debt and/or equity offerings. There can be no assurance that the capital markets will remain favorable in the future, and/or that the Company will be able to raise the financing needed to continue its business at favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many corporations have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share price of medical cannabis companies, which are public issuers in Canada.

Key Personnel Risks. The Company's efforts are dependent to a large degree on the skills and experience of certain of its key personnel, including the board of directors. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

General Business Risk and Liability. Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risk facing the Company, its directors, officers and employees in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

Competition. There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Regulation of the Cannabis Industry. The cannabis related business of the Company are heavily regulated in all jurisdictions where it carries out its business. The Company's operations are subjected to various laws, regulations and guidelines by governmental authorities, relating to the manufacturing, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment.

The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect in the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on Key Business Inputs. The Company's business is dependent on a number of key inputs and their related costs including raw materials and suppliers related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any liability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse impact on the business, financial condition, and operating results of the Company.

Potential product recalls. Manufacturers and distributers of products are sometimes subjected to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packing safety and inadequate or inaccurate labeling disclosers. If the Company's product is recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall.

The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company had detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problem will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuit. Additionally, if one of the Company's product was subjected to recall, the image of the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company.

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. The Company may continue to incur losses. There is no certainty that the Company will operate profitably or provide a return on investment in the future.

Uninsurable risks. The Company may become subject to liability for events, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

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.

OTHER INFORMATION

Additional information related to the Company, is available for viewing on SEDAR at **www.sedar.com**.