BioHarvest Sciences Inc.

Management's Discussion and Analysis

For the year ended December 31, 2022

(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 April 27, 2023 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 audited consolidated financial statements of the Company (the “consolidated financial statements”) for the year ended December 31, 2022, 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. This additional information is not incorporated into this Management's Discussion and Analysis and does not constitute a part of this Management's Discussion and Analysis.

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

The Company incurred losses from operations since its inception. For the year ended December 31, 2022, the Company generated negative cash flows from operating activities of $9,241 (2021 $6,794) and a loss in the amount of $11,236 (2021 $9,827). As of the date of the issuance of these financial statements, the Company has not yet commenced generating sufficient sales, and therefore depends on fundraising from new and existing investors to finance its activities.

These factors raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The company's management believes that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceeds from capital fund raising and future revenues. The Company's management are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

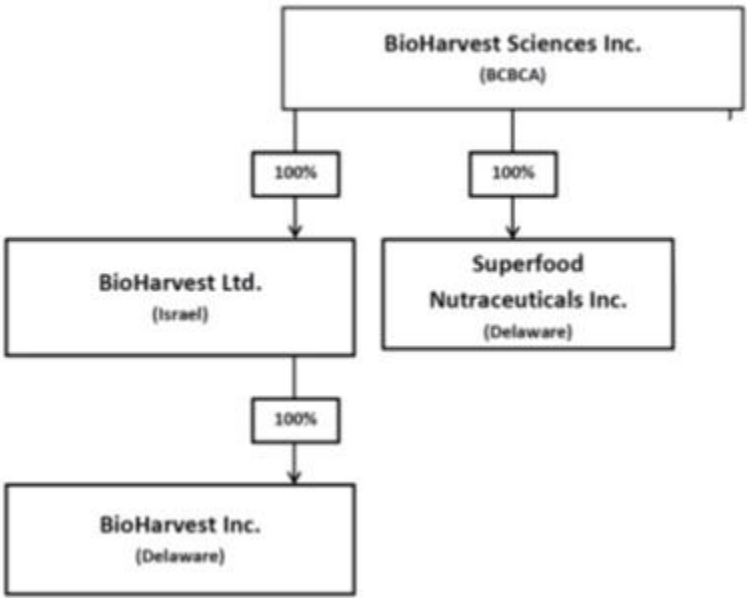
The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

1. Summary

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

2. Corporate Structure



3. Overview of the business

BioHarvest, a biotech company, has developed a patented botanical synthesis platform technology which it has termed Bio-Plant CELLicitation ™ which enables the Company to grow, at industrial scale, the active and beneficial ingredients inherent in certain fruits and plants, without the need to grow the plant itself. This technology is economical, ensures consistency, and avoids the negative environmental impacts associated with traditional agriculture. The Company is currently focused on utilizing this technology platform which is protected by 14 patents to develop the next generation of science-based and clinically proven therapeutic solutions, within two major operating segments: Nutraceuticals -with a focus on the development, design, manufacture and marketing of nutraceuticals for the private sectors. and

Pharmaceuticals -with a focus on the development, design, manufacture and marketing of pharmaceutical ingredients.

Nutraceuticals

The Company is engaged in research and development of unique science based therapeutic solutions for the multi-billion dollar nutraceutical industry. The Company's first product entry into this market is a Polyphenol/Anti-Oxidant superfruit product called VINIA® which is a red grape powder that supplies the benefits of red wine consumption but without the sugar, calories 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/nutraceutical in these respective markets.

Pharmaceuticals

The Company is currently focused on the development of plant cell-based Active Pharmaceutical Ingredients (API's) that can assist in the treatment of specific medical indications. The Company has in the past conducted multiple clinical trials in the cardio-vascular space and published successful results in peer reviewed scientific journals. Over the past 24 months the Company has engaged with over 35,000 VINIA®, customers in Israel and the USA and gathered anecdotal evidence of the positive health impact of VINIA and its unique Red Grape Cell (RGC) active ingredient on VINIA®, users. Accordingly, the Company has decided to commence a series of clinical activities to further validate the ability of its RGC active ingredient to successfully treat and improve eye health, cardio-vascular health, mental health and skin health. In May 2022, the Company recruited Dr Brian Cornblatt as its Chief Medical officer to lead these clinical activities. The Company recently announced a collaboration with the International Neurorehabilitation Institute (INI) (https://inirehab.com/) in Lutherville, Maryland to perform a clinical trial to assess the ability of the RGC composition to impact multiple sclerosis (MS)-related optic neuritis driven by inflammation and promote overall eye health. The study will be led by Dr. Daniel Becker, Director of the INI and Assistant Professor of Neurology at Johns Hopkins School of Medicine.

The Company's Pharmaceuticals segment includes the research and development initiatives on pharmaceutical-grade hemp and cannabis compositions.

Nutraceuticals

The Company's first polyphenol/anti-oxidant 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 by 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 a natural vasodilator that does not contain 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 improved blood perfusion. As a result, the Company has functional and structure claims for which it has made all the 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. 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 $60 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 termed Bio-Plant CELLicitation ™. In addition, our Bio-Plant CELLicitation™ 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 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 has established a 20 Ton Manufacturing facility and commenced implementation of the required technology and process improvements to drive significant cost reduction through economies of scale. This facility received Good Manufacturing Practice (GMP) approvals from the Israeli Ministry of Health in October 2021 as well as key ISO certifications. The Company completed the biological technology transfer in March 2022 and has commenced actively scaling up its manufacturing of VINIA® red grape cells at this new facility enabling the Company to better meet the increasing demand which is being driven from the US market because of the Company's marketing activities. The Company has faced in Q1, 2023 several supply chain challenges as a result of depleting more than expected inventory levels in Q4, 2022 due to experiencing much greater sales levels than expected. These supply chain challenges have resulted in the Company not being able to fully meet demand levels for the business and accordingly key channels such as Amazon were not supplied inventory until the last two weeks of the 1st quarter of 2023. The Company has focused significant resources in Q1, 2023 to address the capacity issue and made an investment in additional bioreactor and drying equipment. The new drying equipment is expected in Q3 2023 and based on the Company's assessment should significantly enhance the Company's production capacity in the second half of 2023.

The Company has a well-developed innovation pipeline in its polyphenol/anti-oxidant segment. Over the next 12 months, the Company plans to introduce a number of new products under the VINIA® brand as well as additional cell based products utilizing its Bio-Plant CELLicitation™ technology.

The Company is witnessing significant growth of VINIA® sales in the US and Israel. The Company delivered $6.1M of sales orders in 2022 representing a 160% increase over 2021. Q4 2022 sales orders of $2.7M delivered more than triple the level of sales orders from the same quarter in 2021.

US sales orders in 2022 were 3.8M representing over sixfold those of 2021. Q4 sales orders in the US were slightly over $2M, representing a 560% growth over Q4 2021. Sales and marketing metrics in the US reflect the robust demand created from the multiple marketing sales and marketing activities in the 4th quarter. Approximately 90% of Q4 2022 sales at www.vinia.com were derived from subscriptions packages with >90% of subscriptions accounting for recurring payment packages of 3 months or more, demonstrating a significant opportunity to build a predictable, scalable, and profitable business. VINIA® has achieved a verified rating as of today with 1,945 verified reviews of 4.7/5.

In Israel, where VINIA® has become a household name for cardiovascular health and wellness, the Company reported record sales orders of $2.3M in 2022, representing growth of 32% over 2021. Q4 2022 sales orders were $635k, representing a 27% growth over Q4 2021. Q4 saw the largest increase in new customers acquired as well as an all-time high in average spend per order of $214.

As at the date of this MD&A, the Company continues to see significant demand for its VINIA® product and is working across the value chain to address a number of the supply chain challenges experienced in Q1 2023, so as to build the required inventory levels to accelerate growth in the following quarters to deliver on 2023 targets.

Cannabis

Whilst the Company has in the past 12 months been actively pursuing North American entry into the Cannabis and Hemp markets, given significant retail and wholesale pricing compression, combined with a highly uncertain regulatory environment, the Company announced on February 9th, 2023 an amended North American go-to-market schedule for Cannabis and Hemp.

Company has decided to “put on hold” its cannabis and hemp commercialization pending the future stabilization of cannabis market conditions and clarification of regulatory guidelines. Research and development initiatives on pharmaceutical-grade hemp and cannabis compositions will continue.

This decision enabled management to focus on the near-term significant growth of the Nutraceutical business, put in place critical actions required to deliver on its revenue targets, profitability timeline, and future biotech potential.

Environmental, Social and Governance Reporting:

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 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.

On September 6, 2022 Business Intelligence Group awarded the Company the prestigious sustainability leadership award. The award recognizes the sustainability impact of the Company's Bio Plant CELLicitation technology, which enables industrial production of plant metabolites without growing the plant itself. The Company received the award with other industry thought leaders such as AstraZeneca, Agilent, and Honeywell.

The Company continues to invest significant efforts to further improve the utilization of scarce resources in the VINIA® manufacturing and delivery process and plans to release its next ESG report in Q4, 2023 which will include the significant benefits which will be derived from the application of its new drying technology and other efficiency projects.

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.

- During 2022 the Company raised $7,658 as part of a convertible loan.
- During 2022 the Company issued 6,922,138 common shares as a result of the exercise of 300,000 warrants issued to employees and or consultants with an exercise price of CAD 0.14 (approximately $0.10), 2,600,000 warrants issued to consultants with an exercise price of CAD 0.15 (approximately $0.11), 152,499 options with an exercise price of CAD 0.19 (approximately $0.15) and the exercise of 3,869,639 options with an exercise price of CAD 0.15 (approximately $0.11). The increase in Share Capital and Premium as a result of these transactions is $819.
- During 2022 the Company issued 164,000 common shares as a result of the exercise of 164,000 warrants issued to investors with an exercise price of CAD 0.45 ($0.36). The increase in Share Capital and Premium as a result of these transactions is $64.

SELECTED INFORMATION

	Year ended December 31,		
	2022	**2021**	**2020**
	USD in thousands		
Revenues	**5,498**	2,102	396
Net (loss) and comprehensive (loss)	**(11,236)**	(9,827)	(6,584)
Basic and diluted (loss) per share	**(0.02)**	(0.02)	(0.019)

	Year ended December 31,		
	2022	**2021**	**2020**
	USD in thousands		
Total Assets	**9,393**	10,208	5,304
Total current liabilities	**11,519**	2,923	1,894
Total non-current liabilities	**3,803**	4,430	5,705

Year ended December 31, 2022, compared to the year ended December 31, 2021:

Revenues, all of which relate to the Nutraceutical vertical of the Company, were $5,498 thousands for the year ended December 31, 2022, as compared to $2,102 thousands during the same period in the prior year. The increase in 2022 is a result of the Company's business-to-consumer e-commerce strategy.

Cost of revenues were $4,279 thousands for the year ended December 31, 2022, as compared to $1,432 thousands during the same period in the prior year. The increase is due to an increase in revenues during the period.

Research and development expenses, were $2,308 thousands for the year ended December 31, 2022, as compared to $4,129 thousands during the same period in the prior year. The decrease 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, 2021.

Sales and marketing expenses relate to Nutraceutical vertical were $5,221 thousands for the year ended December 31, 2022, as compared to $3,306 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 and USA as well as hiring of new employees and professional fees.

General and administrative expenses increased to $4,302 thousands for the year ended December 31, 2022, as compared to $1,726 thousands during the same period in the prior year. In 2021 the Company reduced its future revenue projections, which reduced the value of the Company's Agricultural Research Organization liability. This reduction was recorded as an income in the Company's General and administrative expenses in the year ended 2021.
General and administrative expenses are incurred to support both our business segments.

Finance expenses were $1,485 thousands for the year ended December 31, 2022, as compared to $1,626 thousands during the same period in the prior year. The main decrease is due to fair value adjustments of the Company's outstanding warrants.
Our finance expenses are incurred to support both our business segments.

Finance incomes were $861 thousands for the year ended December 31, 2022, as compared to $290 thousands during the same period in the prior year. The increase is primarily the result of fair value adjustments applicable to the Company's outstanding warrants.
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, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	USD in thousands			
Total Revenue for the period	2,444	1,517	838	699
Net (loss) before income taxes for the period	(2,806)	(3,924)	(2,376)	(2,130)
Net (loss) for the period	(2,806)	(3,924)	(2,376)	(2,130)
Net (loss) for the period per share	(0.01)	(0.01)	(0.01)	(0.00)

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	USD in thousands			
Total Revenue for the period	730	644	415	313
Net (loss) before income taxes for the period	(1,753)	(3,044)	1,779	(6,809)
Net (loss) for the period	(1,753)	(3,044)	1,779	(6,809)
(Loss) per share for the period	(0.00)	(0.01)	0.00	(0.02)

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.

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, 2022 the Company had cash of $1,736 thousands (December 31, 2021 $4,117 thousands). The Company had current assets of $4,322 (December 31, 2021 $5,665 thousands) and current liabilities of $11,519 thousands (December 31, 2021 $2,923 thousands). At December 31, 2022, the Company's working capital was negative $7,197 thousands (December 31, 2021 $2,742 thousands).
During the year ended December 31, 2022, the Company's overall position of cash and cash equivalents decreased by $2,359 thousands. (December 31, 2021 increased by $2,338 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, 2022 was $9,241 thousands as compared to net cash used of $6,794 thousands for the year ended December 31, 2021. 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, 2022 was $1,256 thousands as compared to cash used of $1,640 thousand for the year ended December 31, 2021. The amount used in 2022 and 2021 relates primarily to the purchase of property, plant and equipment.
- Cash generated from financing activities during the year ended December 31, 2022, was $8,138 thousands as compared to $10,772 thousands from financing activities for the year ended December 31, 2021. The cash generated in 2022 and 2021 is primarily from the proceeds received from private placements, convertible loan, exercise of warrants and options.

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, 2022 was as follows:

1. **Related party transactions:**

For the year and period ended December,	**2022**	**2021**
Compensation of key management personnel of the Company:		
CEO Management fees	511	462
Chairman Management fees	235	253
CFO Management fees	30	30
Share base payment to CEO	113	315
Share base payment to Chairman	503	565
Other related party transactions:		
Share base payments	98	298

2. **Balance with related parties:**

As of December 31 ,	**2022**	**2021**
Due to CEO	184	70

Critical Accounting Estimates and Judgements

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. 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 share based compensation and future income taxes.

2. Liability to Agricultural Research Organization

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

3. Determining the fair value of share-based payment transactions

   The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

4. Determining the transaction price and amounts allocated to the performance obligations

   In transactions with customers that include variable consideration, the Company assesses, based on past experience, business forecasts and current economic conditions, whether it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In determining the transaction price for each contract with a customer, the Company considers the effect of the right of return.

The Company also assesses for each transaction with variable consideration the approach that will best reflect the amount of the consideration to which the Company will be entitled, using either the "expected value" method or the "most likely amount" method.

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	460,716,275
Stock options	64,907,974
Warrants	50,000

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 number 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**. This additional information is not incorporated into this Management's Discussion and Analysis and does not constitute a part of this Management's Discussion and Analysis.