BioHarvest Sciences Inc.

Management's Discussion and Analysis

For the year ended December 31, 2023

(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 30,2024 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, 2023, 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 has incurred losses from operations since its inception. As of December 31, 2023, the Company has an accumulated deficit of $83,505. The Company generated negative cash flows from operating activities of $8,522 and a loss in the amount of $12,564 for the year ended December 31, 2023. As of the date of the issuance of these financial statements, the Company has not yet commenced generating sufficient sales to fund its operations, 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 plans to fund near term anticipated activities based on proceeds from capital fund raising and future revenues.

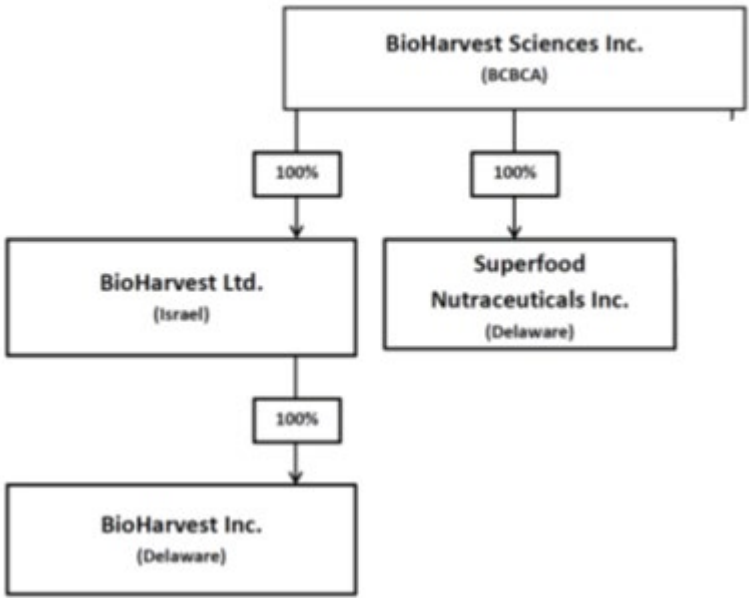
The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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 Botanical Synthesis, 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 during 2023:

a) Nutraceuticals - Research, development, manufacturing, marketing and sale of science based therapeutic solutions for the nutraceutical industry.

b) Pharmaceuticals - Research and development of plant cell-based Active Pharmaceutical Ingredients that can assist in the treatment of specific medical indications.

Subsequent to December 31, 2023, the Company initiated a change in its operating structure, such that the company will have two primary operating segments, being a Product Development segment and a Service Provision segment. The Company's Nutraceuticals and Pharmaceuticals segments detailed above will comprise the Product Development segment and the Company's activities in Contract Development and Manufacturing Operation (CDMO) will comprise the Services Provision Segment.

a) Products Business Unit

   I. Nutraceuticals - Research, development, manufacturing, marketing and sales of science based therapeutic nutraceutical solutions (capsules, powders, chews and other delivery mechanisms such as coffee, teas and protein bars).

   II. Pharmaceuticals - Research and development of plant cell-based Active Pharmaceutical Ingredients (API's)

   III. Cosmeceuticals- Research and development, for future manufacturing, marketing and sales of science based therapeutic cosmeceutical solutions

b) Services Business Unit- a CDMO (Contract Development and Manufacturing Operation) that offers customers from the pharmaceuticals, cosmeceuticals, nutraceuticals and nutrition industries, through an end to end service agreement, the development and manufacturing of specific plant based active molecules.

Products Business Unit Activities:

I. 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. Prior to Q3 2023, VINIA® was approved for classification as a food item as well as a dietary supplement/nutraceutical in the USA and Israeli markets. During Q3, 2023, the Company received approval from Health Canada, the regulatory body responsible for approving new dietary supplements in the Canadian market, for the sale of VINIA® in Canada.

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 received regulatory approvals in USA, Israel and Canada. It has been approved to be classified as a food item as well as a dietary supplement in the respective markets. The Company is currently in the process of applying for regulatory approvals for the EU, UK and China markets.

The Company has invested over $80 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 originally sourced from the parent plant, ensuring optimal bio-availability and efficacy of the secondary metabolites. The Company has termed this platform technology "Botanical Synthesis". This 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. The 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 to the new manufacturing facility in March 2022 and has commenced actively scaling up its manufacturing of VINIA® red grape cells at this new facility. This enables the Company to better meet the increasing demand for VINIA ® which is driven from the US market as a result of the Company's marketing activities. The Company continued to focus significant resources in the second half of 2023 to increase its capacity levels to meet the growing demand for VINIA® in the US market. The Company has invested heavily in additional bioreactor's capacity and new downstream harvesting and drying equipment which will enable a significant yield increase in finished product and accordingly a corresponding reduction in COGS. In addition, the Company has successfully secured additional 3rd party drying capacity to be able to cope with growing quarter on quarter demand levels. The Company expects this to positively impact capacity levels and gross profit delivery in 2024.

In Q4-2023 VINIA® revenues increased by 185% versus the comparable period in the previous year. This was a major demonstration of the Company's ability to scale its VINIA® business using

its Botanical Synthesis technology. Importantly, as a result of the aggressive scaling of the business and management's focus on cost reduction, the Company continues to improve gross profit margin levels, realizing a gross profit margin increase to 45% during 2023 as compared to 22% during 2022. Gross margin levels in Q4 2023 exceeded the 50% threshold. Management continues to focus on accelerating revenue momentum and improving gross profit margins, through manufacturing scale and its focus on operational efficiency.

The Company has a well-developed innovation pipeline in its Nutraceuticals 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 Botanical Synthesis technology. The pipeline of products planned, based on VINIA®, includes the launching of consumer products in major multibillion dollar categories including tea, protein bars and electrolyte enhanced beverages.

II. 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 approximately 50,000 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 cardio-vascular related health indications and skin health. Dr Brian Cornblatt, the Company's Chief Medical officer, leads these clinical activities and the Company continues to invest resources in the requisite pre-clinical and clinical work, required to further validate the ability of its RGC active ingredient to treat specific indications.

During Q4, 2023, with the new focus on the creation and accelerated building of the Services business unit, the Company has decided to permanently discontinue any activity related to its own development of medicinal cannabis. The Company's decision has allowed it to prioritise on pharmaceutical development opportunities for its existing red grape cell molecules where it has already completed extensive invitro, pre-clinical trial and clinical validations and has also the benefits extracting "real life evidence" from its 50,000 + customer base for its red grape cell molecule's ability to help address the needs of a number of medical indications. The Company will continue to do further research to validate this real-life evidence in a clinical setting. This decision has also enabled management to focus its development resources on the significant growth opportunities of the high margin CDMO Services business unit, with two signed contracts and a significant pipeline of customer opportunities.

III. Cosmeceuticals

The Company over the last 12 months has spent significant resources understanding the significant opportunities that exist for its red grape cell and olive cell molecules in the growing beauty and therapeutic skin care market. The skin care market in the USA is worth approximately 20 billion US Dollars and consumers are rapidly searching for new natural and natural origin molecules to

better address their skin care needs. The Company has already demonstrated via a small-scale skin care assessment in Seoul, South Korea that when ingesting its red grape cell molecule via a capsule format, it was able to drive positive feedback from respondents regarding their skin ailments. The Company is in the process of developing a number of topical formulations to further validate in larger scale clinical trials with the expected launch of its first topical skin care solution by the end of 2024.

Services Business Unit – CDMO

The Company formally announced on February 26th 2024, at the annual BIO CEO Conference, the official launch of its new Contract Development and Manufacturing Organization (CDMO) Services Business Unit. The Company also announced that this new unit has already signed two commercial contracts to develop complex molecules – for a NASDAQ listed pharmaceutical company, and for a leading player in the nutrition and ingredients industry.

This new business unit allows pharmaceutical, cosmeceutical, nutraceutical, and nutrition industry leaders the opportunity to partner with BioHarvest to utilize its Botanical Synthesis Process technology through a typical CDMO contracting model. This proprietary process technology enables the development and manufacturing of patentable plant based small molecules, complex molecules, and unique compositions which include both small and complex molecules. The Company's Botanical Synthesis Process can develop complex molecules otherwise known as Biologics which have a number of unique advantages for the industry, including lower costs of development and manufacturing, a much faster speed of development, and non-immunogenic properties that enhance safety. As a result of these advantages, the Company has decided to name these unique plant-derived complex molecules BIOLOGICS+. BIOLOGICS+ will help address unmet needs in the health industry across pharmaceutical, nutraceutical, cosmeceutical and nutrition verticals.

The Company is focusing its resources on signing additional contracts and commencing the development work required.

Environmental, Social and Governance Reporting:

On September 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 its prestigious Sustainability Leadership Award. The award recognizes the sustainability impact of the Company's Botanical Synthesis platform 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 2024, 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 2023 the Company raised $13,517 as part of a convertible loan.
- During 2023 the Company issued 14,252,254 common shares as a result of the conversion of a convertible loan, 3,619,639 common shares as a result of exercise of option by employees and consultants and 100,000 common shares to consultants in lieu of cash fees.

SELECTED INFORMATION

	Year ended December 31,		
	2023	**2022**	**2021**
	USD in thousands		
Revenues	**$ 12,672**	$ 5,498	$ 2,102
Net loss and comprehensive loss	**$ (12,564)**	$ (11,236)	$ (9,827)
Basic and diluted (loss) per share	**$ (0.03)**	$ (0.02)	$ (0.02)

	Year ended December 31,		
	2023	**2022**	**2021**
	USD in thousands		
Total Assets	**$ 15,002**	$ 9,393	$ 10,208
Total current liabilities	**$ 26,467**	$ 11,519	$ 2,923
Total non-current liabilities	**$ 3,388**	$ 3,803	$ 4,430

Year ended December 31, 2023, compared to the year ended December 31, 2022:

Revenues, all of which relate to the Nutraceutical operating segment of the Company, were $12,672 thousands for the year ended December 31, 2023, as compared to $5,498 thousands during the same period in the prior year. The increase in 2023 is a result of the Company's significant scaling of its business-to-consumer and medical practitioner focused e-commerce strategy.

Cost of revenues were $7,039 thousands for the year ended December 31, 2023, as compared to $4,279 thousands during the same period in the prior year. The increase is due to an increase in revenues during the period.

Gross margins were 45% for the for the year ended December 31, 2023, as compared to 22% during the same period in the prior year. The increase in gross margins was a result of cost reduction and production scaling.

Research and development expenses were $3,369 thousands for the year ended December 31, 2023, as compared to $2,308 thousands during the same period in the prior year. The change is mainly due to an increase in wages and salaries as well as raw material and depreciation.

Sales and marketing expenses relate to Nutraceutical operating segment were $7,748 thousands for the year ended December 31, 2023, as compared to $5,221 thousands during the same period in the prior year. The change is due to higher marketing spend required to support the revenue growth.

General and administrative expenses increased to $4,482 thousands for the year ended December 31, 2023, as compared to $4,302 thousands during the same period in the prior year. General and administrative expenses are incurred to support both our business segments.

Finance expenses were $2,624 thousands for the year ended December 31, 2023, as compared to $1,485 thousands during the same period in the prior year. The increase is primarily the result of fair value adjustments applicable to the Company's convertible loans and warrants, issuance of warrants and interest paid as part of the Company's convertible loans.
Our finance expenses are incurred to support both our business segments.

Finance incomes were $26 thousands for the year ended December 31, 2023, as compared to $861 thousands during the same period in the prior year. The decrease is primarily the result of fair value adjustments applicable to the Company's convertible loan recorded in 2022, as well as significant exchange rate differences during 2022 as compared to 2023.
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, 2023	September 30, 2023	June 30, 2023	March 31, 2023
	USD in thousands			
Total Revenue for the period	4,520	3,239	2,750	2,163
Net loss before income taxes for the period	7,235	1,727	2,850	752
Net loss for the period	7,235	1,727	2,850	752
Net loss for the period per share	0.02	0.00	0.01	0.00

	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

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 to 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 and other payables, lease liabilities and ARO liability. 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 are 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, 2023 the Company had cash of $5,355 thousands (December 31, 2022 $1,736 thousands). The Company had current assets of $9,052 (December 31, 2022 $4,322 thousands) and current liabilities of $26,467 thousands (December 31, 2022 $11,519 thousands). At December 31, 2023, the Company's working capital was negative $17,415 thousands (December 31, 2022 was negative $7,197 thousands).

During the year ended December 31, 2023, the Company's overall position of cash and cash equivalents increased by $3,560 thousands. (December 31, 2022 - decreased by $2,359 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, 2023 was $8,522 thousands as compared to net cash used of $9,241 thousands for the year ended December 31, 2022. 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, 2023 was $1,474 thousands as compared to cash used of $1,256 thousand for the year ended December 31, 2022. The amount used in 2023 and 2022 relates primarily to the purchase of property, plant and equipment.
- Cash generated from financing activities during the year ended December 31, 2023, was $13,556 thousands as compared to $8,138 thousands from financing activities for the year ended December 31, 2022. The cash generated in 2023 and 2022 is primarily from the proceeds received from convertible loans, 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, 2023, was as follows:

1. **Related party transactions:**

	2023	2022
Compensation of key management personnel of the Company:		
CEO Management fees	**468**	511
Chairman Management fees	**962**	235
CFO Management fees	**30**	30
Share based payment to CEO	**11**	113
Share based payment to Chairman	**198**	503
Other related party transactions:		
Share base payments	**11**	98

2. **Balance with related parties:**

As of December 31,	2023	2022
Due to CEO	**29**	184

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. 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.

2. 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	574,878,008
Stock options	65,974,335
Warrants	63,576,410

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

Global Economic Uncertainty. The Company's ability to raise capital is subject to the risk of adverse changes in the market value of the Company's share price. Periods of macroeconomic weakness or recession and heightened market volatility caused by adverse geopolitical developments could increase these risks, potentially resulting in adverse impacts on the Company's ability to raise further capital on favorable terms. The impact of geopolitical tension, such as the conflict in the Middle East, a deterioration in the bilateral relationship between the US and China or an escalation in conflict between Russia and Ukraine, including any resulting sanctions, export controls or other restrictive actions that may be imposed by the US and/or other countries against governmental or other entities in, for example, Russia, also could lead to disruption, instability and volatility in global trade patterns, which may in turn impact the Company's ability to source necessary raw materials and other inputs for manufacturing or the Company's ability to close new revenue generating orders.

On October 7, 2023, an attack was launched against Israel by Hamas (a terror organization) which thrust Israel into a state of war (hereinafter: "The state of war") in Israel and in Gaza strip. The company is continuing with its operations both in Israel and globally, as the state of war had no material impact on its operations or business results. The company continues to assess the effects of the state of war on its financial statements and business.

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.

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 includes 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.

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 products was subject 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.sedarplus.ca. 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.