CANNA–V-CELL SCIENCES INC.

Suite 1085, 555 Burrard Street, Box 201
Vancouver, BC V7X 1M8

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH 30, 2020**

AND

INFORMATION CIRCULAR

IN CONNECTION WITH AN AGREEMENT AND PLAN OF MERGER

among

**CANNA-V-CELL SCIENCES INC., BIOHARVEST LTD and
BIOFARMING LTD.**

March 5, 2020

Neither the Canadian Securities Exchange (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Agreement and Plan of Merger as described in this Information Circular.

THE BOARD OF DIRECTORS OF CANNA-V-CELL SCIENCES INC. (FOR THIS PURPOSE, BEING ALL OF THE MEMBERS OF A SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS) UNANIMOUSLY RECOMMENDS THAT YOU VOTE <u>IN FAVOUR</u> OF THE AGREEMENT AND PLAN OF MERGER

CANNA–V-CELL SCIENCES INC.

Suite 1085, 555 Burrard Street,
Vancouver, BC V7X 1M8
Telephone: (604) 685-4745

March 5, 2020

Dear Shareholders,

On behalf of Canna-V-Call Sciences In. ("**Canna-V**" or the "**Company**"), I invite you to attend an annual and special meeting (the "**Meeting**") of holders of common shares in the capital of the Company ("**Canna-V Shareholders**") to be held on March 30, 2020, at Suite 704, 595 Howe Street, Vancouver, BC V6C 2T5 at 11:00 a.m. (Vancouver time).

At the Meeting, Shareholders will, among other things, be asked to consider and, if deemed advisable, to pass a resolution (the "**Agreement and Plan of Merger Resolution**") the full text of which can be found in Schedule "A" of the Information Circular, approving an Agreement and Plan of Merger among Canna-V-Sciences Inc., BioHarvest Ltd. ("**BioHarvest**") and Biofarming Ltd. dated December 9, 2019 involving the acquisition by the Company of all of the outstanding common shares in the capital of the BioHarvest.

Full details of the Agreement and Plan of Merger are set out in the accompanying Notice of Annual and Special Meeting of Shareholders (the "**Information Circular**") which accompanies this letter. The Information Circular describes the Agreement and Plan of Merger and includes certain additional information to assist you in considering how to vote on the proposed Agreement and Plan of Merger Resolution, including certain risk factors relating to the completion of the Agreement and Plan of Merger. You should carefully review and consider all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisor.

Under applicable securities laws, the Agreement and Plan of Merger Resolution must be approved by a majority of disinterested shareholder votes cast on the Agreement and Plan of Merger Resolution by Shareholders present in person or represented by proxy at the Meeting, with each Shareholder being entitled to one vote for each Share held by such holder; excluding votes attached to Shares required to be excluded for majority of the minority approval at the Meeting pursuant to Multilateral Instrument 61-101 - *Protection of Minority Shareholders in Special Transactions*.

The Agreement and Plan of Merger has been unanimously recommended by a special committee (the "**Special Committee**") of independent directors of Canna-V and has been approved by those directors in their capacity as the board of directors of Canna-V (the "**Board**"). The Special Committee is required due to certain directors and officers relationships with BioHarvest. Zaki Rakib is the Chief Executive Officer of BioHarvest. Vivien Rakib a director and significant shareholder of BioHarvest. Yochi Hagay is the Chief Technology Officer of BioHarvest. The Special Committee's recommendation is based on consultation with its financial and legal advisors and careful consideration of, among other things, the valuation of BioHarvest prepared by Evans and Evans, Inc.

The Special Committee has concluded that the Agreement and Plan of Merger is in the best interests of the Company and is fair to the minority shareholders of the Company.

The Board has therefore approved the Agreement and Plan of Merger and unanimously recommends that the Shareholders vote FOR the Agreement and Plan of Merger. In approving the Agreement and Plan of Merger and making its recommendation, the Board considered a number of factors as described in the Circular.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

The close of business (Vancouver time) on February 11, 2020 is the record date for the determination of Shareholders that will be entitled to receive notice of and vote at the Meeting, and any adjournment or postponement of the Meeting. Registered Shareholders who are unable to or who do not wish to attend the Meeting in person are requested to date and sign the enclosed proxy form promptly and return it in the self-addressed envelope enclosed for that purpose or by any of the other methods indicated in the proxy form.

Proxies, to be used at the Meeting, must be received by the Company's registrar and transfer agent, National Issuer Services Ltd. (the "Transfer Agent") at their offices located at Suite 760 - 777 Hornby Street, Vancouver, BC, V6Z 1S4 by mail or fax, no later than forty eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or adjournment thereof.

The deadline for the receipt of proxies may be waived or extended by the Chair of the Meeting, without notice. If a Registered Shareholder receives more than one proxy form because such Shareholder owns Shares registered in different names or addresses, each proxy form needs to be completed and returned. In addition, both telephone voting and internet voting are available to Shareholders.

Shareholders who hold their Shares through their brokers, intermediaries, trustees or other persons ("**Intermediaries**"), or who otherwise do not hold their Shares in their own names ("**Beneficial Shareholders**") should note that Shares held by such Intermediaries on behalf of a Beneficial Shareholder can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Existing regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Intermediaries have their own mailing procedures and provide their own return instructions to Beneficial Shareholders, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting.

If you have any questions or need additional information, you should consult your financial, legal, tax or other professional advisor.

Yours truly,

"*David. K. Ryan*"

David K. Ryan
President, Director & Member of the Special Committee
Canna-V-Cell Sciences Inc.

CANNA–V-CELL SCIENCES INC.

Suite 1085, 555 Burrard Street,
Vancouver, BC V7X 1M8
Telephone: (604) 685-4745

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the "Meeting") of Canna-V-Cell Sciences Inc. (the "Company" or "Canna-V") will be held at Suite 704, 595 Howe Street, Vancouver, British Columbia on Monday, March 30, 2020, at 11:00 am (Vancouver time) for the following purposes:

1. to set the number of directors of the Company for the ensuing year at five (5) persons.

2. to elect Zaki Rakib, David K. Ryan, Liron Carmel, Vivien Rakib and Jake Fiddick as directors of the Company for the ensuing year.

3. to appoint Ziv Haft, Certified Public Accountants (Isr), BDO Member Firm, as the auditors of the Company until the next annual general meeting of the Company and to authorize the directors of the Company to fix the remuneration to be paid to the auditors.

4. to consider, and if deemed advisable, approve a resolution ratifying and approving the Company's 2018 Stock Option Plan as described in the Information Circular.

5. to consider, and if deemed advisable, pass a resolution, the full text of which can be found in Schedule "A" of the Information Circular, approving an Agreement and Plan of Merger among Canna-V-Cell Sciences Inc., BioHarvest Ltd. and Biofarming Ltd.

6. to receive the audited financial statements of the Company for the financial year ended April 30, 2019 and the accompanying report of the auditors.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this Notice of Meeting.

The Company's Board of Directors has fixed February 11, 2020 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered shareholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the accompanying Information Circular.

If you are a registered shareholder of the Company and unable to attend the Meeting in person, please complete, date and sign the accompanying form of proxy and deposit it with the Company's transfer agent, National Company Services Ltd., Suite 760 - 777 Hornby Street, Vancouver, BC, V6Z 1S4 by mail or fax, no later than no later than forty eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or adjournment thereof.

If you are a non-registered shareholder of the Company, please complete and return the materials in accordance with the instructions set forth in the accompanying Information Circular.

DATED at Vancouver, British Columbia, this 5th day of March, 2020.

By Order of the Board of
Canna-V-Cell Sciences Inc.

"Zaki Rakib"

Zaki Rakib
Chairman, CEO and Director

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GLOSSARY

"2018 Option Plan" or "Plan" means the stock option plan adopted and approved by the directors of Canna-V on July 25, 2018 and approved by the Canna-V Shareholders on February 7, 2019;

"Agreement and Plan of Merger" means the Agreement dated December 9, 2019 among the Issuer, Merger Sub and BioHarvest for the Merger of Merger Sub and BioHarvest under the Israeli Companies Law;

"**Annual Financial Statements**" means the statement of financial position as at April 30, 2019, April 30, 2018 and April 30, 2017 of the Issuer, and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended;

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

"**Board**" means the board of directors of Canna-V;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

"**BioHarvest**" means BioHarvest Ltd. a Company incorporated under Israeli Companies Law 5759 – 1999 on January 24, 2007;

"**BioHarvest Interim Financial Statements**" means the unaudited financial statements for the nine month period ended September 30, 2019 of BioHarvest, and the statements of comprehensive loss, changes in shareholder's equity (deficiency), and cash flows for the period then ended;

"**BioHarvest Interim MD&A**" means the MD&A of BioHarvest for the nine month period ended September 30, 2019, and for the period ended Dec 31, 2018;

"BioHarvest Lease" means the Lease Agreement dated April 30, 2019 between BioHarvest and Rhuberg Contract and Investments Ltd. for the lease of premises in Rehovot Israel;

"BioHarvest Platform Technology" means a proprietary biopharming process for the growing of plant cells in bio-reactors owned by BioHarvest and covered by patents described herein;

"BioHarvest Shares" means collectively the Ordinary shares par value NIS 0.01 par value, the Ordinary A shares par value NIS 0.01, Preferred A-1 shares par value NIS 0.01 and Preferred A-2 shares par value NIS 0.01 of BioHarvest;

"BioHarvest U.S." means BioHarvest Inc. a company incorporated under Delaware General Corporation Law on July 23, 2014;

"**Business Combination**" has the meaning ascribed to such term in MI 61-101;

"**Canna-V**" means

"**Canna-V" Annual MD&A**" means the MD&A of Canna-V for the year ended April 30, 2019;

"**Canna-V Annual Financial Statements**" means the audited financial statements for the year ended April 30, 2019;

“**Canna-V Interim Financial Statements**” means the unaudited financial statements for the six month period ended October 31, 2019 of Canna-Vt, and the statements of comprehensive loss, changes in shareholder’s equity (deficiency), and cash flows for the period then ended;

“**Canna-V Interim MD&A**” means the MD&A of Canna-V for the six month period ended October 31, 2019;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“CTO” means Chief Technology Officer;

“**Closing**” means the closing of the Agreement and Plan of Merger;

“**Closing Date**” means the date of closing of the Agreement and Plan of Merger;

“**Common Shares or Shares**” means the common shares in the capital of the Issuer;

“Company” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“Concurrent Private Placement” means the private placement of 35,200,000 shares of the Issuer to be completed concurrent with closing of the Merger;

“Creditor Warrants” means the 39,581,480 warrants exercisable to purchase a common share of the Issuer at $1.00 per share until August 31, 2020 issued to former convertible debt holders of BioHarvest on closing of the Merger;

“**CSE**” means the Canadian Securities Exchange;

“**CSE Listing**” means the listing of the Common Shares on the CSE;

“Dolarin” means Dolarin Ltd. a company incorporated under Israeli Companies Law on February 26, 2018;

“**Escrow Agent**” means National Securities Administrators Ltd., in its capacity as escrow agent for the Common Shares held in escrow under the Escrow Agreement;

“FDA” means the U.S. Food and Drug Administration;

“GMP” means Good Manufacturing Practices;

“GRAS” means Generally Accepted as Safe;

“IFRS” means International Financial Reporting Standards;

“IASB” means International Accounting Standards Board;

“**Issuer**” means BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.) incorporated under the BCBCA on April 19, 2019, after giving effect to the Transaction;

“Licensing Agreement” means the Licensing Agreement dated April 19, 2018 granting Dolarin Ltd. the exclusive worldwide license to utilize the BioHarvest Platform Technology for cannabis products;

“**Listing Date**” means the date of the CSE Listing;

"**Listing Statement**" means this listing statement;

"**MD&A**" means management's discussion and analysis;

"**Merger**" means the merger of Merger Sub with BioHarvest and under the Merger Agreement;

"Merger Agreement" means the Agreement and Plan of Merger dated December 9. 2019 among the Issuer, Merger Sub and BioHarvest;

"Merger Consideration" means the 299,200,000 common shares and the 39,581,480 Creditor Warrants to be issued to shareholders and creditors of BioHarvest under the Merger Agreement;

"**Merger Sub**" means BioFarming Ltd. a company incorporated under Israeli Companies Law;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, and the companion policies and forms thereto, as amended from time to time;

"**National**" means National Securities Administrators Ltd, the Issuer's registrar and transfer agent;

"NIS" means New Israeli Shekels;

"**Options**" means the stock options of the Issuer issued pursuant to the 2018 Plan;

"Person" means a company or individual;

"**Pro-Forma Financial Statements**" means the unaudited pro forma statement of financial position for the Issuer as at September 30, 2019 to give effect to the Merger as if it had taken place as of September 30, 2019, which is attached as Schedule "G" of this Information Circular;

"**Related Party Transaction**" has the meaning ascribed to such term in MI 61-101;

"**Securities Act**" means the *Securities Act* (British Columbia), as amended;

"**SEDAR**" means System for Electronic Document Analysis and Retrieval;

"Services Agreement" means the Agreement between Dolarin and BioHarvest dated April 19, 2018 under the terms of which BioHarvest provides research and development services to adapt the BioHarvest Platform Technology to cannabis products;

"Share Purchase Agreement" means the agreement dated April 19, 2018 between Canna-V with BioHarvest for the acquisition by the Issuer of 100% of the issued and outstanding shares of Dolarin;

"Special Committee" means the committee of independent members of the Board of Directors established under MI 61-101 consisting of David Ryan and Jake Fiddick;

"Transaction" means the Merger of Merger Sub and BioHarvest under the Merger Agreement, the Concurrent Private Placement, and the change of name of the Issuer to BioHarvest Sciences Inc.;

"Valuation Report" means the valuation report from Evans and Evans dated November 20, 2019;

"Valuation" means the range of value of BioHarvest described in the Valuation report;

"VINIA™" means a product of red grape (Vitis Vinifera) cells grown in vertical reactors utilizing BioHarvest Platform Technology in the form of a fine dry purple pink powder containing the whole matrix of piceid resveratrol in its natural state;

“Vasodilator” means a compound that dilates blood vessels;

“Volcani License Agreement” means the agreement dated March 21, 2007 between BioHarvest and the Israel Ministry of Agriculture and Rural Development Volcani Centre giving BioHarvest the exclusive worldwide license to use patented technology developed with funding from BioHarvest;

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Information Circular contains "forward-looking statements.” that are based on assumptions as of the date of this Information Circular. These statements reflect management’s current estimates, beliefs, intentions and expectations. They are not guarantees of future performance. Canna-V cautions that all forward-looking statements are inherently uncertain, and that actual performance may be affected by a number of material factors, many of which are beyond Canna V’s control, including among others: that Canna-V will complete a private placement; that Canna-V will obtain all necessary shareholder and regulatory approvals for the Agreement and Plan of Merger; that Canna-V will be able to complete the Agreement and Plan of Merger as expected. Investors should be cautioned that all forward-looking statements are inherently subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, without limitation: that Canna-V may not complete its private placement; that Canna-V may be unable to obtain all necessary shareholder and regulatory approvals for the Agreement and Plan of Merger as and when expected or at all; that the Agreement and Plan of Merger may not be completed as expected or at all. Accordingly, actual and future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. Except as required under applicable securities legislation, Canna-V undertakes no obligation to publicly update or revise forward-looking information.

Canna-V advises you to carefully review the reports and documents we file from time to time with the BCSC and OSC.

SUMMARY OF INFORMATION CIRCULAR

The following is a summary of information relating to Canna-V-Cell Sciences Inc., BioHarvest Ltd., Biofarming Ltd.. and the resulting Issuer (assuming completion of the Agreement and Plan of Merger) and should be read together with the more detailed information and financial data and statements contained elsewhere in this information circular.

SUMMARY

The following is a summary of the principal features of the Agreement and Plan of Merger and certain other matters and should be read together with the more detailed information and financial data and statements contained elsewhere in this Information Circular, including the schedules hereto. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein. Unless otherwise indicated, all currency amounts are stated in Canadian dollars. The information contained herein is as of March 5, 2020 unless otherwise indicated.

Capitalized terms used in this summary are defined in the "Glossary" or elsewhere in this Information Circular.

THE MEETING

Time, Date and Place of Meeting

The Meeting will be held on March 30, 2020 at Suite 704, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 at 11:00 am (Vancouver time).

At the Meeting, the Canna-V Shareholders will be asked to consider, and if deemed advisable, approve the Agreement and Plan of Merger Resolution authorizing the Agreement and Plan of Merger, and to consider such other matters as may properly come before the Meeting.

By passing the Agreement and Plan of Merger Resolution, the Canna-V Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Company to complete the Agreement and Plan of Merger without any requirement to seek or obtain any further approval of the Canna-V Shareholders.

The Agreement and Plan of Merger

On December 9, 2019, the Company entered into an Agreement and Plan of Merger with its 46% controlling shareholder BioHarvest and the Company's wholly owned Israeli subsidiary Biofarming.

The Company will acquire 100% percent of BioHarvest under the following terms of the Agreement and Plan of Merger:

1. The Company will issue 299,200,000 common shares at a deemed price of $0.15 per share to the shareholders of BioHarvest.
2. The Convertible Debt Holders of BioHarvest will convert their debt to common shares of the Company immediately prior to the closing (the "Debt Conversion").
3. Following the Debt Conversion, the Company will issue 39,581,480 Creditor Warrants to the Convertible Debt Holders of BioHarvest, the Creditor Warrants will be exercisable until August 31, 2020 to purchase an additional common share of the Company at the price of $1.00 per share.
4. The Company will grant 11,910,000 stock options to BioHarvest and the Company's Chief Technology Officer. The options will be exercisable to purchase common shares of the Company for $0.15 per share for a period of two years from granting and will vest quarterly over the two years.

The Agreement and Plan of Merger are subject to a number of conditions, including:

1. Shareholder approval.
2. Approval of the Israeli Securities Authority.
3. The indebtedness of BioHarvest at closing not exceeding USD$500,000.
4. Approval of the Canadian Securities Exchange.

5. The agreement of Convertible Debt Holders of BioHarvest to accept the Creditor Warrants of the Company to replace what they would have received on conversion in BioHarvest; and
6. Termination of BioHarvest's outstanding options to directors, officers, employees and consultants.
7. The Company completing the Concurrent Private Placement of not less than $4,000,000 US ($5,280,000 CAD). The Concurrent Private Placement involves the issuance of up to 35,200,000 shares at $0.15 per share

Recommendation and Approval of the Board of Directors

The Board has concluded that the terms of the Agreement and Plan of Merger are fair and reasonable to, and in the best interests of, Canna-V and the Canna-V Shareholders. The Board has therefore approved the Agreement and Plan of Merger and authorized the submission of the Agreement and Plan of Merger to the Canna-V Shareholders. The Board recommends that Canna-V Shareholders vote FOR the approval of the Agreement and Plan of Merger.

The Agreement and Plan of Merger must be approved by a majority of the votes cast at the Meeting by disinterested Canna-V Shareholders.

Conduct of Meeting and Shareholder Approval

The Agreement and Plan of Merger must be passed, with or without variation, by at least a majority of the disinterested shareholders eligible votes cast with respect to the Agreement and Plan of Merger Resolution by Canna-V Shareholders present in person or by proxy at the Meeting.

Stock Exchange Approvals

Completion of the Agreement and Plan of Merger is subject to the approval of the CSE and the Israeli Securities Authority.

Share Certificates and Effective Date

Upon receipt of the CSE and Israeli Securities Authority, Canna-V shall cause to be issued to the registered shareholders of BioHarvest share certificates representing the number of those shares to which such holders are entitled and shall cause such certificates, subject to any escrow requirements, to be delivered or mailed to such holders.

INCOME TAX CONSIDERATIONS

There are no tax considerations from the Agreement and Plan of Merger for Canna-V Shareholders.

PART I – PROXY RELATED INFORMATION

This information circular is dated as of March 5, 2020

MANAGEMENT SOLICITATION OF PROXIES

The solicitation of proxies by management of Canna-V will be conducted by mail and may be supplemented by telephone or other personal contact to be made, without special compensation, by the directors, officers and employees of Canna-V. Canna-V does not reimburse shareholders, nominees or agents for costs incurred in obtaining from their principals authorization to execute forms of proxy, except that Canna-V has requested brokers and nominees who hold stock in their respective names to furnish this proxy material to their customers, and Canna-V will reimburse such brokers and nominees for their related out of pocket expenses. No solicitation will be made by specifically engaged employees or soliciting agents. Canna-V will bear the cost of the solicitation.

No person has been authorized to give any information or to make any representation other than as contained in this Information Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by Canna-V. The delivery of this Information Circular shall not create, under any circumstances, any implication that there has been no change in the information set forth herein since the date of this Information Circular. This Information Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

APPOINTMENT AND REVOCATION OF PROXY

Appointment of Proxy

Registered shareholders are entitled to vote at the Meeting. A shareholder is entitled to one vote for each Canna-V Share that such shareholder holds on the record date of February 11, 2020 on the resolutions to be voted upon at the Meeting, and any other matter to come before the Meeting.

The persons named as proxyholders (the "Designated Persons") in the enclosed form of proxy are directors and/or officers of the Company.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON OR COMPANY (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR OR ON BEHALF OF THAT SHAREHOLDER AT THE MEETING, OTHER THAN THE DESIGNATED PERSONS NAMED IN THE ENCLOSED FORM OF PROXY.

TO EXERCISE THE RIGHT, THE SHAREHOLDER MAY DO SO BY STRIKING OUT THE PRINTED NAMES AND INSERTING THE NAME OF SUCH OTHER PERSON AND, IF DESIRED, AN ALTERNATE TO SUCH PERSON, IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY. SUCH SHAREHOLDER SHOULD NOTIFY THE NOMINEE OF THE APPOINTMENT, OBTAIN THE NOMINEE'S CONSENT TO ACT AS PROXY AND SHOULD PROVIDE INSTRUCTION TO THE NOMINEE ON HOW THE SHAREHOLDER'S SHARES SHOULD BE VOTED. THE NOMINEE SHOULD BRING PERSONAL IDENTIFICATION TO THE MEETING.

In order to be voted, the completed form of proxy must be received by the Company's registrar and transfer agent, National Issuer Services Ltd. (the "Transfer Agent") at their offices located at Suite 760 - 777 Hornby Street, Vancouver, BC, V6Z 1S4 by mail or fax, no later than forty eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting, or adjournment thereof.

A proxy may not be valid unless it is dated and signed by the shareholder who is giving it or by that shareholder's attorney-in-fact duly authorized by that shareholder in writing or, in the case of a corporation, dated and executed by a duly authorized officer or attorney-in-fact for the corporation. If a form of proxy is executed by an attorney-in-fact for an individual shareholder or joint shareholders, or by an officer or attorney-in-fact for a corporate shareholder, the instrument so empowering the officer or attorney-in-fact, as the case may be, or a notarially certified copy thereof, must accompany the form of proxy.

Revocation of Proxies

A shareholder who has given a proxy may revoke it at any time before it is exercised by an instrument in writing: (a) executed by that shareholder or by that shareholder's attorney-in-fact authorized in writing or, where the shareholder is a corporation, by a duly authorized officer of, or attorney-in-fact for, the corporation; and (b) delivered either: (i) to Canna-V at the address set forth above, at any time up to and including the last business day preceding the day of the Meeting or, if adjourned or postponed, any reconvening thereof, or (ii) to the Chairman of the Meeting prior to the vote on matters covered by the proxy on the day of the Meeting or, if adjourned or postponed, any reconvening thereof, or (iii) in any other manner provided by law.

Also, a proxy will automatically be revoked by either: (i) attendance at the Meeting and participation in a poll (ballot) by a shareholder, or (ii) submission of a subsequent proxy in accordance with the foregoing procedures. A revocation of a proxy does not affect any matter on which a vote has been taken prior to any such revocation.

VOTING OF PROXIES

A shareholder may indicate the manner in which the Designated Persons are to vote with respect to a matter to be voted upon at the Meeting by marking the appropriate space. If the instructions as to voting indicated in the proxy are certain, the Company Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions given in the proxy. If the shareholder specifies a choice in the proxy with respect to a matter to be acted upon, then the Company Shares represented will be voted or withheld from the vote on that matter accordingly. **The Company Shares represented by a proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the Company Shares will be voted accordingly.**

IF NO CHOICE IS SPECIFIED IN THE PROXY WITH RESPECT TO A MATTER TO BE ACTED UPON, THE PROXY CONFERS DISCRETIONARY AUTHORITY WITH RESPECT TO THAT MATTER UPON THE DESIGNATED PERSONS NAMED IN THE FORM OF PROXY. IT IS INTENDED THAT THE DESIGNATED PERSONS WILL VOTE THE COMPANY SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH MATTER IDENTIFIED IN THE PROXY.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the Meeting, including any amendments or variations to any matters identified in the Notice, and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company is not aware of any such amendments, variations, or other matters to come before the Meeting.

In the case of abstentions from, or withholding of, the voting of the Company Shares on any matter, the Company Shares that are the subject of the abstention or withholding will be counted for determination of a quorum, but will not be counted as affirmative or negative on the matter to be voted upon.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set out in this section is of significant importance to those shareholders who do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Information Circular as "Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of Company Shares can be recognized and acted upon at the Meeting. If Company Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Company Shares will not be registered in the shareholder's name on the records of the Company. Such Company Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such Company Shares are registered under the name of CDS & Co., being the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms. **Beneficial Shareholders should ensure that instructions respecting the voting of their Company Shares are communicated to the appropriate person well in advance of the Meeting.**

Regulatory polices require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Beneficial Shareholders have the option of not objecting to their Intermediary disclosing certain ownership information about themselves to the Company (such Beneficial Shareholders are designated as non-objecting beneficial owners, or "NOBOs") or objecting to their Intermediary disclosing ownership information about themselves to the Company (such Beneficial Shareholders are designated as objecting beneficial owners, or "OBOs").

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Company*, the Company has elected to send the notice of meeting, this Information Circular and a request for voting instructions (a "VIF"), instead of a proxy (the notice of Meeting, Information Circular and VIF or proxy are collectively referred to as the "Meeting Materials") directly to the NOBOs and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to OBOs. The Company does not intend to pay an Intermediary to deliver the Meeting Materials to OBOs.

Meeting Materials sent to Beneficial Shareholders are accompanied by a VIF, instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a Beneficial Shareholder is able to instruct the Intermediary (or other registered shareholder) how to vote the Beneficial Shareholder's shares on the Beneficial Shareholder's behalf. For this to occur, it is important that the VIF be completed and returned in accordance with the specific instructions noted on the VIF.

The majority of Intermediaries now delegate responsibility for obtaining instructions from Beneficial Shareholders to Broadridge Investor Communication Solutions ("Broadridge") in Canada. Broadridge typically prepares a machine-readable VIF, mails these VIFs to Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs to Broadridge, usually by way of mail, the Internet or telephone. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Company Shares to be represented at the Meeting by proxies for which Broadridge has solicited voting instructions. A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote Company Shares directly at the Meeting. The VIF must be returned to Broadridge (or instructions respecting the voting of Company Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Company Shares voted. If you have any questions respecting the voting of Company Shares held through an Intermediary, please contact that Intermediary for assistance.

In either case, the purpose of this procedure is to permit Beneficial Shareholders to direct the voting of the Company Shares which they beneficially own. A Beneficial Shareholder receiving a VIF cannot use that form to vote Company Shares directly at the Meeting. Beneficial Shareholders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered. Should a Beneficial Shareholder who receives a VIF wish to attend the Meeting or have someone else attend on their behalf, the Beneficial Shareholder may request a legal proxy as set forth in the VIF, which will grant the Beneficial Shareholder or their nominee the right to attend and vote at the Meeting.

Only registered shareholders have the right to revoke a proxy. A Beneficial Shareholder who wishes to change its vote must, at least seven days before the Meeting, arrange for its Intermediary to revoke its VIF on its behalf.

All references to shareholders in this Information Circular are to registered shareholders, unless specifically stated otherwise.

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Company is not using “notice-and-access” to send the Meeting Materials to shareholders, and paper copies of the Meeting Materials will be sent to registered shareholders and Beneficial Shareholders.

MATTERS TO BE ACTED UPON AT THE MEETING

RATIFICATION AND APPROVAL OF STOCK OPTION PLAN

The Company is seeking approval of its “rolling” stock option plan (the “2018 Stock Option Plan”), as adopted on September 27, 2018, whereby 15% of the number of issued and outstanding shares of the Company at any given time may be reserved for issuance pursuant to the exercise of options. The board of directors of the Company has approved the 2018 Stock Option Plan and recommends shareholders vote in favour of approving and ratifying the 2018 Stock Option Plan.

The 2018 Stock Option Plan was established to provide incentive to directors, officers, employees, management company employees and consultants who provide services to the Company. The intention of management in proposing the 2018 Stock Option Plan is to increase the proprietary interest of such persons in the Company and thereby aid the Company in attracting, retaining and encouraging the continued involvement of such persons with the Company.

The 2018 Stock Option Plan provides for a floating maximum limit of 15% of the outstanding common shares. As of the date of this Information Circular, the Company was eligible to grant up to 15,486,552 options under its 2018 Stock Option Plan. There are presently 10,45,105 options outstanding.

Terms of the 2018 Stock Option Plan

Options may be granted under the 2018 Stock Option Plan to such service providers of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the Canadian Securities Exchange. The 2018 Stock Option Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 1% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. Subject to earlier termination, all options granted under the 2018 Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. In the event that an optionee ceases to be a director, officer, employee or consultant, the option will terminate within ninety days. In the event of the death of an optionee, the options will only be exercisable during a reasonable time frame determined by the board. Options granted under the 2018 Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Disinterested Shareholder Approval

Under the terms of the 2018 Stock Option Plan, if the grant of options under the 2018 Stock Option Plan to insiders of the Company, together with all of the Company' outstanding stock options, could result at any time in:

(a) the number of shares reserved for issuance pursuant to stock options granted to insiders of the Company exceeding 15% of the issued common shares of the Company;

(b) the grant to insiders of the Company, within a 12 month period, of a number of options exceeding 15% of the issued common shares of the Company; or

(c) the issuance to any one optionee, within a 12 month period, of a number of shares exceeding 5% of the issued common shares of the Company,

The term disinterested shareholder approval means approval by a majority of the votes cast at the Meeting other than votes attaching to shares of the Company beneficially owned by insiders of the Company to whom options may be granted under the proposed 2018 Stock Option Plan.

A copy of the 2018 Stock Option Plan is available for review at the registered offices of the Company, located at Suite 704, 595 West Georgia Street, Vancouver, British Columbia, during normal business hours up to an including the date of the Meeting.

Management recommends the ratification and approval of the 2018 Stock Option Plan.

NUMBER OF DIRECTORS

The Articles of the Company provide for a board of directors of no fewer than three directors and no greater than a number as fixed or changed from time to time by majority approval of the shareholders.

At the Meeting, shareholders will be asked to pass an ordinary resolution to set the number of directors of the Company for the ensuing year at five (5). The number of directors will be approved if the affirmative vote of the majority of common shares present or represented by proxy at the Meeting and entitled to vote are voted in favour to set the number of directors at five (5).

Management recommends the approval of the resolution to set the number of directors of the Company at five (5).

ELECTION OF DIRECTORS

At present, the directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are duly elected or appointed in accordance with the Company's Articles or until such director's earlier death, resignation or removal. In the absence of instructions to the contrary, the enclosed Form of Proxy will be voted for the nominees listed in the Form of Proxy, all of whom are presently members of the Board of Directors.

Management of the Company proposes to nominate the persons named in the table below for election by the shareholders as directors of the Company. Information concerning such persons, as furnished by the individual nominees, is as follows:

Name Province, Country of Residence and Position(s) with the Company	**Periods During which Nominee has Served as a Director and/or Officer**	**Principal Occupation, Business or Employment for Last Five Years**	**Number of Common Shares Owned (1)**
ZAKI RAKIB San Jose, CA *Chairman, CEO and Director*	Since September 27, 2018	Chief Executive Officer and Chairman of Bio Harvest Ltd.	Nil
DAVID K. RYAN (2) British Columbia, Canada *Director*	Since April 19, 2013	Self-employed consultant, Director of GlobeX Data Ltd. since March 2017; President, Secretary and Director of Canna-V-Cell Sciences Inc. since April 2013. A former Director, President, Secretary and Vice President Finance of Yaterra Ventures Corp. Director and CEO of Scotch Creek Ventures Inc. since January 2017; Director and VP Corporate Communications of Manado Gold Corp. since August 2010 and Chief Financial Officer since 2016.	700,001
LIRON CARMEL (2) Ramat, Gan, Israel *Director*	Since September 27, 2018	Chairman and CEO of Emerald Medical Applications Corp. from December 2014 to August 2015. Currently Chairman and CEO of Smart Energy Solutions Inc. since November 2011.	1,050,000
VIVIEN RAKIB (2) Tel-Aviv, Israel *Director*	Since September 27, 2018	Technology Start Up Investor. Director of Bio Harvest Ltd. since 2007. Director of Shaker and CoPro.	Nil
JAKE FIDDICK *Director*	Since February 7, 2019	Public Company Banking Group at BMO Bank of Montreal for 30 plus years, until retirement in August of 2017.	Nil

Notes:

(1) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at February 11, 2020, based upon information furnished to the Company by the individual directors.

(2) Member of the Audit Committee.

Management recommends the approval of each of the nominees listed above for election as directors of the Company until the next annual general meeting.

Management does not contemplate that any of its nominees will be unable to serve as directors. If any vacancies occur in the slate of nominees listed above before the Meeting, then the Designated Persons intend to exercise discretionary authority to vote the common shares represented by proxy for the election of any other persons as directors.

Cease Trade Orders

Other than as set forth below, no director or executive officer of the Company, is or has been, within the ten years preceding the date of this Information Circular, a director, chief executive officer, chief financial officer of any company that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of this Information Circular, an "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to an exemption under securities legislation, and such order was in effect for a period of more than 30 consecutive days.

Yaterra Ventures Inc.

David Ryan was a director of Yaterra Ventures Corp. ("Yaterra") when, on January 8, 2013, the British Columbia Securities Commission issued a cease trade order on Yaterra for failure to file financial statements. The order has not been revoked. Mr. Ryan ceased acting a director of Yaterra on April 24, 2014 and Mr. Ryan is no longer involved with the business affairs of Yaterra. On April 30, 2014, Yaterra filed a notice of deregistration of its securities with the United States Securities and Exchange Commission.

Bankruptcies

To the knowledge of management of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has been, with the ten years preceding the date of this Information Circular:

(a) a director or an executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in the capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets or made a proposal under any legislation relating to bankruptcies or insolvency; or

(b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Penalties or Sanctions

No director or officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

To the knowledge of management of the Company, no director or officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company or a personal holding company of any such persons has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of a director or officer.

SPECIAL MEETING BUSINESS

AGREEMENT AND PLAN OF MERGER

On December 9, 2019, the Company entered into an Agreement and Plan of Merger with its 46% controlling shareholder BioHarvest and the Company's wholly owned Israeli subsidiary Biofarming.

The Company will acquire 100% percent of BioHarvest under the following terms of the Agreement and Plan of Merger:

1. The Company will issue 299,200,000 common shares at a deemed price of $0.15 per share to the shareholders of BioHarvest.
2. The Convertible Debt Holders of BioHarvest will convert their debt to common shares of the Company immediately prior to the closing (the "Debt Conversion").
3. Following the Debt Conversion, the Company will issue 39,581,480 Creditor Warrants to the Convertible Debt Holders of BioHarvest, the Creditor Warrants will be exercisable until August 31, 2020 to purchase an additional common share of the Company at the price of $1.00 per share.
4. The Company will grant 11,910,000 stock options to BioHarvest and the Company's Chief Technology Officer. The options will be exercisable to purchase common shares of the Company for $0.15 per share for a period of two years from granting and will vest quarterly over the two years.

The Agreement and Plan of Merger are subject to a number of conditions, including:

1. Shareholder approval.
2. Approval of the Israeli Securities Authority.
3. The indebtedness of BioHarvest at closing not exceeding USD$500,000.
4. Approval of the Canadian Securities Exchange.
5. The agreement of Convertible Debt Holders of BioHarvest to accept the Creditor Warrants of the Company to replace what they would have received on conversion in BioHarvest.
6. Termination of BioHarvest's outstanding options to directors, officers, employees and consultants.
7. The Company completing the Concurrent Private Placement.

Recommendation of the Board and Special Committee

The Special Committee received advice and assistance of its legal and financial advisors and senior management of the Company in developing its recommendation. The Special Committee also considered information concerning the business, operations, property, assets, financial performance and operating costs of the Company. The Company's future plans, and the interests of Minority Shareholders were considered by the Special Committee along with the potential effects on the Company should it not undertake the Agreement and Plan of Merger. The Special Committee also considered the Valuation Report prior to recommending the Agreement and Plan of Merger to the Canna-V Shareholders.

Valuation Report

The Company engaged Evans & Evans, Inc. to prepare an independent estimate with regard to the fair market value of 100% of the issued and outstanding shares of BioHarvest. Due to BioHarvest owning approximately 51% of the issued and outstanding shares of the Company, the fair market value of BioHarvest was determined. Evans & Evans, Inc. valued BioHarvest at an estimated fair market value in the range of USD$33.7 million to USD$34.6 million.

Reasons for the Agreement and Plan of Merger

In recommending the Agreement and the Plan of Merger, the Special Committee and the Board found the following advantages:

1. The Company will now own the platform bio reactor technology developed by BioHarvest that is being used for the Company's cannabis development program rather than only licensing the technology from BioHarvest.
2. The Company will no longer need to pay royalties and milestone payments to BioHarvest.
3. The Company will obtain ownership of 14 patents and patents pending held by or licensed to BioHarvest including patents related to its Vinia™ made from red grape cells and similar products to be developed for other food products including pomegranate and olive.
4. The Company will own the Bioreactor facility which can be repurposed for cannabis products when not needed to supply Vinia™. BioHarvest currently has a one-year supply of Vinia™.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of common shares without par value. As of the record date, being the close of business on February 11, 2020, a total of 103,243,680 common shares were issued and outstanding. Each common share carries the right to one vote at the Meeting.

To the knowledge of the directors and executive officers of the Company, other than BioHarvest Ltd. that holds 48,337,496 common shares of the Company representing 46% of the issued and outstanding common shares, no other person or company beneficially owns, directly or indirectly, or exercises control or direction over, common shares carrying more than 10% of the voting rights attached to the outstanding common shares of the Company.

APPROVAL OF RESOLUTIONS

To approve a motion for an ordinary resolution, a majority of the votes cast by shareholders in person or by proxy who are entitled to vote in respect of that resolution will be required. The approval of the Agreement and Plan or Merger Resolution requires a majority of the votes cast by disinterested shareholders in person or by proxy.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN THE AGREEMENT AND PLAN OF MERGER

The following sets out any material interest in the Agreement and Plan of Merger, direct or indirect, by way of beneficial ownership or securities in BioHarvest or otherwise, of each person who has been a director of executive officer in Canna-V at any time since the beginning of Canna-V's most recently completed financial year and in each case, such person's associates or affiliates.

The senior officers and directors may have an interest in the Agreement and Plan of Merger that may be perceived as conflicts of interest with respect to the Agreement and Plan of Merger, which interests are described below. The Board, including the Special Committee, is aware of these interests and considered them when making its recommendation.

Zaki Rakib is the Chief Executive Officer and director of BioHarvest.

Vivien Rakib is a director and 33.58% shareholder of BioHarvest.

Yochi Hagay is the Chief Technical Officer and 4.11% shareholder of BioHarvest.

RISK FACTORS

The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Common Shares could decline, and investors may lose all or part of their investment.

(a) The food products that the Company develops are regulated under a number of federal and state laws, including the Federal Food, Drug, and Cosmetic Act ("FDC Act") as administered by the U.S. Food and

Drug Administration ("FDA"). The Company is marketing its product, VINIA, in reliance on a determination supported by experts that the ingredient in the product is Generally Recognized as Safe ("GRAS") for its intended use. This GRAS determination has not been reviewed by FDA. If FDA challenges the GRAS status of its ingredient, they could be required to undergo the food additive approval process in order to legally market the product. This process is time consuming and costly and would interrupt their business. Furthermore, they cannot guarantee that, in such a situation, the use of the ingredient would be approved, and its business, financial condition and results of operations would not be adversely affected. The FDA's Good Manufacturing Practices ("GMP") regulations establish requirements governing the methods, equipment, facilities, and controls for sanitary production of food. Those who manufacture, package, or hold human food must comply with the GMP regulations. If BioHarvest or their suppliers fail to comply with the GMP regulations, the FDA may take enforcement action against them and their suppliers and seek removal of their products from the market. From time to time in the future, the Company may become subject to additional laws or regulations administered by the FDA, the Federal Trade Commission ("FTC"), or by other federal, state, local or foreign regulatory authorities. For example, the FDA Food Safety Modernization Act ("FSMA") was passed in 2011 and gave FDA broad authority to ensure the safety of the national food supply. Pursuant to that law, FDA has issued a number of proposed rules that, when finalized, will impose significant new requirements on facilities that manufacture, process, pack, or hold food. BioHarvest also may become subject to the repeal of laws or regulations that they generally consider favorable or to more stringent interpretations of current laws or regulations. They are not able to predict the nature of such future laws, regulations, repeals or interpretations, and they cannot predict what effect additional governmental regulation, if and when it occurs, would have on their business in the future. Such developments could, however, require reformulation of certain products to meet new standards, recalls or discontinuance of certain products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, additional personnel or other new requirements. Any such developments could have a material adverse effect on our business. The marketing and labeling of any food product in recent years has brought increased risk that consumers will bring putative class action lawsuits and that the FTC and/or state attorneys general will bring legal action concerning the truth and accuracy of the marketing and labeling of the product. Examples of causes of action that may be asserted in a putative consumer class action lawsuit include fraud, unfair trade practices, and breach of state consumer protection statutes (such as Proposition 65 in California). The FTC and/or state attorneys general may bring legal action that seeks removal of a product from the marketplace, fines, and penalties. Even when not merited, putative class claims, action by the FTC, or state attorneys general enforcement actions can be expensive to defend and adversely affect their reputation with existing and potential customers and consumers and our corporate and brand image.

(b) Other than VINIA™, the Company's proposed products are in the development stages and will require further development and investment prior to commercialization. Some of the proposed products are not in active development. BioHarvest cannot assure that any of their proposed products will:

i. be successfully developed;
ii. meet applicable regulatory standards or obtain required regulatory approvals;
iii. be capable of being produced in commercial quantities at reasonable costs; or
iv. be successfully marketed or achieve market acceptance by consumers.

(c) The Company plans to utilize online and digital marketing in order to market VINIA™. Management believes that using online advertisement through affiliate networks and a variety of other pay-for performance, pay per click and pay per exposure methods will be superior for marketing and generating sales of VINIA™ rather than utilizing traditional, expensive retail channels. They also anticipate using online retailers, such as Amazon and eBay. However, there is a risk that the marketing strategy could fail. Because they plan to use non-traditional retail sales tools to educate customers about VINIA™, they cannot predict the level of success, if any, that may be achieved by marketing VINIA™ via the internet. The failure of their online marketing efforts would significantly and negatively impact their ability to generate sales.

(d) The Company expects to initially sell their product, VINIA™, through their website and other online retailers, such as Amazon and eBay. E-commerce operations are subject to numerous risks, including rapid technological changes and the implementation of new systems and platforms, liability for online content, violations of state or federal laws, including those relating to online privacy, credit card fraud, the failure of the computer systems that operate their website and their related support systems, including computer viruses, the ability to transition to a new website and telecommunications failures, electronic break-ins and similar disruptions. Any failure of systems, policies or procedures to protect against such risks could materially damage their brand and reputation as well as result in significant damage claims, any of which could have a material adverse impact on the business, financial condition and results of operations. BioHarvest has contracted with third parties to create, operate and host their e-commerce website and provide related order fulfillment and customer service. They will rely on these parties' operational, privacy and security procedures and controls to operate and host their e-commerce business. Failure by any of such third parties to adequately service these aspects of their e-commerce business could result in a prolonged disruption that affects their customers' ability to utilize their website or receive their product in a timely manner. As a result, the Company may lose customer sales and/or experience increased costs, which could materially affect their reputation, operations or financial results.

(e) The Company cannot be certain that their current product or any other products they may develop, or market will achieve or maintain market acceptance. Market acceptance of their products depends on many factors, including the ability to convince key opinion leaders to provide recommendations regarding their products, convince distributors and customers that their products are an attractive alternative to other products, demonstrate that their products are reliable and supported by them in the field, supply and service sufficient quantities of products directly or through marketing alliances, and price products competitively in light of the current macroeconomic environment, which, particularly in the case of the consumer product industry, is becoming increasingly price sensitive.

(f) The sale of products for human consumption involves an inherent risk of injury to consumers. The Company faces risks associated with product liability claims, litigation, or product recalls, if their products cause injury, or become adulterated or misbranded. Their products are subject to product tampering, and to contamination risks, such as mold, bacteria, insects and other pests, and off-flavor contamination during the various stages of production, transportation and storage. If any of their products were to be tampered with, or become tainted in any of these respects and they were unable to detect this, their products could be subject to product liability claims or product recalls. BioHarvest cannot predict what impact such product liability claims or resulting negative publicity would have on their business or on their brand image. The successful assertion of product liability claims against them could result in potentially significant monetary damages and diversion of management resources and require them to make significant payments and incur substantial legal expenses. They do not have product liability insurance and have not established reserves or otherwise made provisions for potential product liability claims. Therefore, they may not have adequate resources to satisfy a judgment if a successful claim is brought against them. Even if a product liability claim is not successfully pursued to judgment by a claimant, the Company may still incur substantial legal expenses defending against such a claim. Finally, serious product quality concerns could result in governmental action against them, which, among other things, could result in the suspension of production or distribution of their products, loss of certain licenses, or other governmental penalties. A widespread product recall could result in significant loss due to the cost of conducting a product recall including the destruction of inventory and the loss of sales resulting from the unavailability of the product for a period of time. In addition, product liability claims and product recalls could have a material adverse effect on the demand for their products and on their business goodwill and reputation. Adverse publicity could result in a loss of consumer confidence in their products.

(g) The Company believes the nutritional supplement market is highly dependent upon consumer perception regarding the safety, efficacy and quality of nutritional supplements generally, as well as of products distributed specifically by them. Consumer perception of their products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, national media attention and other publicity regarding the consumption of nutritional supplements. They cannot make assurances that future scientific research, findings, regulatory proceedings, litigation, media attention or other favorable research findings or publicity will be favorable to the nutritional supplement market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, such earlier research reports, findings or publicity could have a material adverse effect on the demand for their products and consequently on their business, results of operations, financial condition and cash flows. BioHarvest's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for their products, the availability and pricing of their ingredients, and their business, results of operations, financial condition and cash flows. Further, adverse public reports or other media attention regarding the safety, efficacy and quality of nutritional supplements in general, or their products specifically, or associating the consumption of nutritional supplements with illness, could have such a material adverse effect. Any such adverse public reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed and the content of such public reports and other media attention may be beyond their control.

(h) The Company will likely require additional funds to further develop their business plan. Based on the current operating plans, the resources of the Company are expected to be sufficient to fund the planned operations necessary to support the VINIA™ marketing program. If they are unable to generate sufficient revenues from their operating activities, they may need to raise additional funds through equity offerings or otherwise in order to meet the expected future liquidity requirements. Any such financing that BioHarvest undertakes will likely be dilutive to, or otherwise adversely affect, holders of their shares. They may also need additional funds to respond to business opportunities and challenges, including payment of their ongoing operating expenses, protecting their intellectual property, satisfying debt payment obligations, developing new lines of business and enhancing their operating infrastructure. While they may need to seek additional funding for such purposes, they may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of other financings may be dilutive to, or otherwise adversely affect, holders of their Ordinary Shares. The Company may also seek additional funds through arrangements with collaborators or other third parties. They may not be able to negotiate any such arrangements on acceptable terms, if at all. If they are unable to obtain additional funding on a timely basis, they may be required to curtail or terminate some or all of their business plans.

(i) As the Company continues to grow, they must continue to improve their operational and financial systems, procedures and controls, increase manufacturing capacity and output, and expand, train and manage their growing employee base. In order to fund the on-going operations and their future growth, they need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, their management will be required to build, maintain and strengthen their relationships with customers, suppliers and other third parties. As a result, their continued expansion has placed, and will continue to place, significant strains on their management personnel, systems and resources.

(j) The Company's future success will depend upon the continued service of Zaki Rakib, the Chief Executive Officer, Yochi Hagay, the Chief Technical Officer and Vivien Rakib. Although the Company believes that its relationship with each of these individuals is positive, there can be no assurance that the services of any of these individuals will continue to be available to them in the future. They do not carry any key man life insurance policies on any of their existing or proposed executive officers.

(k) A considerable amount of the Company's expenses are generated in dollars or in dollar-linked currencies, but a significant portion of their expenses such as payroll costs are generated in New Israeli Shekels (NIS). Most of the time, the non-dollar assets are not totally offset by non-dollar liabilities. Due to the foregoing and to the fact that their financial results are measured in dollars, their results could be adversely affected as a result of a strengthening or weakening of the dollar compared to these other currencies. In addition, their results could also be adversely affected if they are unable to guard against currency fluctuations in the future. Although they may in the future decide to undertake foreign exchange hedging transactions to cover a portion of the foreign currency exchange exposure, they currently do not hedge their exposure to foreign currency exchange risks. These transactions, however, may not adequately protect them from future currency fluctuations and, even if they do protect them, may require significant expenses and involve operational or financing costs they would not otherwise incur.

(l) The Company intends to continue to seek legal protection, primarily through patents, for their proprietary technology. Seeking patent protection is a lengthy and costly process, and there can be no assurance that patents will be issued from any pending applications, or that any claims allowed from existing or pending patents will be sufficiently broad or strong to protect our proprietary technology. There is also no guarantee that any patents BioHarvest holds will not be challenged, invalidated or circumvented, or that the patent rights granted will provide competitive advantages to them. Their competitors have developed and may continue to develop and obtain patents for technologies that are similar or superior to their technologies. In addition, the laws of foreign jurisdictions in which they develop, manufacture or sell their products may not protect our intellectual property rights to the same extent as the laws of the United States. Adverse outcomes in current or future legal disputes regarding patent and other intellectual property rights could result in the loss of intellectual property rights, subject them to significant liabilities to third parties, require them to seek licenses from third parties on terms that may not be reasonable or favorable to them, prevent them from manufacturing, importing or selling our products, or compel them to redesign their products to avoid infringing third parties' intellectual property. As a result, BioHarvest may be required to incur substantial costs to prosecute, enforce or defend our intellectual property rights if they are challenged. Any of these circumstances could have a material adverse effect on their business, financial condition and resources or results of operations. Their ability to develop intellectual property depends in large part on hiring, retaining and motivating highly qualified research and development staff with the knowledge and technical competence to advance their technology and productivity goals. To protect their trade secrets and proprietary information, generally they have entered into confidentiality agreements with their employees, as well as with consultants and other parties. If these agreements prove inadequate or are breached, their remedies may not be sufficient to cover their losses.

(m) The Company's long-term success largely depends on our ability to produce our products using our proprietary methods. If we fail to obtain or maintain adequate intellectual property protection for our products and manufacturing processes, we may not be able to prevent third parties from using our proprietary methods or may lose access to methods critical to our products. Also, our currently pending or future patent applications may not result in issued patents, and issued patents are subject to claims concerning priority, scope and other issues. Furthermore, we have not filed applications for all of our patents internationally and we may not be able to prevent third parties from using our proprietary methods or may lose access to methods critical to our products in other countries.

(n) Although the Company's Development Program has achieved successful growth of cannabis cells in suspension and although the BioHarvest Platform Technology has been commercialized for the purpose of producing grape plant cell products there is no assurance that the Company will be successful or that the Company will be able to produce Cannabis cell products that are commercial.

(o) Risks Related to Investment in an Israeli Company

Potential Political, Economic and Military Instability in Israel

The Company's operations are located in Israel. Consequently, the Company is dependent upon Israel's economic, political and military conditions. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of the economy, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Israel, over which the Company has no control. In the past, Israel has experienced periods of weak economic activity and deterioration in economic conditions. The Company cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on the Company's business, financial condition or results of operations.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighbors. Terrorist attacks and hostilities within Israel; the hostilities between Israel and Hezbollah and between Israel and Hamas; the conflict between Hamas and Fatah; as well as tensions between Israel and Iran, have also heightened these risks, including extensive hostilities in November 2012 and from July to August 2014 along Israel's border with the Gaza Strip, which resulted in missiles being fired from the Gaza Strip into Israel. There can be no assurance that attacks launched from the Gaza Strip will not reach our facilities, which could result in a significant disruption of our business. In addition, there are significant ongoing hostilities in the Middle East, particularly in Syria and Iraq, which may impact Israel in the future. Any hostilities involving Israel, a significant increase in terrorism or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could materially adversely affect the Company's operations. Ongoing and revived hostilities or other Israeli political or economic factors could have a material adverse effect on the Company's business, operating results and financial condition.

It is unknown as to how the volatile climate currently hinders Israel's international trade relations and whether they still may limit the geographic markets where the Company can operate. Any resumption of hostilities involving Israel or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could have a material adverse effect on the Company's operations albeit that there is no direct evidence of this having been the case over the past conflicts. Security and political instability in the Middle East and Israel in particular may harm the Company's business. Any armed conflicts or political instability in the region, including acts of terrorism or any other hostilities involving or threatening Israel could have a negative effect on business conditions and could make it more difficult for

the Company to conduct its operations in Israel and/or increase its costs and adversely affect its financial results. Furthermore, some neighbouring countries, as well as certain companies and organizations continue to participate in a boycott of Israeli firms and others who do business with Israel or with Israeli companies. However, generally this is not the case with the major corporations in the industry that deal with Israel. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of the Company's business.
The Company's operations could be disrupted by the absence for significant periods of one or more of its senior management, key employees or a significant number of other employees because of military service. Israeli male under the age of 45 are obliged to perform military reserve duty, which accumulates annually from several days to up to two months in special cases and circumstances. The length of such reserve duty depends, among other factors, on an individual's age and prior position in the military. In addition, if a military conflict occurs, these persons could be required to serve in the military for extended periods of time. Any disruption in the Company's operations as the result of military service by key personnel, could harm its business.
Israeli courts have required employers seeking to enforce non-compete undertakings against former employees to demonstrate that the former employee breached an obligation to the employer and thereby caused harm to one of a limited number of legitimate interests of the employer recognized by the courts such as the confidentiality of certain commercial information or a company's intellectual property. The provisions of such clauses prohibit their employees, if they cease working for BioHarvest, from directly competing with them or working for their competitors. In the event that any of their employees choose to work for one of their competitors, they may be unable to prevent their competitors from benefiting from the expertise their former employees obtained from BioHarvest if they cannot demonstrate to the court that a former employee breached a legitimate interest recognized by a court and that they suffered damage thereby.

Crime and Business Corruption Risk

The Company and its personnel are required to comply with applicable anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act*, as well as local laws in all areas in which the Company does business. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards. However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering and corruption. While corruption does not appear to be institutionalized and businesses can largely operate and invest in Israel without interference from corrupt officials, there is evidence that corruption exists in Israel. The failure of the Israeli government to fight corruption or the perceived risk of corruption could have a material adverse effect on the local economies. Any allegations of corruption or evidence of money laundering in Israel could adversely affect the ability of Israel to attract foreign investment and thus have a material adverse effect on its economy which in turn could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. Moreover, findings against the Company, the directors, the officers or the employees of the Company, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Company, the directors, the officers or the employees of the Company. Any government investigations or other allegations against the Company, the directors, the officers or the employees of the Company, or finding of involvement in corruption or other illegal activity by such persons,could significantly damage the Company's reputation and its ability to do business and could have a material adverse effect on its financial condition and results of operations.

Operational Risks

Operations in Israel are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Israel faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. In addition, Israel experiences terrorist-related violence, a prevalence of kidnapping activities and civil unrest in certain areas of the country. Such instability may require the Company to suspend operations on its properties. Although the Company is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Israel, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the Company's operations, or other matters.

Operations in Hebrew

As a result of the Company conducting its operations in Israel, the books and records of the Company, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Hebrew language and English translations may not exist or be readily available.

Enforcement of Judgments

The Company was incorporated under the laws of the Province of British Columbia, however substantially all of its assets are located outside Canada. As a result, investors may not be able to effect service of process within Canada upon the Company's potential future Israeli directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada. As a result, shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Difficulty Enforcing Canadian Law Against an Israeli Company

All of the Company's assets and assets of several directors and officers of the Company, are located outside of Canada. Therefore, a judgment obtained against the Company, or a director or officer living in Israel, including a judgment based on the civil liability provisions of the Canadian securities laws, may not be collectible in Canada and may not be enforced by an Israeli court. It also may be difficult to effect service of process on Israeli directors and officers in Canada or to assert Canadian securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. If the Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against the Company or the Company in Israel, it may be difficult to collect any damages awarded by either a Canadian or a foreign court.

(p) The Company may in the future produce or sell Cannabis products in the United States or license its technology for cannabis to persons in the United States.

(i) While cannabis is legal in many US state jurisdictions, it continues to be a controlled substance under the United States federal Controlled Substances Act. Investors are cautioned that in the United States, cannabis is largely regulated at the state level.

(ii) To the Company's knowledge, there are to date a total of 32 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form of which 11 have legalized recreational use. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and marijuana remains illegal under federal laws in the United States.

(iii) Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

(iv) If state and/or federal legislation changes or regulatory agencies amend their practices or interpretive policies, or expended its resources enforcing existing state and/or federal laws, such action(s) could have a materially adverse effect on (a) the Company or sublicensees ability to obtain lawfully sourced raw materials; and, (b) the manufacturing, marketing, distribution and sale of the Company's sublicensees products in one or multiple jurisdictions, up to and including a complete interruption of its business. Further, additional government regulation in the industrial hemp industry could cause potential customers and users to be reluctant to purchase the Company's and sublicensees products, which would be detrimental to the Company's business. The Company cannot predict the nature of any future U.S. federal, state and/or laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on its business.

(v) The US federal Controlled Substances Act, ("CSA") classifies "marihuana" as a Schedule I controlled substance and makes "marihuana" use and possession illegal on a national level. The United States Supreme Court has ruled that it is the federal government that has the right to regulate and criminalize "marihuana," even for medical purposes, and thus federal law criminalizing the use of "marihuana" pre-empts state laws that legalize its use. However in 2018 the farm Bill legalized production, sale and transport across state lines of hemp and hemp products containing less than 0.3% THC.

The Company may not be successful in developing and implementing policies and strategies to address the foregoing factors in a timely and effective manner in the locations where it will do business. Consequently, the occurrence of one or more of the foregoing factors could have a material adverse effect on its operations and upon its financial condition and results of operations.

(q) The Cannabis products market is highly regulated in almost all jurisdictions where medical and recreational Cannabis products may be sold including the licensing of persons or companies engaged in production or sale of Cannabis products. There is no assurance that the Company will be able to obtain the required licenses to conduct its business activities or sell Cannabis products made using the BioHarvest Technology which would adversely affect the development plans and business of the Company.

(r) Cannabis products that may be sold in jurisdictions where medical or recreational consumption is permitted may be restricted or prohibited which could adversely affect the market for products developed by the Company or require the Company to go through expensive and extensive testing requirements all of which would require possible additional equity fundraising and result in dilution to the Company's shareholders.

(s) The Company believes that it will need to incur additional research and development expenditures to continue development of the existing proposed products as well as research and development expenditures to develop new products. The products they are developing and may develop in the future may not be technologically successful. In addition, the length of its product development cycle may be greater than they originally expected, and they may experience delays in product development. If the resulting products are not successful, they may not achieve market acceptance or compete effectively with its competitors' products.

(t) There can be no certainty that the Agreement and Plan of Merger will be completed. Completion of the Agreement and Plan of Merger is subject to a number of conditions which may not be satisfied, certain of which may be outside the control of the Company, including, without limitation, the Company completing a private placement, and the Company obtaining all necessary shareholder and regulatory approvals for the Agreement and Plan of Merger. There is no assurance that conditions will be satisfied or, if satisfied, when they will be satisfied or that the Agreement and Plan of Merger will be completed as currently contemplated or at all. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Company or the trading price of the Company's shares.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

PART II - INFORMATION CONCERNING THE COMPANY

CORPORATE STRUCTURE

Name and Incorporation

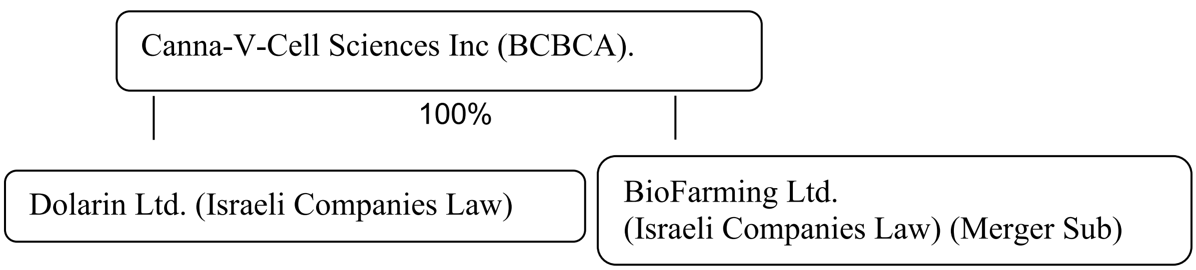
The Company was incorporated under the Business Corporations Act of British Columbia on April 19, 2013, under the name Midnight Star Ventures Corp. There have been no material amendments to the Articles or other constating or establishing documents of the Company other than its name change to Canna-V-Cell Sciences Inc. on October 26, 2018 by filing a Notice of Alteration.

The Company's head office is located at 555 Burrard St., Suite 1085, Vancouver, BC V7X 1M8 and its registered office is located at Suite 704, 595 Howe Street, Vancouver, British Columbia V6C 2T5

Intercorporate Relationships

The Company has two subsidiaries: Dolarin Ltd. (Israeli Companies Law) and BioFarming Ltd. (Israeli Companies Law)

The following chart sets out the corporate structure:



Dolarin Ltd.
The Company is the legal and beneficial owner of 1,000,000 ordinary shares of Dolarin Ltd. being 100% of the issued and outstanding voting shares of Dolarin Ltd. Dolarin Ltd. was incorporated under the Israeli Companies Law on February 26, 2018. Dolarin was acquired on September 27, 2018 on closing of the Share Purchase Agreement.

Biofarming Ltd.
The Company is the legal and beneficial owner of 100% of Biofarming Ltd. Biofarming was incorporated under the Israeli Companies Law on December 2, 2019.

GENERAL DEVELOPMENT OF BUSINESS

History

The Company was incorporated under the BCBCA on April 19, 2013. On August 28, 2013 it acquired an option to acquire the Fish Property located in Esmeralda County, Nevada. Prior to September 27, 2018 the Company's business was mineral exploration.

The Company completed a Prospectus offering of 2,057 800 common shares at $0.10 per share in British Columbia and was listed for trading on the CSE on April 14, 2015.

The Company entered into an agreement with BioHarvest for the acquisition of Dolarin Ltd. (the "Share Purchase Agreement"). Under the terms of the Share Purchase Agreement the Company issued 48,337,496 common shares to BioHarvest in exchange for 100% of the ordinary shares of Dolarin.

NARRATIVE DESCRIPTION OF THE BUSINESS

Description of the Business

The Company is the exclusive cannabis worldwide licensee of the proprietary and patent protected BioHarvest technology. It is the first and only industrial large scare plant cell growth technology capable of directly and constantly producing the active plant ingredients without the necessity to grow the plant itself.

On November 9, 2017 the Company completed a private placement of 8,500,000 common shares at $0.0675 for proceeds of $573,750 and also issued 3,499,992 common shares for debt at a deemed price of $0.0675 to settle indebtedness of $236,249.46.

On April 19, 2018 the Company entered into an agreement (the "Share Purchase Agreement") with BioHarvest for the acquisition of Dolarin. Under the terms of the Share Purchase Agreement the Company issued 48,337,496 common shares to BioHarvest in exchange for 100% of the ordinary shares of Dolarin. Dolarin Ltd. holds a license to use, for Cannabis products, the BioHarvest Platform Technology. Concurrent with the execution of the Share Purchase Agreement, BioHarvest entered into a Licensing Agreement (described below) and a Services Agreement (described below) with Dolarin Ltd. The Licensing Agreement and Services Agreement with Dolarin Ltd. were effective on closing of the Share Purchase Agreement. The acquisition of Dolarin closed on September 27, 2018.

On September 27, 2018, concurrent with the closing of Dolarin, the Company completed a private placement of 20,119,665 units at $0.15 for total proceeds of $3,017,949.75 with each unit consisting of 1 common share and 1 share purchase warrant exercisable for a period of two years to purchase an additional share at $0.15 per share.

The Company is the exclusive cannabis worldwide licensee of the proprietary and patent protected BioHarvest technology. It is the first and only industrial large-scale plant cell growth technology is capable of directly and constantly producing the active plant ingredients without the necessity to grow the plant itself. By adopting this technology and building adequate cells production capacity, the Company's objective is to become the leading supplier of cannabis for both the medicinal and recreational legal use markets.

In October 2018, the Company embarked on a 16 months program to prove the feasibility of applying its unique Biofarming technology to the production of cannabis. The Biofarming technology represents a revolution in producing the cannabis active ingredients also known as cannabinoids, without growing the plant itself.

On September 23, 2019 the Company completed a private placement of 6,666,667 units at $0.15 for total proceeds of $1,000,000 with each unit consisting of one common share and one share purchase warrant exercisable to purchase an additional share at $0.30 for a period of two years.

On September 26, 2019, the Company announced the first ever production of cannabis cells in suspension, with a cannabinoid profile identical to that of the source plant. This was achieved without the need to grow the cannabis plant itself.

This milestone represents the successful completion of the development program that commenced in October of 2018 which aimed to prove the feasibility of BioHarvest's previously proven technology for the production of Cannabinoids and other Cannabis derived compounds.

The program was successfully completed four months ahead of schedule. The goals for this development stage have been exceeded, as the Company went one step beyond production in liquid media (or suspension) at lab-scale, where it demonstrated fully grown trichomes, and stably produced Cannabis cells and cannabinoids in a small scale bioreactor.

BioHarvest expects to complete an initial scale-up process, and reach a commercial production capacity of 2 tonnes/year in 2021. The Bioharvest team has successfully developed industrial scale production processes for other (non-Cannabis) plant cells in the past, and has commercially produced and distributed such products.

Reverse Take Over, Licensing and Services Agreement

On September 27, 2018, the Company completed a transaction (the Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel ("Business Combination Agreement"). The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a Reverse Takeover and change of business for the Company (the "RTO"). BioHarvest is the ultimate parent of the Group.

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement (the License Agreement), which has an effective date of the closing of the Transaction. Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.
b) The payment of $160 thousand in 16 equal monthly payments of $10 thousand commencing on the effective date.
c) The payment to BioHarvest of a milestone payment comprising $840 thousand upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

The initial period of the agreement was for 16 months, from closing of the transaction at a budgeted cost of US$1,538,000. Further expenditures may be required if the objectives of the research are not met during the initial period.

Financing

On September 23, 2019 the Company closed a private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of $0.15 per unit for gross proceeds of USD$753,580 CAD$1,000,000.05 (CAD$985,000 after payment of commissions and finder's fees). The securities issued under the Private Placement Financing were subject to a hold period expiring four months and one day from the date of issuance pursuant to applicable Canadian securities laws. Each unit consists of one common share of the Company and one non-transferable share purchase warrant ("Private Placement Warrant"). Each Private Placement Warrants will be exercisable to purchase an additional common share at a price of $0.30 per share for a period of two years from closing of the Private Placement Financing.

The Agreement and Plan of Merger

On December 2, 2019, the Company established a wholly owned subsidiary in Israel, Biofarming Ltd ("Acquisition Sub"). Acquisition Sub agreed to merge with BioHarvest with the merger consideration being the issuance of 299,200,000 common shares of the Company to the shareholders of BioHarvest and the issuance of the Creditor Warrants, and in addition the Company will grant 11,910,000 options to the CTO of BioHarvest.

The merger will be completed under the Israel Companies Law and is subject to a number of conditions including:

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding USD$500,000;
- Approval of the Canadian Securities Exchange;
- The agreement of convertible debt holders of BioHarvest to accept the Creditor Warrants of the Company to replace what they would have received on conversion in BioHarvest.

- The Company completing the Concurrent Private Placement; and
- Termination of BioHarvest's outstanding options to directors, officers, employees and consultants.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

The following table sets forth selected financial information for the Company, summarized from its audited financial statements for the fiscal years ended April 30, 2019, 2018 and 2017 and unaudited financial statements for the six months ended October 31, 2019. This selected financial information should be read in conjunction with the Company's financial statements, including the notes thereto, which have been electronically filed with regulators by the Company and are available for viewing through the Internet at the SEDAR website (www.sedar.com) under the Company profile.

Financial Data	Six Months Ended October 31, 2019 (unaudited) USD	Financial Year Ended April 30, 2019 (audited) USD	Financial Year Ended April 30, 2018 (audited) CAD	Financial Year Ended April 30, 2017 (audited) CAD
Total Revenue	Nil	Nil	Nil	Nil
Net Loss	544,000	654,000	210,435	136,189
Total Assets	5,131,000 U	5,625,000	498,514	114,605
Current Liabilities	34,000	27,000	45,762	225,421
Long Term Liabilities	1,255,000	1,881,000	Nil	Nil
Total Liabilities	1,289,000	1,908,000	45,762	225,421
Cash dividends declared	Nil	Nil	Nil	Nil

Management's Discussion and Analysis

The Company management's discussion and analysis provides an analysis of the Company's financial results for the fiscal year ended April 30, 2019 and for the six months ended October 31, 2019 and should be read in conjunction with the financial statements for the relevant period and the notes thereto respectively. The Company's audited financial statements for the fiscal year ended April 30, 2019 and for the six months ended October 31, 2019 are set forth in Schedule C of this Information Circular and management's discussion and analysis for the fiscal year ended April 30, 2019 and for the six months ended October 31, 2019 are set forth in Schedule D of this information Circular. See "*Schedule C – Financial Statements Canna-V*" and "*Schedule D – Management's Discussion and Analysis for Canna-V*."

Certain information included in the Company's Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

DESCRIPTION OF THE SECURITIES

Securities

The Company is authorized to issue an unlimited number of common shares without nominal or par value. As at the date hereof, there are 103,243,680 common shares issued and outstanding as fully paid and non-assessable. The Company is authorized to issue and unlimited number of preferred shares without nominal or par value and as of the date hereof, there are 0 preferred shares issued and outstanding.

The holders of the Company Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Company Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Company Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Company Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Preferred Shares

The holders of the preferred shares are not entitled to receive notice of and not entitled to vote at all meetings of the shareholders of the Company. The preferred shares may include one or more series of shares. The registered holders of the preferred shares are entitled to receive dividends if and when declared by the Board of Directors out the funds or assets of the Company properly applicable to the payment of dividends. The Board of Directors of the Company may at any time declare and authorize the payment of such dividends exclusively to the registered holders of the preferred shares without declaring any corresponding dividends to the registered holders of the Common Shares. In the event of the liquidation, dissolution or winding up of the Company or other distribution of the assets of the Company among its members for the purpose of winding up the affairs of the Company, whether voluntary or involuntary, the registered holders of the preferred shares shall be entitled to receive the amount paid up with respect to each preferred share together with an amount equal to all declared and unpaid dividends on such shares in priority of the Common Shares. After payment to the registered holders of the preferred shares of the amount payable to them as provided for above, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Company. The preferred shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

STOCK OPTION PLAN

Stock Option Plan

The directors of the Company adopted a stock option plan on July 25, 2018 (the "2018 Stock Option Plan"). The 2018 Stock Option Plan was established to provide incentive to directors, officers, employees, management company employees and consultants who provide services to the Company. The intention of management in proposing the 2018 Stock Option Plan is to increase the proprietary interest of such persons in the Company and thereby aid the Company in attracting, retaining and encouraging the continued involvement of such persons with the Company.

The 2018 Stock Option Plan provides for a floating maximum limit of 15% of the outstanding common shares. As of the date of this Information Circular, the Company was eligible to grant up to 15,486,552 options under its 2018 Stock Option Plan. There are presently 10,405,105 options outstanding.

Options may be granted under the 2018 Stock Option Plan to such service providers of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the Canadian Securities Exchange. The 2018 Stock Option Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 1% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. Subject to earlier termination, all options granted under the 2018 Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. In the event that an optionee ceases to be a director, officer, employee or consultant, the option will terminate within ninety days. In the event of the death of an optionee, the options will only be exercisable during a reasonable time frame determined by the board. Options granted under the 2018 Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Options Granted

As of the date of this Information Circular, the Company has reserved 9,439,597 Company Shares under stock options granted to the Company's directors and officers as follows:

Optionee	Number of Common Shares Reserved Under Option	Exercise Price Per Common Share	Expiry Date
Zaki Rakib	4,344,800	$0.20	September 27, 2020
Yochi Hagay	4,344,797	$0.20	September 27, 2020
David K. Ryan	250,000	$0.20	September 10, 2021
Jake Fiddick	250,000	$0.20	September 10, 2021
Liron Carmel	250,000	$0.20	September 10, 2021

PRIOR SALES

Prior Sales

The Company has sold the following securities during the twelve-month period prior to the date of this Information Circular:

(i) On September 23, 2019, the Company issued 6,666,667 units at a price of $0.15 per unit for total gross proceeds of USD$753,580 (CAD $1,000,000.05). Each unit consists of one common share and on share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of $0.30 per share for a two-year period from the date of issuance.

Stock Exchange Price

The following table sets out the high and low monthly closing prices and the volume traded of the Company's Shares on the Exchange:

	High ($)	Low ($)	Volume
2016			
May 2016- July 2016	0.06	0.055	6,000
August 2016- October 2016	0.13	0.055	564,000
2017			
November 2016 – January 2017	0.19	0.12	124,500
February 2017- April 2017	0.16	0.14	45,000
May 2017 – July 2017	0.175	0.14	43,500
August 2017- October 2017	0.18	0.08	610,000
2018			
November 2017– January 2018	0.25	0.10	741,840
February – April	0.20	0.17	183,000
May – July	0.20	0.20	Nil
August - October	0.20	0.20	Nil

	High ($)	Low ($)	Volume
November	0.40	0.25	250,470
December	0.30	0.15	643,010
2019			
January	0.34	0.155	490,443
February	0.31	0.21	1,107,226
March	0.255	0.15	997,675
April	0.25	0.14	1,967,866
May	0.34	0.18	4,926,183
June	0.19	0.145	1,697,354
July	0.175	0.12	636,270
August	0.17	0.105	733,017
September	0.17	0.13	1,321,606
October	0.17	0.11	444,999
November	0.205	0.115	636,734
December	0.15	0.11	6,500
2020			
January	Halted	Halted	Halted
February	Halted	Halted	Halted
March	Halted	Halted	Halted

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This discussion describes the Company's compensation program for each person who has acted as Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and CFO, during the financial year ended April 30, 2019 (each a "Named Executive Officer").

Significant Elements

The significant elements of compensation awarded to the Named Executive Officers are management fees and stock options. The Company does not presently have a long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of the Company's compensation program. The Board of Directors is solely responsible for determining compensation to be paid to the Company's Named Executive Officers. In addition, the Board of Directors reviews annually the total compensation package of each of the Company's executives on an individual basis.

Management Fees

The Company's compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of the Company.

Option-Based Awards

The Company's 2018 Stock Option Plan is intended to emphasize management's commitment to growth of the Company.

Summary Compensation Table

The following table sets forth information about compensation paid to, or earned by the Company's Named Executive Officers during the fiscal years ended April 30, 2019, 2018 and 2017:

Name and Principal Position	Year	Salary (USD$)	Share Based Awards (USD$)	Option Based Awards (USD$)	Non Equity Incentive Plan Compensation ($) Annual Incentive Plans	Non Equity Incentive Plan Compensation ($) Long Term Incentive Plans (USD$)	Pension Value (USD$)	All Other Compensation (Consulting Fees) (USD$)	Total Compensation (USD$)
David Ryan President and Secretary	2019	Nil	Nil	Nil	Nil	Nil	Nil	27,331	27,331
	2018	Nil	Nil	Nil	Nil	Nil	Nil	28,165	28,165
	2017	Nil	Nil	Nil	Nil	Nil	Nil	27,098	27,098
Matthew Wright CFO (1)	2019	Nil	Nil	Nil	Nil	Nil	Nil	19,663	19,663
	2018	Nil	Nil	Nil	Nil	Nil	Nil	18,385	18,385
	2017	Nil	Nil	Nil	Nil	Nil	Nil	16,334	16,334
Zaki Rakib, CEO(2)	2019	Nil	Nil	193,206	Nil	Nil	Nil	40,717	233,923
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vivien Rakib(3)	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jake Fiddick(4)	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alan Rootenberg CFO(5)	2019	Nil	Nil	Nil	Nil	Nil	Nil	5,012	5,012
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yochi Hagay CTO	2019	Nil	Nil	193,206	Nil	Nil	Nil	Nil	193,206
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Resigned as CFO on October 9, 2018
(2) Appointed as director on September 27, 2018
(3) Appointed as director on September 27, 2018
(4) Appointed as director on February 7, 2019
(5) Appointed as CFO on October 9, 2018

As of the date of this circular, the Company has no current intentions to make any material changes to the above compensation.

Incentive Plan Awards

The following table sets forth all outstanding share based and option-based awards to the Named Executive

Officers as at the fiscal year ended April 30, 2019:

Name	Option Based Awards				Share Based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price ($)	Option Expiration Date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Zaki Rakib, CEO CEO	4,344,800	0.20	September 27, 2020	-	-	-
David K. Ryan President and Secretary	250,000	0.20	September 27, 2020	-	-	-
Yochi Hagay CTO	4,344,797	0.20	September 27, 2020			
Matthew Wright CFO (1)	Nil	-	-	-	-	-
Alan Rootenberg CFO(2)	Nil	-	-	-	-	-

(1) Resigned as CFO on October 9, 2018
(2) Appointed as CFO on October 9, 2018

Termination and Change of Control Benefits

The Company has no contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Company or a change in the Named Executive Officer's responsibilities.

DIRECTOR COMPENSATION

Director Compensation Table

The following table sets forth the compensation paid to the Company's directors for the year ended April 30, 2019:

Name	Fees Earned (USD$)	Share-based Awards (USD$)	Option-based Awards (USD$)	Non-Equity Incentive Plan Compensation (USD$)	Pension Value (USD$)	All Other Compensation (USD$)	Total (USD$)
Zaki Rakib	-	-	193,206	-	-	40,717	233,923
David K. Ryan	-	-	-	-	-	27,331	27,331
Liron Carmel	-	-	-	-	-	-	-
Vivien Rakib	-	-	-	-	-	-	-
Jake Fiddick	-	-	--	-	-	-	-

The following table sets forth the compensation paid to the Company's directors for the six months ended October 31, 2019:

Name	Fees Earned (USD$)	Share-based Awards (USD$)	Option-based Awards (USD$)	Non-Equity Incentive Plan Compensation (USD$)	Pension Value (USD$)	All Other Compensation (USD$)	Total (USD$)
Zaki Rakib	-	-	94,149	-	-	34,932	129,081
David K. Ryan	-	-	14,508	-	-	16,623	31,131

Liron Carmel	-	-	11,905	-	-	-	11,905
Vivien Rakib	-	-	-	-	-	-	-
Jake Fiddick	-	-	14,508	-	-	-	14,508

Incentive Plan Awards For Directors

The following table sets forth all outstanding share based and option based awards to the directors of the Company as at the fiscal year ended April 30, 2019.

	Option Based Awards				Share Based Awards	
Name	Number of Securities underlying unexercised options (#)	Option Exercise Price ($)	Option Expiration Date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Zaki Rakib	4,344,800	0.20	September 27, 2020	-	-	-
David K. Ryan	250,000	0.20	September 11, 2020	-	-	-
Liron Carmel	250,000	0.20	September 11, 2020	-	-	-
Vivien Rakib	Nil	-	-	-	-	-
Jake Fiddick	250,000	0.20	September 11, 2020	-	-	-

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth details of the Company's equity compensation plans as of April 30, 2019. As at April 30, 2019, the compensation plan consisted of the 2018 Stock Option Plan.

Plan Category	**Number of securities to be issued upon exercise of outstanding options**	**Weighted-average exercise price of outstanding options**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders	10,405,105	$0.23	5,081,447
Equity compensation plans not approved by security holders	-	-	-
Total	**10,405,105**	**$0.23**	**5,081,447**

NON-ARM'S LENGTH PARTY TRANSACTION

The Agreement and Plan of Merger is a non-arm's length transactions. BioHarvest is the 46% controlling shareholder of the Company and Zaki Rakib, the Company's CEO is the CEO of BioHarvest, and Vivien Rakib, a director of the Company is a director and significant shareholder in BioHarvest and Yochi Hagay the Company's CTO is the CTO of BioHarvest.

LEGAL PROCEEDINGS

The Company is not currently a party to any legal proceedings, nor is the Company currently contemplating any legal proceedings. Management of the Company is currently not aware of any legal proceedings contemplated against the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of the Company is Ziv Haft, Certified Public Accountants (Isr), BDO Member Firm, at 48 Derech Menachem Begin Rd. - Amot BDO House, Tel Aviv, 6618001.

The registrar and transfer agent of the Common Shares is National Securities Administrators Ltd., 777 Hornby Street, Suite 702, Vancouver, BC V6Z 1S4.

MATERIAL CONTRACTS

The following contracts of the Company can reasonably be regarded as being material to securityholders of the Company:

1. Share Purchase Agreement, dated April 19, 2018 between the Company and BioHarvest.

2. Licensing Agreement, dated April 19, 2018 between Dolarin and BioHarvest.

3. Services Agreement, dated April 19, 2019 between Dolarin and BioHarvest.

4. Agreement and Plan of Merger, dated December 9, 2019 between the Company, BioHarvest and Biofarming Ltd.

Copies of the material contract described above may be inspected at the registered office of the Company located at the offices of Northwest Law Group, solicitors of the Company, at Suite 704, 595 Howe Street, Vancouver, British Columbia, during normal business hours until closing of the Agreement and Plan of Merger and for a period of 30 days thereafter.

PART III - INFORMATION CONCERNING BIOHARVEST

CORPORATE STRUCTURE

BioHarvest was incorporated on January 24, 2007 under the Israeli Companies law 5759-1999 under the name Fruitura BioScience Ltd. and changed its name to BioHarvest, Ltd. on February 10, 2014 on filing an application for change of name. In July 2014, BioHarvest established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary"). In February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

BioHarvest has the Company has the following securities issued and outstanding:

Ordinary shares of par value NIS 0.01	9,431,638
Ordinary A share of par value NIS 0.01	1
Preferred A-1 share of par value NIS 0.01	4,006,542
Preferred A-2 share of par value NIS 0.01	2,227,043

The head office and registered office of BioHarvest is located at 3 Pekeris St., Rehovot 7670203 Israel.

GENERAL DEVELOPMENT OF THE BUSINESS

BioHarvest is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine.

BioHarvest has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

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

On September 27, 2018 BioHarvest completed a transaction with Canna-V (the “Transaction”). Canna-V issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of Canna-V. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of Canna-V. Completion of the Transaction resulted in a Reverse Takeover and change of business for Canna-V (the “RTO”) and BioHarvest became the ultimate parent of Canna-V and Dolarin.

Licensing and Service Agreement

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement, which has an effective date of the closing of the Transaction (“License Agreement”). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest’s biotechnology for the production and sale of cannabis products for the medical and recreational markets (the “License”).

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 thousand in 16 equal monthly payments of $10 thousands commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 thousand upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction (“Service Agreement”). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest’s technology in the field of cannabis including the equipment, materials, facilities and personnel.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The business carried on by BioHarvest is the production and sale of a food based nutraceutical product called VINIA^{TM}. The product is made by growing plant cells from red grapes in solution in Bioreactors and consists of a fine dry purple pink powder containing the whole range of Piceid restveratrol in its natural state. The product is produced using the BioHarvest Platform Technology which permits the growth in solution in bioreactors of the desired plant cells without the need to grow the entire plant. BioHarvest is also completing research and development into growing other food cells with the BioHarvest Platform Technology including cells from olive and pomegranate plants. In addition under the Services Agreement with Dolarin, BioHarvest has been adapting the BioHarvest Platform Technology for use in growing cells of cannabis plants. Dolarin holds a license from BioHarvest under the Licensing Agreement for the exclusive use of the BioHarvest Platform Technology for cannabis products.

BioHarvest Platform Technology

Founded in 2007 in Rehovot (Israel), BioHarvest developed a unique proprietary (and patented) platform technology (biofarming) capable of growing cells of super fruits and plants in order to produce functional foods and compounds that have substantial and clinically proven health benefits, at massive and economic scale. BioHarvest’s Platform Technology mirrors nature to create a cell powder from the parent plant ensuring optimal bioavailability and efficacy and devoid of inherent complexity, seasonality, variability and geographic inaccessibility.

The BioHarvest Platform Technology was developed with red grape cells as described below. However, this technology may be applied to various botanical products including those it has in the current pipeline.

Small scale processes for the preparation of fruit cells are well-established; large scale processes, however, are more difficult to design since they tend to amplify the production of the primary metabolites while minimizing the production of secondary metabolites. Since active ingredients, such as polyphenols, are secondary metabolites their production in large-scale processes is complex.

Thus, there is a need for a large-scale process for preparing fruit cells from natural ingredients, which includes the production of both the primary and the secondary metabolites of the fruit cells.

Nutraceuticals are sometimes prepared using synthetic processes that provide the desired active ingredients which are naturally found in fruit cells. However, the use of synthetic processes does not provide the whole composition of natural ingredients, rather than isolating a single ingredient, along with the active ingredients, which sometimes contribute to the efficiency of the formulation.

Other types of nutraceuticals are prepared from the natural plants; however, all known large scale processes for preparing nutraceuticals from plants include the extraction of different parts of the plants in order to obtain the desired active ingredient. However, when plants containing polyphenols, for example, are extracted, the amount of polyphenols may be very high in the extraction and therefore the final product may be bitter. Also, only certain types of the plant polyphenols may be successfully extracted. For example, the amount of resveratrol in extract from grape skin is very low or absent.

BioHarvest believes it's BioHarvest Platform Technology is the only technology worldwide that is capable of producing botanical cells in disposable bioreactors on an industrial scale as a nutraceutical product. BioHarvest's processes are based on innovative and cost effective technology that mimics nature. VINIA™ is produced by taking cells from red wine grapes, then growing them in aqueous media, consisting of water and defined nutrients, in disposable tailor-made bioreactors and subsequently exposing them to continuous light and air. The use of our bioreactors allows for complete control of the growth environment. Plant growth occurs in weeks under this controlled environment instead of growth up to a period of years in the field. The harvested cells are dried with no further downstream processing to generate the final natural product.

BioHarvest has scaled up this production process successfully in bioreactors of up to 1,000 liters, while maintaining high and consistent productivity of the polyphenols secondary metabolites., demonstrating the scalability of the process and the feasibility of mass production to support marketing of VINIA™.

Over US $25,000,000 ($33,000,000 CDN) has been invested in developing the BioHarvest Platform Technology, primarily in R&D. Such investment has created intellectual property in the form of patents and know-how. BioHarvest holds or has the exclusive right to use the following patents:

Bio Harvest Ltd. Patent List - June 2019							
Our Ref:	Title	Country	Filing Date	Status	Application No.	Reg. No.	Expiration Date
BHVST/002-WOEP	GRAPE CELL CULTURE FOR TREATING INFLAMMATION	European Patent Office (Approved in DE,FR,GB, IT)	23-Feb-06	Registered	6711231.8	EP1871402	23-Feb-26
BHVST/002-WOIL	GRAPE CELL CULTURE FOR TREATING INFLAMMATION	Israel	23-Feb-06	Registered	185476	185476	23-Feb-26
BHVST/002-WOJP	GRAPE CELL CULTURE FOR TREATING INFLAMMATION	Japan	23-Feb-06	Registered	2007-556710	5432455	23-Feb-26
BHVST/002-WOUS	METHODS FOR TREATING INFLAMMATORY DISORDERS	United States	20-Sep-07	Registered	11/884,774	8216801	23-Feb-26
BHVST/002-WOUS-1	COMPOSITION OF CULTURED GRAPE CELLS	United States	20-Feb-12	Registered	13/400,173	8628965	23-Feb-26
BHVST/002-WOUS-2	COMPOSITION OF CULTURED GRAPE CELLS	United States	05-Dec-13	Registered	14/097,395	9061053	23-Feb-26
BHVST/003-WOCN	LARGE SCALE PRODUCTION OF FRUIT CELLS	China	24-Dec-13	Registered	201380073592.3	ZL201380073592.3	24-Dec-33
BHVST/003-WOEP	LARGE SCALE PRODUCTION OF FRUIT CELLS	European Patent Office	24-Dec-13	Registered	EP13866675.5	2938197	24-Dec-33
BHVST/003-WOIL	LARGE SCALE PRODUCTION OF FRUIT CELLS	Israel	24-Dec-13	Registered	239646	239646	24-Dec-33
BHVST/003-WOJP	LARGE SCALE PRODUCTION OF FRUIT CELLS	Japan	24-Dec-13	Registered	2015-550206	6371777	24-Dec-33
BHVST/003-WOUS	LARGE SCALE PRODUCTION OF FRUIT CELLS	United States	24-Jun-15	Registered	14/655,052	9867861	24-Dec-33
BHVST/004-WOIL	POMEGRANATE DERIVED CELL CULTURE	Israel	05-Jan-15	Pending	246525		05-Jan-35
BHVST/004-WOUS	POMEGRANATE DERIVED CELL CULTURE	United States	04-Jul-16	Pending	15/109,649		05-Jan-35
BHVST/005-WOUS	OLIVE DERIVED CELL CULTURE	United States	26-Jul-18	Pending	16/072,886		26-Jul-38

Some of the above listed patents are in the name of the State of Israel Ministry of Agriculture and Rural Development which did some development of the technology. Under the terms of the Volcani Licensing Agreement, BioHarvest has the exclusive worldwide license to utilize the technology covered by those patents until their expiry including the right to sublicense and pays a royalty of 3% of VINIA™ sales to the Volcani Center.

Plant and Facility

Under the BioHarvest Lease dated April 30, 2019, BioHarvest leases approximately 4,500 square feet of space in Rehovot, Israel. The BioHarvest Lease is for a three year term which commenced May 1, 2019. Annual lease payments are as follows:

Year 1	72,000 NIS ($27,000 CAD)
Year 2	72,700 NIS ($27,370 CAD)
Year 3	73,500 NIS ($27,700 CAD)

The lease may be terminated in years two or three on 120 days' notice and payment of 23,400 NIS ($8,800 CAD) if in year two and 21,000 NIS ($7,900 CAD) if in year three.

BioHarvest has a 2 tons per year bio reactor facility on the premises which produces VINIA™. BioHarvest also has laboratory and offices on the premises. Its current facility is equipped with dozens of bioreactors each containing hundreds of liters that run in cycles

The facility has ISO 22,000 and ISO 9001 Certifications for development, manufacture and packaging of plant cells for dietary supplements and food ingredients. The facility also has a Food Facility Registration with the FDA dated August 30, 2019. The Facility also has GMP approval issued by the Israeli Ministry of Health Food Control Service on January 31, 2019 and Kosher certification on December 1, 2019.

BioHarvest has all equipment necessary to produce VINIA™ with the exception of spray driers for which it is currently using a third party.

VINIA™

The first product developed by BioHarvest, called VINIA™, made of red grape (Vitis vinifera) cells grown in the vertical reactors (BioFarms) proprietary facility, is in a form of a fine dry pink-purple powder containing the whole matrix of polyphenols (with a high concentration of Piceid Resveratrol) in their natural state, that have additive and synergistic benefits. These polyphenols can be found in red wine. The composition is natural and patent protected. 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 very soluble when integrated with various liquids or cosmetics.

The VINIA™ concept is simple and is based off the French Paradox, focused on the benefit of drinking red wine to promote healthy blood circulation. Generally, to get these benefits, you would need to consume red wine on a daily basis, which would in turn result in consuming large quantities of sugar, calories and alcohol.

BioHarvest believes that VINIA™ red grape powder has the following core benefits:

- Helps dilate blood vessels, and, in turn, promotes healthy blood circulation.
- Aids healthy arteries.
- Helps maintain blood pressure already within normal range.
- Supports anti-oxidant activity.

BioHarvest believes that VINIA™ stands apart from what is available in the market due to the following:

- VINIA™ is a novel food made of red grape fruit cells, resulting from the discovery of a breakthrough agricultural technology which grows VINIA™ in a nutrient bath instead of soil.
- Since it comes from grapes, each serving of VINIA™ contains the entire red grape polyphenols found in red wine but without the calories, sugar and alcohol. You'd have to drink one bottle of fine wine or eat 1,000 red grapes to get the same amount of resveratrol as a daily dose of VINIA™.
- Because VINIA™'s polyphenols are in their natural state, they are fast-absorbing and long-lasting.
- VINIA™ can be consumed directly or mixed into food or drinks. VINIA™ is Non-GMO and does not contain any artificial colors or flavors.

BioHarvest conducted several clinical trials at independent institutions (following rigorous protocols) showing that VINIA™ is the first ever natural vasodilator without sugar or calories (see below details). VINIA™'s major mechanism is the increase of NO's (Nitric Oxide) and decrease of ET1's (Endothelial protein) resulting in the vasodilation of blood vessels (arterial and capillary) and blood perfusion. The following 4 FDA reviewed functional claims supported by the clinical trials clearly state the benefits: improving blood flow, inhibiting oxidation of LDL cholesterol, keeping arteries flexible and maintaining blood pressure within normal range.

VINIA™ is food and went through the regulatory necessary approvals in the US. As such the functional claims do not require a disclaimer as is the case for all dietary supplements. VINIA™ was rules to be GRAS by an expert panel in the US on November 11, 2011 and was approved by the FDA for import to the US on October 26, 2017. The recommended dose of VINIA™ varies by application. For example, for support of healthy cardiovascular functioning, it is recommended to use 400mg per day.

BioHarvest Efficacy Studies for VINIA™

In-Vitro Studies

BioHarvest performed in vitro experiments in order to determine VINIA™'s capability to attenuate the oxidizing of lipids from human plasma. These experiments indicated that the addition of increasing concentrations of VINIA™ inhibited low density lipoprotein oxidation in a dose-dependent manner, demonstrating significant anti-oxidative capabilities.

BioHarvest also evaluated VINIA™'s anti-inflammatory effects as expressed in its ability to inhibit the production of the pro-inflammatory agent endothelin-1 ("ET-1") in human umbilical vein endothelial cells ("HUVEC cells"), which are a type of human cells that cover the inner part of blood vessels. In addition, it tested for increases in the amounts of the anti-inflammatory enzyme endothelial nitric oxide synthase ("eNOS") in HUVEC cells. VINIA™ was found to inhibit ET-1 secretion and increase eNOS levels in a concentration-dependent manner. As eNOS and ET-1 are important factors in maintaining vascular tone and pathological states, these results identify the mechanism by which VINIA™ may affect inflammatory process as well as blood vessels dilation.

In-Vivo Studies

In order to evaluate VINIA™'s protective effects from acute inflammation, VINIA™ was tested in rats. The results showed that the administration of VINIA™ significantly reduced swelling and was significantly more effective in increasing the latency to lifting or jumping response. The results achieved in this study were better than similar results obtained with pure resveratrol and may be attributed to the synergism of resveratrol and other polyphenols in VINIA™.

VINIA™'s effect was also examined on a metabolic syndrome model, in which rats fed with high-fructose diet developed metabolic syndrome symptoms such as increased systolic blood pressure, increased triglycerides, and high level of insulin. VINIA™ supplementation significantly attenuated an increase in blood pressure and decreased plasma triglycerides, demonstrating the positive effect of VINIA™ on metabolic parameters. In addition, VINIA™ attenuated the increase observed in insulin levels as a result of a high-fructose diet. These results are in agreement with what is known for grape polyphenols and especially resveratrol and may lay the foundation for a clinical trial with people presenting metabolic syndrome.

Human Studies

BioHarvest has also conducted a double blind placebo controlled study to evaluate VINIA™'s effects on blood pressure, vascular function and lipid peroxidation in people with mild hypertension. Fifty human subjects with pre- to mild hypertension received VINIA™ at doses of 200 mg, 400 mg or placebo once daily for 12 weeks. At the end of the treatment period subjects were tested for changes in blood pressure, flow mediated dilation ("FMD"), which indicates how well blood vessels dilate in order to allow blood flow, and plasma oxidative stress parameters.

Significant reduction was found in diastolic blood pressure in the group that received 200 mg doses as compared to placebo. Significant changes from baseline were observed in the group that received 400 mg doses in which FMD was significantly increased and lipid peroxide levels, an indicator of oxidative stress, decreased.

In order to evaluate VINIA™'s effects on aerobic fitness, BioHarvest conducted a randomized double blind placebo controlled trial in 45 healthy subjects moderately trained as cyclists. Subjects received VINIA™ once daily for six weeks. The results showed a significant reduction in diastolic blood pressure in the group receiving 200 mg and 1000 mg doses of VINIA™, without any reduction in the placebo group. At peak exercise, diastolic blood pressure was lower at study end in the low-dose group only, with borderline statistical significance.

Bioavailability Study

BioHarvest has also conducted a randomized double blind, single dose cross-over bioavailability study. In this study, two doses of VINIA™, 3,000 and 9,000 mg, which is equivalent to 50 and 150 mg resveratrol, respectively, was given to 15 healthy volunteers. Blood samples were taken at 14 time points to compose a pharmacokinetics profile of VINIA™ -resveratrol in the blood.

VINIA^{TM} -resveratrol pharmacokinetic profile revealed AUC, Cmax and Tmax (4h) that are within the accepted range for total resveratrol although total resveratrol Cmax reported herein exceeded equivalent published results with other sources of resveratrol. Consistent with the pharmacokinetic behavior of resveratrol derived from natural sources, as clearly seen in the concentration/time curve, VINIA^{TM} -resveratrol has yielded two very distinct concentration peaks that appeared at one and five hours. This phenomenon is most likely attributed to entro-hepatic recirculation in which the second peak occurs as a result of bile containing metabolites flowing from the liver back to the intestines normally after food and may serve to prolong the pharmacological effect of certain substances and their metabolites. A similar profile has been revealed after the ingestion of Piceid, the most abundant form of resveratrol found naturally in red grapes. Importantly, concentration time curves of synthetic or yeast fermentation sources of resveratrol as well as of plant (polygonum) derived resveratrol show a distinct single concentration peak.

VINIA^{TM} has been approved as a novel food by the Israeli Ministry of Health Food Control Services on April 21, 2013. It has been recognized as G.R.A.S. by an expert panel in the U.S. on November 11, 2011 and its import into the U.S. has been cleared by the F.D.A. on October 27, 2017.

VINIA^{TM} is fully developed and no longer requires any R&D.

VINIA^{TM} Marketing Program

The Market Opportunity

The BioHarvest platform and products target the multi-billion dollar consumer and wellness market, which is global and growing rapidly. This market is comprised of products that are scientifically developed to enhance the human body's structure and function. BioHarvest is positioning itself as a branded functional food supplier in this market. Within the functional foods category alone, Euromonitor, a consumer market research organization, estimates the global market at more than $240 billion, and numerous data points suggest that this high growth category is invigorating the North American food industry. Leading global players have entered into groundbreaking partnerships to rapidly address consumer health awareness demand. Demographic dynamics, including age related wellness strategies, directly support BioHarvest's value proposition to the consumer who is interested in using the power of natural food products to remain healthy.

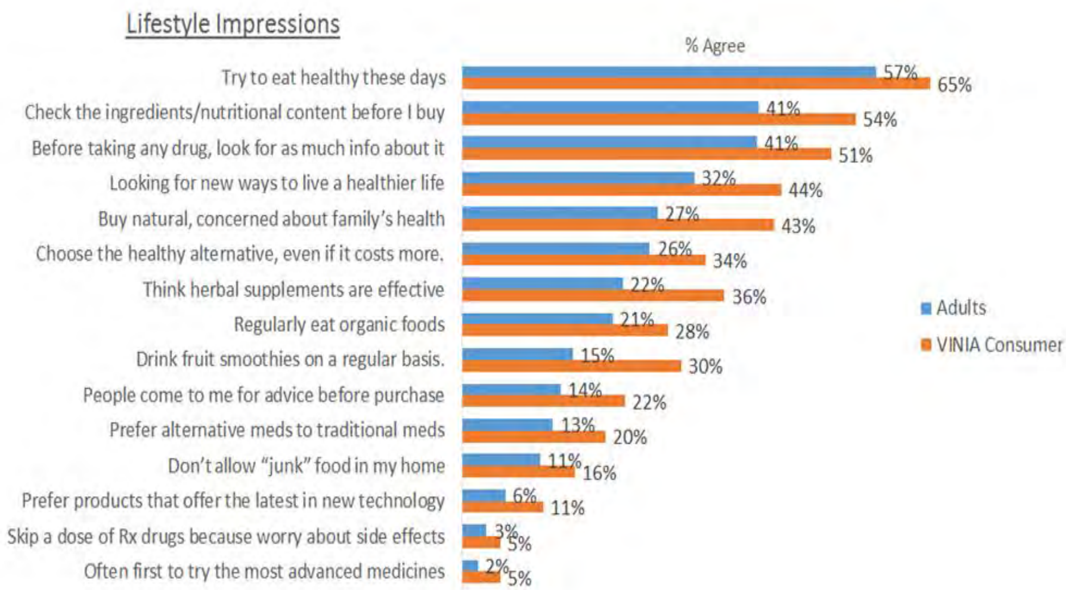
BioHarvest is targeting consumers interested in living well, through a direct online/e-commerce fulfillment basis, focused on a subscription model.

Wellness Consumer

VINIA^{TM}'s consumer target is the "wellness consumer" who is looking to improve his or her life – particularly those who no longer naturally feel as vital as they did before and have decided that they have to be proactive about improving their wellness. We believe such consumers are looking for small but significant ways to improve their wellness and prolong youth. For some, this starts at 29, for others at 39, for others at 59. Most likely, they are in their 40s. Whenever it begins, at some point such consumers begin to look for natural ways to enhance their bodies' performance and create a sense of wellness every day. They may already see signs of their bodies aging but want to avoid medicinal approaches as long as they can.

According to our research, the VINIA^{TM} wellness consumer is between 25-74 years old, with annual household income over $100,000 US. This group represents approximately 21% of the adult population in the United States or approximately 33 million consumers. This is a sizable segment and, in order for BioHarvest to reach its goals, it would only need to address less than 0.01% of the total adult population.

The following graphic summarizes data recorded from an internal BioHarvest survey of adults generally and more particularly, customers interested in purchasing VINIA™.



The benefits of VINIA™ strongly address needs within this segment, especially providing wellness solutions based on mirroring nature and the latest technology.

VINIA™*'s Marketing Approach*

The wellness consumer is an early adopter and looking for the latest technology and advanced products. To drive awareness and gain trust, VINIA™'s marketing plan is focused on three approaches: digital, social media and public relations, all of which are prime sources for our consumers when they search for new information for new wellness products.

Public Relations

The public relations plan centers on influencing the editorial publications that influence our targeted consumer, building awareness and credibility for VINIA™ and ultimately driving traffic to the VINIA™ e-commerce site. This will focus on educating the editorial community on the science behind BioHarvest, highlighting VINIA™ as the first biofood in large scale production and positioning BioHarvest's VINIA™ as a premium wellness product. While developing widespread awareness among both consumers and media on the unique science behind VINIA™ and its benefits, it will focus on driving traffic to the VINIA™ website and point-of-sale, ultimately creating the demand.

The plan includes conducting a strategic media relations campaign for VINIA™ via proactive desk side interviews, press releases and pitch letters, editor events and media tours targeting editorial relationships in long and short lead print, online and broadcast outlets across a range of health & wellness, beauty & women services and food & cooking media outlets.

Social Media

Social media will be used to drive awareness, conversation and reach via blogger relationships and BioHarvest's social media properties (Facebook, Twitter and WeChat).

Content will be developed with relevancy to the overall wellness positioning to drive strong levels of engagement with VINIA™. Similar to public relations, an outreach to social media bloggers will be used to drive recommendations for VINIA™ as well as syndicate our content and leverage their influencer network to re-post. Bloggers will get a preview of VINIA™ for their own consumption to help drive excitement at launch with positive product reviews.

Digital

The digital strategy will drive awareness and engage the consumer with significant digital media advertising in the first 12 months. The consumer outreach focuses on media channels where the consumer is open to and interested in learning about VINIA™'s benefits. The media plan leverages multiple touch points including display, search, social and video content to surround and engage the consumer with the VINIA™ message.

This outreach will be supported by a strong learning plan and proprietary analytical model that will be used to continue to optimize the message and media buying process as it scales up. Full funnel tracking will be used to gather information that will allow BioHarvest to tune its marketing activities.

BioHarvest has also the trademarks in Israel and the USA for VINIA™ as well as other countries they may sell to in the future.

TRADEMARK	COUNTRY	STATUS	REGISTRATION NUMBER	REGISTRATION DATE
VINIA	European Union	Registered	1214247	11-NOV-13
VINIA	Madrid	Registered	1214247	11-NOV-13
VINIA	Israel	Registered	267901 267901	11-NOV-13 04-APR-16
VINIA	Japan	Registered	1214247	11-NOV-13
VINIA	USA	Registered	85/984171 5027432	01-JUN-16 23-AUG-16
VINIA	USA	Registered	86/490077 5073876	24-DEC-14 01-NOV-16
VINIA	USA	Registered	85/927909	09-MAY-13

Sales

BioHarvest expects to initially sell its product, VINIA™, solely through its website and other online retailers, such as Amazon and eBay. They have contracted with third parties to create, operate and host our e-commerce website and provide related order fulfillment and customer service.

The only product to be sold in the year 2020 is VINIA™. The distribution method is a combination of online and offline in Israel.

BioHarvest has completed a Business to Consumer (B2C) (on-line based) pilot marketing and sales program in Israel. The results provide for the base to continue into a full scale sales plan in Israel.

BioHarvest is negotiating agreements with distribution partners in order to commercialize its biofarming platform-based products starting with VINIA™. The goal is to secure a multi-year partner/s based on need, volume, price, format of usage and geography in order to maximize both revenues and brand awareness while taking into account supply capacity constraints. With a longer-term orientation, BioHarvest is aiming to build a secondary distribution channel with CPG (consumer package goods) for the integration of our ingredients into products from food manufacturers such as chocolate and soft drink manufacturers.

BioHarvest believes that this partnership approach including Business to Business (B2B) and B2C is the best way towards the rapid commercialization and adoption of the BioHarvest Platform Technology and VINIA™.

Given the available inventory of VINIA™, BioHarvest's focus for the next 12 months will be on restarting the sales program in Israel and scaling it. BioHarvest expects to generate revenues in Israel primarily based on online sales. BioHarvest is targeted to achieve regulatory approval for VINIA™ in Europe by the end of 2020 but sales for that continent will only be attained in 2021.

To achieve this objective mentioned above, BioHarvest will reestablish the marketing and sales team in Israel consisting primarily of third-party contractor(s). The marketing program is expected to cost a total of US$200,000. The sales and marketing spending include personnel, website analytical tools, media costs, social media management, PR, advertising tools, radio and TV advertisement, email marketing and affiliation programs. BioHarvest has enough VINIA™ inventory to cover for its planned sales in Israel for the next 12 months. It also has all necessary regulatory approvals required to sell VINIA™ in these territories.

Milestones for the Marketing Program for the next 12 months are as follows:

Israel

	Milestone	**Costs in USD$**
Q1	Resuming the work with the existing agencies.	$1,500
	Establishing a radio-based PR Program.	$8,000
Q2	Work with local distributors.	$2,000
Q3	Improving the cost of customer acquisition.	$10,000
	TOTAL	**$21,500**

Because VINIA™ is fully developed and the Issuer has approvals to sell it as a food product. These milestones and the dates for achieving them are flexible. Failure to meet a milestone when projected may delay sales growth but otherwise should not have a significant impact on the Issuer.

The following is a breakdown of the marketing expenditures for the marketing program in Israel over the next twelve months:

M&S Expenses- Israel	
Payroll	53,398
Management retainer and production	13,207
Web site	1,321
Costs of other services (buying leads etc.)	6,604
Cost of media	70,440
Cost of non converting media	6,604
PR	13,207
Conferences & Trade Shows	3,302
Offline Costs (Distributer advertising)	1,981
Advertising (Radio/TV/Print ect)	26,415
Corporate video	2,201
CRM	1,321
Total Israel	**200,000**

Cannabis Development Plan

Under the terms of the Services Agreement, BioHarvest has been adapting the BioHarvest Platform Technology to cannabis products. Approximately $1,540,000 US ($2,032,000 CAD) was expended between October 2018 and September 2019 for the purpose. The objective of the program was to establish cannabis plant derived cells clones producing the relevant secondary metabolites (THC, CBD and terpenes), establishment of a stably small-scale growing plant cell suspension culture producing the secondary metabolites in adequate and stable amounts, and optimally establishing plant cells grown in suspension with THC or CBD or terpenes with the desired levels. The program milestone of growing cells in suspension was successfully completed in October 2019.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

The following table sets forth selected financial information for BioHarvest, summarized from its audited financial statements for the fiscal years ended December 31,2017, 2018 and unaudited financial statements for the nine months ended September, 2019.

Financial Data	Nine Months Ended September 30, 2019 (unaudited) USD	Financial Year Ended December 31, 2018 (audited) USD	Financial Year Ended December 31, 2017 (audited) USD
Total Revenue	173,000	449,000	325,000
Net Loss	3,198,000	7,472,000	1,846,000
Total Assets	1,709,000	1,894,000	1,694,000
Current Liabilities	24,120,000	21,975,000	1,673,000
Long Term Liabilities	2,513,000	2,608,000	19,702,000
Total Liabilities	26,633,000	24,583,000	21,375,000
Cash dividends declared	Nil	Nil	Nil

Management's Discussion and Analysis

BioaHrvest's management's discussion and analysis provides an analysis of BioHarvest's financial results for the fiscal year ended December 31, 2018 and for the nine months ended September 30, 2019 and should be read in conjunction with the financial statements for the relevant period and the notes thereto respectively. BioHarvest's audited financial statements for the fiscal year ended December 31, 2018 for the nine months ended September 30, 2019 are set forth in Schedule E of this Information Circular and management's discussion and analysis for the fiscal year ended December 31, 2018 and for the nine months ended September 30, 2019 are set forth in Schedule F of this information Circular. See "*Schedule E – Financial Statements of BioHarvest*" and "*Schedule F – Management's Discussion and Analysis for BioHarvest*."

Certain information included in the Company's Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Forward-Looking Statements and Risks*" for further detail.

DESCRIPTION OF THE SECURITIES

Common Stock

BioHarvest has 50,000,000 Ordinary shares authorized with a par value of NIS 0.01 per share. As at the date hereof, there are 9,431,638 Ordinary shares of BioHarvest issued and outstanding as fully paid and non-assessable.

BioHarvest has 1 Ordinary A shares authorized with a par value of NIS 0.01 per share. As at the date hereof, there are 1 Ordinary A shares issued and outstanding as fully paid and non-assessable.

Ordinary Shares confer upon their holders, the right to receive notice of, and to participate in, all general meetings of the Company, to vote in such meetings, to receive dividends, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company. Ordinary A share shall have no voting rights in the Company. The Ordinary A share confers upon its holder the right to receive the Ordinary A Share Amount plus 8% per annum in the event of liquidation of the Company.

Preferred Stock

BioHarvest has 4,007,000 Preferred A-1 shares of BioHarvest authorized with a par value of NIS 0.01 per share. As at the date hereof, there are 4,006,542 Preferred A-1 shares issued and outstanding as fully paid and non-assessable.

BioHarvest has 2,500,000 Preferred A-2 shares of BioHarvest authorized with a par value of NIS 0.01 per share. As at the date hereof, there are 2,227,043 Preferred A-2 shares issued and outstanding as fully paid and non-assessable.

The Preferred shareholders (A-1, A-2) are entitled to the same rights conferred by the Ordinary Shares in addition to the following rights:

Liquidation preference - In the event (i) of any dissolution, liquidation or winding-up of BioHarvest; (ii) of any bankruptcy, insolvency or reorganization proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, is properly commenced against BioHarvest and is not annulled or revoked within 90 days or is commenced by BioHarvest, or (iii) a receiver or liquidator is appointed to all or substantially all of the Company's assets and such appointment is not withdrawn or vacated within 90 days, then the assets or proceeds available for distribution to the Shareholders shall be distributed among the Shareholders according to the order of preference.

The holders of the Preferred A-1 and A-2 shares shall be entitled to receive prior to and in preference to any payment to any of the holders of any other classes of shares of BioHarvest, an amount of $ 1.23335 per share with respect to Preferred A-1 and an amount of $ 1.49497 per share with respect to Preferred A-2, plus 8% per annum of such amount from the date of issuance compounded annually.

After full payment to the holders of the Preferred and Ordinary A shares, the entire remaining assets and funds of BioHarvest legally available for distribution (the "Remaining Distributable Proceeds"), if any, shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

In the event of that the Remaining Distributable Proceeds fall below twice the Ordinary A Payment, then 50% of such Remaining Distributable Proceeds shall be distributed to the Ordinary A Share as described above and 50% shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

Conversion rights - the holders of the Preferred A-1 and A-2 are entitled, at their option, to convert the Preferred A-1 and A-2 shares into ordinary shares by dividing the applicable original issue price for such series of preferred shares by the conversion price. The initial conversion price shall be the respective original issue price for such share. The conversion price shall be subject to adjustment in accordance with any Recapitalization Event and pursuant to the other adjustment provisions defined in the Articles of Association. The preferred shares also include a down-round feature, which reduces the conversion price if the Company issues any equity securities at a price lower than the applicable conversion price, as defined in the Articles. The Company classified the convertible preferred shares as equity because the issuance of new shares, which is the trigger for the down-round feature, is within the Company's control. The shares shall be automatically converted upon an initial public offering or a written resolution of at least 51% of the preferred A-1 and A-2 shares holders.

CAPITALIZATION

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as at December 31, 2018	Amount Outstanding as at September 30, 2019	Amount Outstanding as of the date of this Information Circular
Ordinary shares	50,000,000	9,431,638	9,431,638	9,431,638
Ordinary A share	1	1	1	1
Preferred A-1 shares	4,007,000	4,006,542	4,006,542	4,006,542
Preferred A-2 shares	2,500,000	2,227,043	2,227,043	2,227,043
Warrants	-	20,890,148	27,556,814	27,556,814(1)
Stock Options	-	10,386,453	731,348-	731,348(1)

1. These Options will be cancelled on closing of the Agreement and Plan of Merger

PRIOR SALES

BioHarvest has not issued securities during the twelve-month period prior to the date of this Information Circular.

STOCK EXCHANGE PRICE

None of the securities of BioHarvest are, or have been, listed on any stock exchange or traded on any market.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This discussion describes the Company's compensation program for each person who has acted as Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and CFO, during the financial year ended December 31, 2018 (each a "Named Executive Officer").

Significant Elements

The significant elements of compensation awarded to the Named Executive Officers are management fees and stock options. The Company does not presently have a long-term incentive plan for its Named Executive Officers. There is no policy or target regarding allocation between cash and non-cash elements of the Company's compensation program. The Board of Directors is solely responsible for determining compensation to be paid to the Company's Named Executive Officers. In addition, the Board of Directors reviews annually the total compensation package of each of the Company's executives on an individual basis.

Management Fees

The Company's compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of the Company.

Option-Based Awards

Summary Compensation Table

The following table sets forth information about compensation paid to,or earned by BioHarvest's Named Executive Officers during the fiscal years ended December 31, 2019, 2018 and 2017.

Name and Principal Position	Year	Salary ($)	Share Based Awards ($)	Option Based Awards ($)	Non Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation (Consulting Fees) ($)	Total Compensation ($)
					Annual Incentive Plans	Long Term Incentive Plans ($)			
Zaki Rakib, CEO	2019	150,000	Nil	Nil	Nil	Nil	Nil	Nil	150,000
	2018	150,000	Nil	Nil	Nil	Nil	Nil	Nil	150,000
	2017	150,000	Nil	Nil	Nil	Nil	Nil	Nil	150,000
Yochi Hagay	2019	83,136	Nil	Nil	Nil	Nil	Nil	Nil	83,136
CTO	2018	78,080	Nil	Nil	Nil	Nil	Nil	Nil	78,080
	2017	62,086	Nil	Nil	Nil	Nil	Nil	Nil	62,086

Incentive Plan Awards

The following table sets forth all outstanding share based and option-based awards to the Named Executive Officers as at the fiscal year ended December 31, 2019:

Name	Option Based Awards				Share Based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price ($)	Option Expiration Date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Zaki Rakib, CEO CEO	Nil	Nil	Nil	Nil	Nil	Nil
Yochi Hagay CTO	Nil	Nil	Nil	Nil	Nil	Nil

The following table sets forth all outstanding share based and option-based awards to the Named Executive Officers as at the nine months ended October 31, 2019:

Name	Option Based Awards				Share Based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price ($)	Option Expiration Date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Zaki Rakib, CEO	Nil	Nil	Nil	Nil	Nil	Nil
Yochi Hagay CTO	Nil	Nil	Nil	Nil	Nil	Nil

Termination and Change of Control Benefits

The Company has no contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer, at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of BioHarvest or a change in the Named Executive Officer's responsibilities.

DIRECTOR COMPENSATION

Director Compensation Table

The following table sets forth the compensation paid to the Company's directors for the year ended December 31, 2019:

Name	Fees Earned ($)	Share-based Awards ($)	Option-based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Zaki Rakib	150,000	Nil	Nil	Nil	Nil	Nil	150,000
Vivien Rakib	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yochi Hagay	Ni	Nil	Nil	Nil	Nil	Nil	Nil
Sharon Ievi	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Inbal Tal	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gideon Susman	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Arik Lukach	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The following table sets forth the compensation paid to BioHarvest's directors for the nine months ended October 31, 2019:

Name	Fees Earned ($)	Share-based Awards ($)	Option-based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Zaki Rakib	112,5000	Nil	Nil	Nil	Nil	Nil	112,500
Vivien Rakib	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yochi Hagay	Ni	Nil	Nil	Nil	Nil	Nil	Nil
Sharon Ievi	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Inbal Tal	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gideon Susman	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Arik Lukach	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Incentive Plan Awards For Directors

The following table sets forth all outstanding share based and option based awards to the directors of BioHarvest as at the fiscal year ended December 31, 2019.

Name	Option Based Awards				Share Based Awards	
	Number of Securities underlying unexercised options (#)	Option Exercise Price ($)	Option Expiration Date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
Zaki Rakib	Nil	Nil	Nil	Nil	Nil	Nil
Vivien Rakib	Nil	Nil	Nil	Nil	Nil	Nil
Yochi Hagay	774,590	0.003	February 2, 2020	Nil	Nil	Nil
Sharon levi	Nil	Nil	Nil	Nil	Nil	Nil
Inbal Tal	Nil	Nil	Nil	Nil	Nil	Nil
Gideon Susman	Nil	Nil	Nil	Nil	Nil	Nil
Arik Lukach	Nil	Nil	Nil	Nil	Nil	Nil

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

BioHarvest does not have an equity compensation plan.

NON-ARM'S LENGTH PARTY TRANSACTION

The Agreement and Plan of Merger is a non-arm's length transactions. BioHarvest is the 46% controlling shareholder of the Company and Zaki Rakib, the Company's CEO is the CEO of BioHarvest, and Vivien Rakib, a director of the Company is a director and significant shareholder in BioHarvest and Yochi Hagay the Company's CTO is the CTO of BioHarvest.

LEGAL PROCEEDINGS

BioHarvest is currently a party to a small claims in action in Toronto, Ontario. BioHarvest is not currently contemplating any legal proceedings. Management of the Company is currently not aware of any legal proceedings contemplated against BioHarvest.

AUDITOR

The auditor of BioHarvest is Ziv Haft, Certified Public Accountants (Isr), BDO Member Firm, at
48 Derech Menachem Begin Rd. - Amot BDO House, Tel Aviv, 6618001.

MATERIAL CONTRACTS

The following contracts of BioHarvest can reasonably be regarded as being material to securityholders of the Company:

5. Share Purchase Agreement, dated April 19, 2018 between the Company and BioHarvest.

6. Licensing Agreement, dated April 19, 2018 between Dolarin and BioHarvest.

7. Services Agreement, dated April 19, 2019 between Dolarin and BioHarvest.

8. Agreement and Plan of Merger, dated December 9, 2019 between the Company, BioHarvest and Biofarming Ltd.

Copies of the material contracts described above may be inspected at the registered office of the Company located at the offices of Northwest Law Group, solicitors of the Company, at Suite 704, 595 Howe Street, Vancouver, British Columbia, during normal business hours until closing of the Agreement and Plan of Merger and for a period of 30 days thereafter.

PART IV - INFORMATION CONCERNING THE ISSUER

Information contained in this Part IV is forwarding looking in nature and assumes the completion of the Agreement and Plan of Merger. See "*Cautionary Statement Regarding Forward Looking Statements*".

CORPORATE STRUCTURE

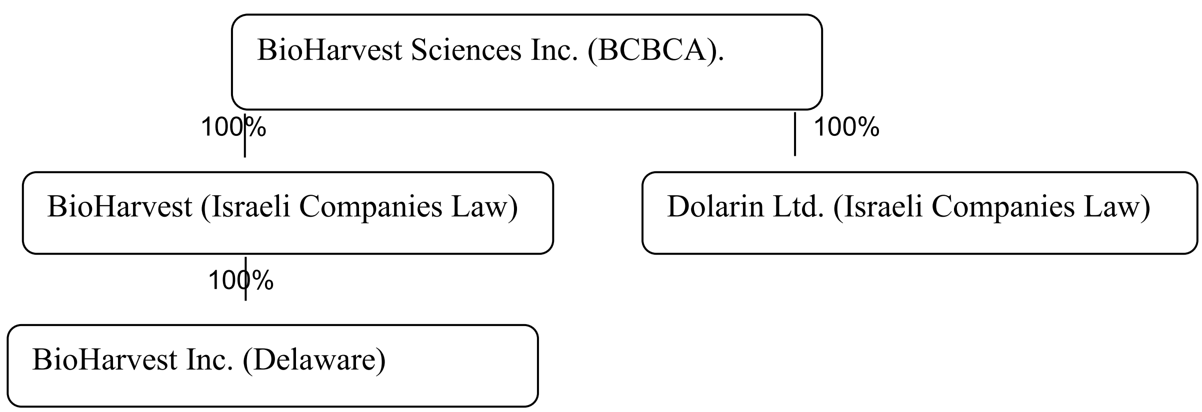
The head office of the Issuer will be located at 555 Burrard St., Suite 1085, Vancouver, BC V7X 1M8 and its registered office is located at Suite 704, 595 Howe Street, Vancouver, British Columbia V6C 2T5

The Issuer will be renamed BioHarvest Sciences Inc. and will continue to be governed by the *Business Corporations Act* (British Columbia).

The Issuer was incorporated under the Business Corporations Act of British Columbia on April 19, 2013, under the name Midnight Star Ventures Corp. There have been no material amendments to the Articles or other constating or establishing documents of the Issuer other than its name change to Canna-V-Cell Sciences Inc. on October 26, 2018 by filing a Notice of Alteration.

Intercorporate Relationships

On closing of the Merger, the Issuer will have two wholly owned subsidiaries as follows:



Dolarin Ltd.
The Issuer will be the legal and beneficial owner of 1,000,000 ordinary shares of Dolarin Ltd. being 100% of the issued and outstanding voting shares of Dolarin Ltd. Dolarin Ltd. was incorporated under the Israeli Companies Law on February 26, 2018. Dolarin was acquired on September 27, 2018 on closing of the Share Purchase Agreement.

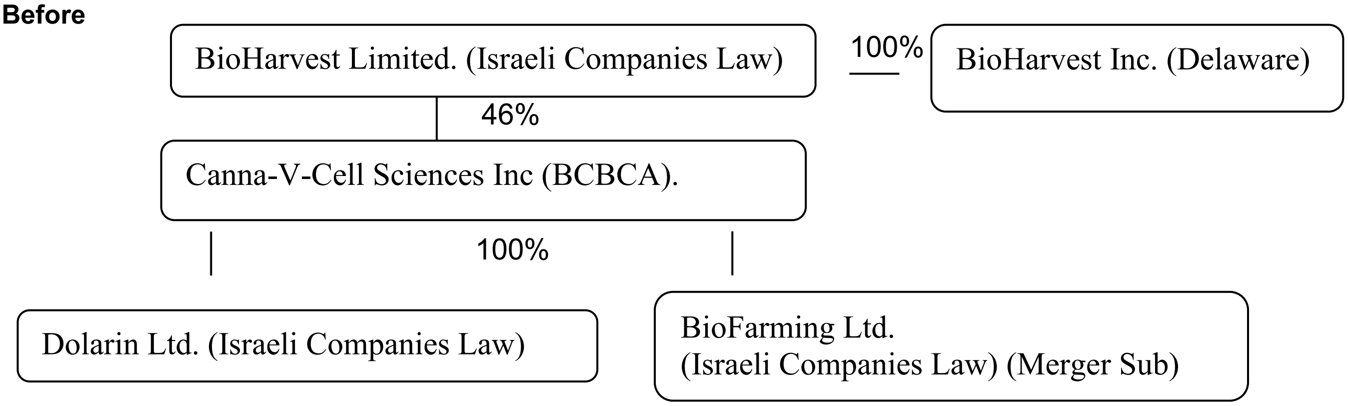
BioHarvest Ltd.
The Issuer will be the legal and beneficial owner of 100% of the issued and outstanding shares of BioHarvest Ltd which was incorporated under Israeli Companies Law on January 24, 2007 under the name Fruitura BioScience Ltd. and changed its name to BioHarvest Ltd. On February 10, 2014 on filing an application for change of name.

BioHarvest holds 48,337,496 common shares of the Issuer which were issued under the Share Purchase Agreement when the Issuer acquired Dolarin Ltd.

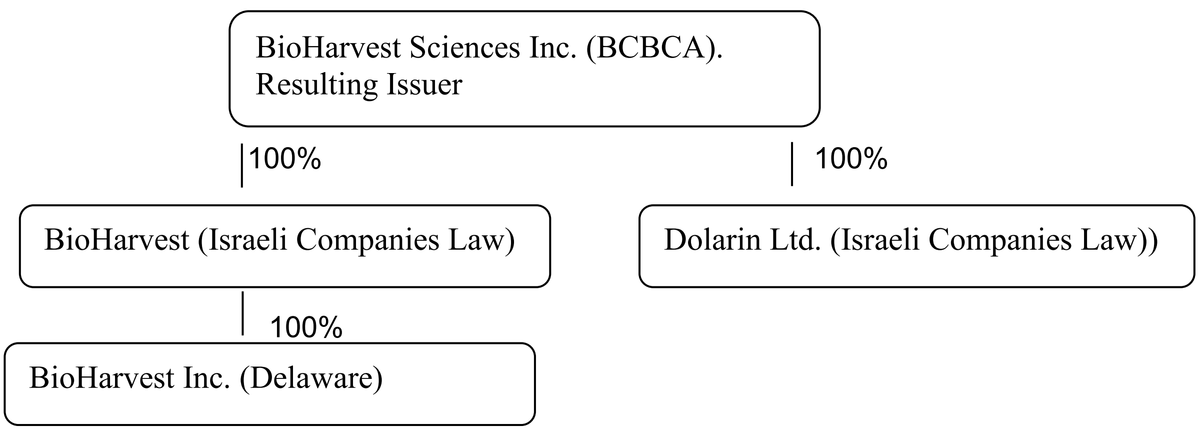
BioHarvest U.S. is a wholly owned Delaware subsidiary of BioHarvest which was incorporated on July 23, 2014 under the Delaware General Corporation Law for the purpose of marketing in the U.S. It is currently inactive.

The following chart sets out the corporate structure before and after the acquisition of BioHarvest.

Before



After



GENERAL DEVELOPMENT OF THE BUSINESS

The Issuer was incorporated under the BCBCA on April 19, 2013. On August 28, 2013 it acquired an option to acquire the Fish Property located in Esmeralda County, Nevada. Prior to September 27, 2018 the Issuer's business was mineral exploration.

The Issuer completed a Prospectus offering of 2,057 800 common shares at $0.10 per share in British Columbia and was listed for trading on the CSE on April 14, 2015.

On November 9, 2017 the Issuer completed a private placement of 8,500,000 common shares at $0.0675 for proceeds of $573,750 and also issued 3,499,992 common shares for debt at a deemed price of $0.0675 to settle indebtedness of $236,249.46.

On April 19, 2018 the Issuer entered into an agreement (the "Share Purchase Agreement") with BioHarvest for the acquisition of Dolarin. Under the terms of the Share Purchase Agreement the Issuer issued 48,337,496 common shares to BioHarvest in exchange for 100% of the ordinary shares of Dolarin. Dolarin Ltd. holds a license to use, for Cannabis products, the BioHarvest Platform Technology. Concurrent with the execution of the Share Purchase Agreement, BioHarvest entered into a Licensing Agreement (described below) and a Services Agreement (described below) with Dolarin Ltd. The Licensing Agreement and Services Agreement with Dolarin Ltd. were effective on closing of the Share Purchase Agreement. The acquisition of Dolarin closed on September 27, 2018.

On September 27, 2018, concurrent with the closing of Dolarin, the Issuer completed a private placement of 20,119,665 units at $0.15 for total proceeds of $3,017,949.75 with each unit consisting of 1 common share and 1 share purchase warrant exercisable for a period of two years to purchase an additional share at $0.15 per share.

On September 23, 2019 the Issuer completed a private placement of 6,666,667 units at $0.15 for total proceeds of $1,000,000 with each unit consisting of one common share and one share purchase warrant exercisable to purchase an additional share at $0.30 for a period of two years.

Licensing Agreement

Under the terms of the Licensing Agreement, BioHarvest granted Dolarin the exclusive worldwide license to utilize, including the right to sublicense, the BioHarvest Platform Technology for Cannabis products. The consideration for the License was as follows:

1. The issuance by the Dolarin of 900,000 ordinary shares of Dolarin to BioHarvest, which shares form part of the 1,000,000 shares of Dolarin acquired by the Issuer under the Share Purchase Agreement;

2. The payment by Dolarin of $160,000 US ($211,200 CDN) in 16 equal monthly installments of $10,000 ($13,200 CDN) commencing on the closing of the Licensing Agreement, which fee is a credited against future royalties.

3. The payment of a milestone payment of $840,000 US ($1,108,800 CDN) on the beginning of construction by Dolarin or by its affiliate or any sublicensees of the first manufacturing facility, in six equal installments of $140,000 US ($184,800 CDN), which fee will be credited against future royalties if payable;

4. The payment of royalties of 12% of net sales of licensed products by Dolarin., its affiliates or any sublicensees, and 12% of any sublicensing proceeds that may be received by Dolarin, its affiliates or any sublicensees.

Services Agreement

Under the terms of the Services Agreement, BioHarvest performed certain research and development required for commercialization of the BioHarvest Platform Technology for the field of cannabis including providing the equipment, materials, facilities and personnel. The initial period of the services was 16 months from the date of closing of the Share Purchase Agreement, under a budget calling for total expenditures by Dolarin of $1,538,476 US ($2,030,788 CDN). The objective of the program was to establish cannabis plant derived cells clones producing the relevant secondary metabolites (THC, CBD and terpenes), establishment of a stably small-scale growing plant cell suspension culture producing the secondary metabolites in adequate and stable amounts, and optimally establishing plant cells grown in suspension with THC or CBD or terpenes with the desired levels. The program milestone of growing cells in suspension was successfully completed in October 2019.

Significant Acquisitions or Dispositions

Under the Agreement and Plan of Merger, the Issuer will acquire its controlling shareholder BioHarvest. The acquisition will be completed through the merger under Israeli law of Merger Sub and BioHarvest. The merger consideration will be the issuance of common shares and warrants of the Issuer.

The merger is to be completed under the Israel Companies Law and is subject to a number of conditions including:

(a) Shareholder approval at meetings called for that purpose;

(b) Approval of the Israeli Securities Authority;

(c) The indebtedness of BioHarvest at closing not exceeding $500,000 US;

(d) Approval of the Canadian Securities Exchange;

(e) The Agreement of Convertible Debt holders of BioHarvest to accept the Creditor Warrants of the Issuer to replace what they would have received on conversion in BioHarvest; and

(f) Termination of BioHarvest director, officer, employee or consultant options outstanding.

Merger Consideration

The merger consideration issued by the Issuer will consist of the following:

a) The issuance to the shareholders of BioHarvest of 299,200,000 common shares of the issuer at a deemed price of $0.15 per share.

b) The issuance to holders of convertible debt of BioHarvest who converted into shares of BioHarvest concurrent with closing and a total of 39,581,480 creditor warrants with each warrant exercisable until August 31, 2020 to purchase an additional common share of the Issuer at $1.00 (these warrants replace the warrants that the convertible debt holders would have been entitled to receive on conversion of debt in BioHarvest).

In addition the Issuer will grant 11,910,000 stock options to BioHarvest's chief technical officer Yochi Hagay exercisable for a period of two years from closing at an exercise price of $0.15 per share. The options granted vest as to 12.5% in each quarter of the 2 year period.

Concurrent Private Placement

As a condition of closing the Merger Agreement the Issuer is required to complete a concurrent financing of not less than $4,000,000 US ($5,280,000 CAD). In order to meet that requirement, the Issuer announced on December 11, 2019 a concurrent private placement of up to 35,200,000 shares at $0.15 per share . The $4,000,000 amount is subject to adjustment at the option of the Issuer depending on the financial position of BioHarvest at closing.

In connection with the private placement, the Issuer will pay finder's fees and issue brokers or finders warrants.

Valuation Report

The Company obtained a valuation report (the "Valuation Report") from Evans and Evans dated November 20, 2019 in connection with the Merger. The Valuation Report estimated that BioHarvest has a Valuation between $US 33,700,000 ($44,480,000 CDN) and $34,600,000 ($45,670,000 CDN).

Related Party Transaction Compliance with M.I 61-101

The Merger is a related party transaction under Multilateral Instrument 61-101 as prior to the Merger BioHarvest Ltd. is the controlling shareholder of the Issuer holding 48,337,496 shares representing 46% of the issued and outstanding shares of the Issuer.

The Issuer's board of directors established a Special Committee of directors who did not have any interest in BioHarvest to make recommendations to the shareholders and supervise the preparation of the Valuation Report. The committee consisted of David K. Ryan and Jake Fiddick.

The Issuer determined that the Valuator was qualified and independent. The only compensation received by the Valuator was payment of their customary fees. The payment amount was not related to the amount of the Valuation Report.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The business carried on by the Issuer through its subsidiary BioHarvest is the production and sale of a food based nutraceutical product called VINIA™. The product is made by growing plant cells from red grapes in solution in

Bioreactors and consists of a fine dry purple pink powder containing the whole range of Piceid restveratrol in its natural state. The product is produced using the BioHarvest Platform Technology which permits the growth in solution in bioreactors of the desired plant cells without the need to grow the entire plant. BioHarvest is also completing research and development into growing other food cells with the BioHarvest Platform Technology including cells from olive and pomegranate plants. In addition under the Services Agreement with Dolarin, BioHarvest has been adapting the BioHarvest Platform Technology for use in growing cells of cannabis plants. Dolarin holds a license from BioHarvest under the Licensing Agreement for the exclusive use of the BioHarvest Platform Technology for cannabis products.

BioHarvest Platform Technology

Founded in 2007 in Rehovot (Israel), BioHarvest developed a unique proprietary (and patented) platform technology (biofarming) capable of growing cells of super fruits and plants in order to produce functional foods and compounds that have substantial and clinically proven health benefits, at massive and economic scale. BioHarvest's Platform Technology mirrors nature to create a cell powder from the parent plant ensuring optimal bioavailability and efficacy and devoid of inherent complexity, seasonality, variability and geographic inaccessibility.

The BioHarvest Platform Technology was developed with red grape cells as described below. However, this technology may be applied to various botanical products including those it has in the current pipeline.

Small scale processes for the preparation of fruit cells are well-established; large scale processes, however, are more difficult to design since they tend to amplify the production of the primary metabolites while minimizing the production of secondary metabolites. Since active ingredients, such as polyphenols, are secondary metabolites their production in large-scale processes is complex.

Thus, there is a need for a large-scale process for preparing fruit cells from natural ingredients, which includes the production of both the primary and the secondary metabolites of the fruit cells.

Nutraceuticals are sometimes prepared using synthetic processes that provide the desired active ingredients which are naturally found in fruit cells. However, the use of synthetic processes does not provide the whole composition of natural ingredients, rather than isolating a single ingredient, along with the active ingredients, which sometimes contribute to the efficiency of the formulation.

Other types of nutraceuticals are prepared from the natural plants; however, all known large scale processes for preparing nutraceuticals from plants include the extraction of different parts of the plants in order to obtain the desired active ingredient. However, when plants containing polyphenols, for example, are extracted, the amount of polyphenols may be very high in the extraction and therefore the final product may be bitter. Also, only certain types of the plant polyphenols may be successfully extracted. For example, the amount of resveratrol in extract from grape skin is very low or absent.

BioHarvest believes it's BioHarvest Platform Technology is the only technology worldwide that is capable of producing botanical cells in disposable bioreactors on an industrial scale as a nutraceutical product. BioHarvest's processes are based on innovative and cost effective technology that mimics nature. VINIA™ is produced by taking cells from red wine grapes, then growing them in aqueous media, consisting of water and defined nutrients, in disposable tailor-made bioreactors and subsequently exposing them to continuous light and air. The use of our bioreactors allows for complete control of the growth environment. Plant growth occurs in weeks under this controlled environment instead of growth up to a period of years in the field. The harvested cells are dried with no further downstream processing to generate the final natural product.

BioHarvest has scaled up this production process successfully in bioreactors of up to 1,000 liters, while maintaining high and consistent productivity of the polyphenols secondary metabolites., demonstrating the scalability of the process and the feasibility of mass production to support marketing of VINIA™.

Over US $25,000,000 ($33,000,000 CDN) has been invested in developing the BioHarvest Platform Technology, primarily in R&D. Such investment has created intellectual property in the form of patents and know-how. BioHarvest holds or has the exclusive right to use the following patents:

Bio Harvest Ltd. Patent List - June 2019							
Our Ref:	Title	Country	Filing Date	Status	Application No.	Reg. No.	Expiration Date
BHVST/002-WOEP	GRAPE CELL CULTURE FOR TREATING INFLAMMATION	European Patent Office (Approved in DE,FR,GB, IT)	23-Feb-06	Registered	6711231.8	EP1871402	23-Feb-26
BHVST/002-WOIL	GRAPE CELL CULTURE FOR TREATING INFLAMMATION	Israel	23-Feb-06	Registered	185476	185476	23-Feb-26
BHVST/002-WOJP	GRAPE CELL CULTURE FOR TREATING INFLAMMATION	Japan	23-Feb-06	Registered	2007-556710	5432455	23-Feb-26
BHVST/002-WOUS	METHODS FOR TREATING INFLAMMATORY DISORDERS	United States	20-Sep-07	Registered	11/884,774	8216801	23-Feb-26
BHVST/002-WOUS-1	COMPOSITION OF CULTURED GRAPE CELLS	United States	20-Feb-12	Registered	13/400,173	8628965	23-Feb-26
BHVST/002-WOUS-2	COMPOSITION OF CULTURED GRAPE CELLS	United States	05-Dec-13	Registered	14/097,395	9061053	23-Feb-26
BHVST/003-WOCN	LARGE SCALE PRODUCTION OF FRUIT CELLS	China	24-Dec-13	Registered	201380073592.3	ZL2013800735 92.3	24-Dec-33
BHVST/003-WOEP	LARGE SCALE PRODUCTION OF FRUIT CELLS	European Patent Office	24-Dec-13	Registered	EP13866675.5	2938197	24-Dec-33
BHVST/003-WOIL	LARGE SCALE PRODUCTION OF FRUIT CELLS	Israel	24-Dec-13	Registered	239646	239646	24-Dec-33
BHVST/003-WOJP	LARGE SCALE PRODUCTION OF FRUIT CELLS	Japan	24-Dec-13	Registered	2015-550206	6371777	24-Dec-33
BHVST/003-WOUS	LARGE SCALE PRODUCTION OF FRUIT CELLS	United States	24-Jun-15	Registered	14/655,052	9867861	24-Dec-33
BHVST/004-WOIL	POMEGRANATE DERIVED CELL CULTURE	Israel	05-Jan-15	Pending	246525		05-Jan-35
BHVST/004-WOUS	POMEGRANATE DERIVED CELL CULTURE	United States	04-Jul-16	Pending	15/109,649		05-Jan-35
BHVST/005-WOUS	OLIVE DERIVED CELL CULTURE	United States	26-Jul-18	Pending	16/072,886		26-Jul-38

Some of the above listed patents are in the name of the State of Israel Ministry of Agriculture and Rural Development which did some development of the technology. Under the terms of the Volcani Licensing Agreement, BioHarvest has the exclusive worldwide license to utilize the technology covered by those patents until their expiry including the right to sublicense and pays a royalty of 3% of VINIA™ sales to the Volcani Center.

Plant and Facility

Under the BioHarvest Lease dated April 30, 2019, BioHarvest leases approximately 4,500 square feet of space in Rehovot, Israel. The BioHarvest Lease is for a three year term which commenced May 1, 2019. Annual lease payments are as follows:

Year 1	72,000 NIS ($27,000 CAD)
Year 2	72,700 NIS ($27,370 CAD)
Year 3	73,500 NIS ($27,700 CAD)

The lease may be terminated in years two or three on 120 days' notice and payment of 23,400 NIS ($8,800 CAD) if in year two and 21,000 NIS ($7,900 CAD) if in year three.

BioHarvest has a 2 tons per year bio reactor facility on the premises which produces VINIA™. BioHarvest also has laboratory and offices on the premises. Its current facility is equipped with dozens of bioreactors each containing hundreds of liters that run in cycles

The facility has ISO 22,000 and ISO 9001 Certifications for development, manufacture and packaging of plant cells for dietary supplements and food ingredients. The facility also has a Food Facility Registration with the FDA dated August 30, 2019. The Facility also has GMP approval issued by the Israeli Ministry of Health Food Control Service on January 31, 2019 and Kosher certification on December 1, 2019.

BioHarvest has all equipment necessary to produce VINIA™ with the exception of spray driers for which it is currently using a third party.

VINIA™

The first product developed by BioHarvest, called VINIA™, made of red grape (Vitis vinifera) cells grown in the vertical reactors (BioFarms) proprietary facility, is in a form of a fine dry pink-purple powder containing the whole matrix of polyphenols (with a high concentration of Piceid Resveratrol) in their natural state, that have additive and synergistic benefits. These polyphenols can be found in red wine. The composition is natural and patent protected. 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 very soluble when integrated with various liquids or cosmetics.

The VINIA™ concept is simple and is based off the French Paradox, focused on the benefit of drinking red wine to promote healthy blood circulation. Generally, to get these benefits, you would need to consume red wine on a daily basis, which would in turn result in consuming large quantities of sugar, calories and alcohol.

BioHarvest believes that VINIA™ red grape powder has the following core benefits:

- Helps dilate blood vessels, and, in turn, promotes healthy blood circulation.
- Aids healthy arteries.
- Helps maintain blood pressure already within normal range.
- Supports anti-oxidant activity.

BioHarvest believes that VINIA™ stands apart from what is available in the market due to the following:

- VINIA™ is a novel food made of red grape fruit cells, resulting from the discovery of a breakthrough agricultural technology which grows VINIA™ in a nutrient bath instead of soil.
- Since it comes from grapes, each serving of VINIA™ contains the entire red grape polyphenols found in red wine but without the calories, sugar and alcohol. You'd have to drink one bottle of fine wine or eat 1,000 red grapes to get the same amount of resveratrol as a daily dose of VINIA™.
- Because VINIA™'s polyphenols are in their natural state, they are fast-absorbing and long-lasting.
- VINIA™ can be consumed directly or mixed into food or drinks. VINIA™ is Non-GMO and does not contain any artificial colors or flavors.

BioHarvest conducted several clinical trials at independent institutions (following rigorous protocols) showing that VINIA™ is the first ever natural vasodilator without sugar or calories (see below details). VINIA™'s major mechanism is the increase of NO's (Nitric Oxide) and decrease of ET1's (Endothelial protein) resulting in the vasodilation of blood vessels (arterial and capillary) and blood perfusion. The following 4 FDA reviewed functional claims supported by the clinical trials clearly state the benefits: improving blood flow, inhibiting oxidation of LDL cholesterol, keeping arteries flexible and maintaining blood pressure within normal range.

VINIA™ is food and went through the regulatory necessary approvals in the US. As such the functional claims do not require a disclaimer as is the case for all dietary supplements. VINIA™ was rules to be GRAS by an expert panel in the US on November 11, 2011 and was approved by the FDA for import to the US on October 26, 2017. The recommended dose of VINIA™ varies by application. For example, for support of healthy cardiovascular functioning, it is recommended to use 400mg per day.

BioHarvest Efficacy Studies for VINIA™

In-Vitro Studies

BioHarvest performed in vitro experiments in order to determine VINIA™'s capability to attenuate the oxidizing of lipids from human plasma. These experiments indicated that the addition of increasing concentrations of VINIA™ inhibited low density lipoprotein oxidation in a dose-dependent manner, demonstrating significant anti-oxidative capabilities.

BioHarvest also evaluated VINIA™'s anti-inflammatory effects as expressed in its ability to inhibit the production of the pro-inflammatory agent endothelin-1 ("ET-1") in human umbilical vein endothelial cells ("HUVEC cells"), which are a type of human cells that cover the inner part of blood vessels. In addition, it tested for increases in the amounts of the anti-inflammatory enzyme endothelial nitric oxide synthase ("eNOS") in HUVEC cells. VINIA™ was found to inhibit ET-1 secretion and increase eNOS levels in a concentration-dependent manner. As eNOS and ET-1 are important factors in maintaining vascular tone and pathological states, these results identify the mechanism by which VINIA™ may affect inflammatory process as well as blood vessels dilation.

In-Vivo Studies

In order to evaluate VINIA™'s protective effects from acute inflammation, VINIA™ was tested in rats. The results showed that the administration of VINIA™ significantly reduced swelling and was significantly more effective in increasing the latency to lifting or jumping response. The results achieved in this study were better than similar results obtained with pure resveratrol and may be attributed to the synergism of resveratrol and other polyphenols in VINIA™.

VINIA™'s effect was also examined on a metabolic syndrome model, in which rats fed with high-fructose diet developed metabolic syndrome symptoms such as increased systolic blood pressure, increased triglycerides, and high level of insulin. VINIA™ supplementation significantly attenuated an increase in blood pressure and decreased plasma triglycerides, demonstrating the positive effect of VINIA™ on metabolic parameters. In addition, VINIA™ attenuated the increase observed in insulin levels as a result of a high-fructose diet. These results are in agreement with what is known for grape polyphenols and especially resveratrol and may lay the foundation for a clinical trial with people presenting metabolic syndrome.

Human Studies

BioHarvest has also conducted a double blind placebo controlled study to evaluate VINIA™'s effects on blood pressure, vascular function and lipid peroxidation in people with mild hypertension. Fifty human subjects with pre-to mild hypertension received VINIA™ at doses of 200 mg, 400 mg or placebo once daily for 12 weeks. At the end of the treatment period subjects were tested for changes in blood pressure, flow mediated dilation ("FMD"), which indicates how well blood vessels dilate in order to allow blood flow, and plasma oxidative stress parameters.

Significant reduction was found in diastolic blood pressure in the group that received 200 mg doses as compared to placebo. Significant changes from baseline were observed in the group that received 400 mg doses in which FMD was significantly increased and lipid peroxide levels, an indicator of oxidative stress, decreased.

In order to evaluate VINIA™'s effects on aerobic fitness, BioHarvest conducted a randomized double blind placebo controlled trial in 45 healthy subjects moderately trained as cyclists. Subjects received VINIA™ once daily for six weeks. The results showed a significant reduction in diastolic blood pressure in the group receiving 200 mg and 1000 mg doses of VINIA™, without any reduction in the placebo group. At peak exercise, diastolic blood pressure was lower at study end in the low-dose group only, with borderline statistical significance.

Bioavailability Study

BioHarvest has also conducted a randomized double blind, single dose cross-over bioavailability study. In this study, two doses of VINIA^{TM}, 3,000 and 9,000 mg, which is equivalent to 50 and 150 mg resveratrol, respectively, was given to 15 healthy volunteers. Blood samples were taken at 14 time points to compose a pharmacokinetics profile of VINIA^{TM} -resveratrol in the blood.

VINIA^{TM} -resveratrol pharmacokinetic profile revealed AUC, Cmax and Tmax (4h) that are within the accepted range for total resveratrol although total resveratrol Cmax reported herein exceeded equivalent published results with other sources of resveratrol. Consistent with the pharmacokinetic behavior of resveratrol derived from natural sources, as clearly seen in the concentration/time curve, VINIA^{TM} -resveratrol has yielded two very distinct concentration peaks that appeared at one and five hours. This phenomenon is most likely attributed to entro-hepatic recirculation in which the second peak occurs as a result of bile containing metabolites flowing from the liver back to the intestines normally after food and may serve to prolong the pharmacological effect of certain substances and their metabolites. A similar profile has been revealed after the ingestion of Piceid, the most abundant form of resveratrol found naturally in red grapes. Importantly, concentration time curves of synthetic or yeast fermentation sources of resveratrol as well as of plant (polygonum) derived resveratrol show a distinct single concentration peak.

VINIA^{TM} has been approved as a novel food by the Israeli Ministry of Health Food Control Services on April 21, 2013. It has been recognized as G.R.A.S. by an expert panel in the U.S. on November 11, 2011 and its import into the U.S. has been cleared by the F.D.A. on October 27, 2017.

VINIA^{TM} is fully developed and no longer requires any R&D.

<u>VINIA^{TM} Marketing Program</u>

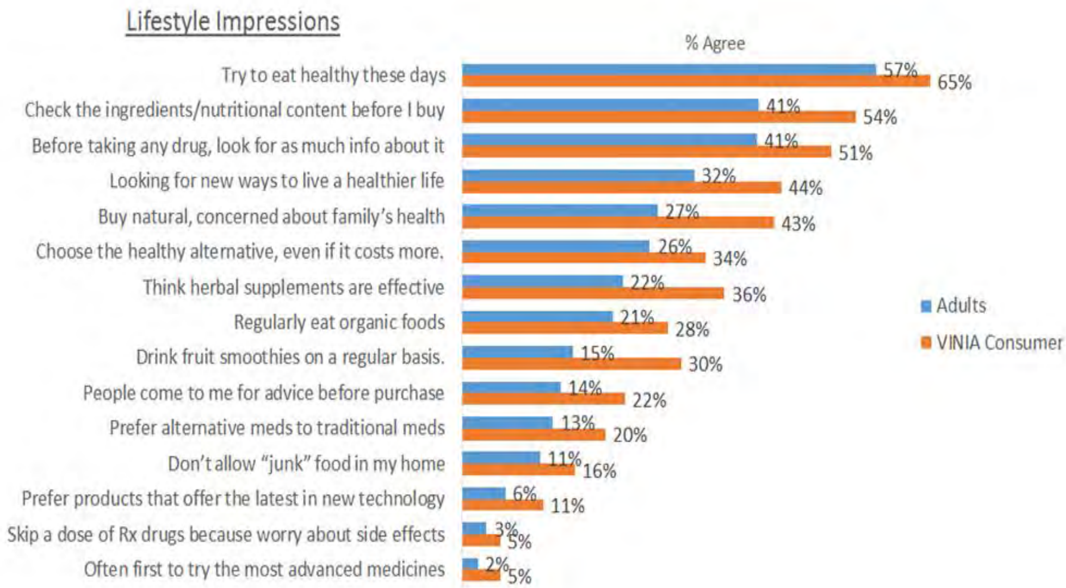
The Market Opportunity

The BioHarvest platform and products target the multi-billion dollar consumer and wellness market, which is global and growing rapidly. This market is comprised of products that are scientifically developed to enhance the human body's structure and function. BioHarvest is positioning itself as a branded functional food supplier in this market. Within the functional foods category alone, Euromonitor, a consumer market research organization, estimates the global market at more than $240 billion, and numerous data points suggest that this high growth category is invigorating the North American food industry. Leading global players have entered into groundbreaking partnerships to rapidly address consumer health awareness demand. Demographic dynamics, including age related wellness strategies, directly support BioHarvest's value proposition to the consumer who is interested in using the power of natural food products to remain healthy.
BioHarvest is targeting consumers interested in living well, through a direct online/e-commerce fulfillment basis, focused on a subscription model.

Wellness Consumer

VINIA^{TM}'s consumer target is the "wellness consumer" who is looking to improve his or her life – particularly those who no longer naturally feel as vital as they did before and have decided that they have to be proactive about improving their wellness. We believe such consumers are looking for small but significant ways to improve their wellness and prolong youth. For some, this starts at 29, for others at 39, for others at 59. Most likely, they are in their 40s. Whenever it begins, at some point such consumers begin to look for natural ways to enhance their bodies' performance and create a sense of wellness every day. They may already see signs of their bodies aging but want to avoid medicinal approaches as long as they can.

According to our research, the VINIA™ wellness consumer is between 25-74 years old, with annual household income over $100,000 US. This group represents approximately 21% of the adult population in the United States or approximately 33 million consumers. This is a sizable segment and, in order for BioHarvest to reach its goals, it would only need to address less than 0.01% of the total adult population.
The following graphic summarizes data recorded from an internal BioHarvest survey of adults generally and more particularly, customers interested in purchasing VINIA™.



The benefits of VINIA™ strongly address needs within this segment, especially providing wellness solutions based on mirroring nature and the latest technology.

VINIA™*'s Marketing Approach*

The wellness consumer is an early adopter and looking for the latest technology and advanced products. To drive awareness and gain trust, VINIA™'s marketing plan is focused on three approaches: digital, social media and public relations, all of which are prime sources for our consumers when they search for new information for new wellness products.

Public Relations

The public relations plan centers on influencing the editorial publications that influence our targeted consumer, building awareness and credibility for VINIA™ and ultimately driving traffic to the VINIA™ e-commerce site. This will focus on educating the editorial community on the science behind BioHarvest, highlighting VINIA™ as the first biofood in large scale production and positioning BioHarvest's VINIA™ as a premium wellness product. While developing widespread awareness among both consumers and media on the unique science behind VINIA™ and its benefits, it will focus on driving traffic to the VINIA™ website and point-of-sale, ultimately creating the demand.

The plan includes conducting a strategic media relations campaign for VINIA™ via proactive desk side interviews, press releases and pitch letters, editor events and media tours targeting editorial relationships in long and short lead print, online and broadcast outlets across a range of health & wellness, beauty & women services and food & cooking media outlets.

Social Media

Social media will be used to drive awareness, conversation and reach via blogger relationships and BioHarvest's social media properties (Facebook, Twitter and WeChat).

Content will be developed with relevancy to the overall wellness positioning to drive strong levels of engagement with VINIA™. Similar to public relations, an outreach to social media bloggers will be used to drive recommendations for VINIA™ as well as syndicate our content and leverage their influencer network to re-post. Bloggers will get a preview of VINIA™ for their own consumption to help drive excitement at launch with positive product reviews.

Digital

The digital strategy will drive awareness and engage the consumer with significant digital media advertising in the first 12 months. The consumer outreach focuses on media channels where the consumer is open to and interested in learning about VINIA™'s benefits. The media plan leverages multiple touch points including display, search, social and video content to surround and engage the consumer with the VINIA™ message.

This outreach will be supported by a strong learning plan and proprietary analytical model that will be used to continue to optimize the message and media buying process as it scales up. Full funnel tracking will be used to gather information that will allow BioHarvest to tune its marketing activities.

BioHarvest has also the trademarks in Israel and the USA for VINIA™ as well as other countries they may sell to in the future.

TRADEMARK	COUNTRY	STATUS	REGISTRATION NUMBER	REGISTRATION DATE
VINIA	European Union	Registered	1214247	11-NOV-13
VINIA	Madrid	Registered	1214247	11-NOV-13
VINIA	Israel	Registered	267901 267901	11-NOV-13 04-APR-16
VINIA	Japan	Registered	1214247	11-NOV-13
VINIA	USA	Registered	85/984171 5027432	01-JUN-16 23-AUG-16
VINIA	USA	Registered	86/490077 5073876	24-DEC-14 01-NOV-16
VINIA	USA	Registered	85/927909	09-MAY-13

Sales

BioHarvest expects to initially sell its product, VINIA™, solely through its website and other online retailers, such as Amazon and eBay. They have contracted with third parties to create, operate and host our e-commerce website and provide related order fulfillment and customer service.

The only product to be sold in the year 2020 is VINIA™. The distribution method is a combination of online and offline in Israel.

BioHarvest has completed a Business to Consumer (B2C) (on-line based) pilot marketing and sales program in Israel. The results provide for the base to continue into a full scale sales plan in Israel starting in 2020.

BioHarvest is negotiating agreements with distribution partners in order to commercialize its biofarming platform-based products starting with VINIA™. The goal is to secure a multi-year partner/s based on need, volume, price, format of usage and geography in order to maximize both revenues and brand awareness while taking into account supply capacity constraints. With a longer-term orientation, BioHarvest is aiming to build a secondary distribution channel with CPG (consumer package goods) for the integration of our ingredients into products from food manufacturers such as chocolate and soft drink manufacturers.

BioHarvest believes that this partnership approach including Business to Business (B2B) and B2C is the best way towards the rapid commercialization and adoption of the BioHarvest Platform Technology and VINIA™.

Given the available inventory of VINIA™, BioHarvest's focus for the next 12 months will be on restarting the sales program in Israel and scaling it. BioHarvest expects to generate revenues in both Israel primarily based on online sales. BioHarvest is targeted to achieve regulatory approval for VINIA™ in Europe by the end of 2020 but sales for that continent will only be attained in 2021.

To achieve this objective mentioned above, BioHarvest will reestablish the marketing and sales team in Israel consisting primarily of third-party contractor(s). The marketing program is expected to cost a total of US$268,500. The sales and marketing spending include personnel, website analytical tools, media costs, social media management, PR, advertising tools, radio and TV advertisement, email marketing and affiliation programs. BioHarvest has enough VINIA™ inventory to cover for its planned sales in Israel for the next 12 months. It also has all necessary regulatory approvals required to sell VINIA™ in these territories.

Milestones for the Marketing Program for the next 12 months are as follows:

Milestones for the Marketing Program for the next 12 months are as follows:

Israel

	Milestone	**Costs in USD$**
Q1	Resuming the work with the existing agencies.	$1,500
	Establishing a radio-based PR Program.	$8,000
Q2	Work with local distributors.	$2,000
Q3	Improving the cost of customer acquisition.	$10,000
	TOTAL	**$21,500**

Because VINIA™ is fully developed and the Issuer has approvals to sell it as a food product. These milestones and the dates for achieving them are flexible. Failure to meet a milestone when projected may delay sales growth but otherwise should not have a significant impact on the Issuer.

The following is a breakdown of the marketing expenditures for the marketing program in Israel over the next twelve months:

M&S Expenses- Israel	
Payroll	53,398
Management retainer and production	13,207
Web site	1,321
Costs of other services (buying leads etc.)	6,604
Cost of media	70,440
Cost of non converting media	6,604

PR	13,207
Conferences & Trade Shows	3,302
Offline Costs (Distributer advertising)	1,981
Advertising (Radio/TV/Print ect)	26,415
Corporate video	2,201
CRM	1,321
Total Israel	**200,000**

Cannabis Development Plan

Under the terms of the Services Agreement, BioHarvest has been adapting the BioHarvest Platform Technology to cannabis products. Approximately $1,540,000 US ($2,032,000 CAD) was expended between October 2018 and September 2019 for the purpose. The objective of the program was to establish cannabis plant derived cells clones producing the relevant secondary metabolites (THC, CBD and terpenes), establishment of a stably small-scale growing plant cell suspension culture producing the secondary metabolites in adequate and stable amounts, and optimally establishing plant cells grown in suspension with THC or CBD or terpenes with the desired levels. The program milestone of growing cells in suspension was successfully completed in October 2019.

Cannabis Development Milestones

To achieve the objectives related to Cannabis, the Issuer will be performing the following quarterly tasks over the next 12 months:

Cannabis Large-Scale Production Process Development Milestones

	Milestones	**Costs in USD$**
Q1	• Establishment of a dedicated lab for the development of the cannabis cells scale up process • • License from the Israeli Ministry Of Health (MOH) for development of a process of growing cannabis cells in bioreactors • Development process of growing cannabis cells in small bioreactors and optimization of this process.	$384,000
Q2	• Continue development process of growing cannabis cells in small bioreactors and optimization of this process. • Evaluation of methods for analyzing the expression of cannabinoids in cannabis cells that are grown in small bioreactors. • Development of a process for growing cannabis cells in medium size bioreactors • Evaluation of methods for drying of cannabis cells that are grown in a small scale bioreactor	$384,000
Q3	• Continue development process for growing of cannabis cells in medium size scale bioreactors • Analysis of the amount of cannabinoids in cells that are grown in small bioreactors • Development of drying process for cannabis cells	$384,000
Q4	• Development of process for growing cannabis cells in large scale bioreactor • Evaluation of cannabinoids amount in cells that are grown in	$392,000

	medium size bioreactors. • Analysis of the amount of phytochemicals including cannabinoids, terpenoids and polyphenols in cannabis cells grown in bioreactors • Finalized the development of drying process	

Failure to meet their milestones could significantly affect the future prospects of the Issuer. Delay in achieving these milestones could significantly delay the possibility of the Issuer being able to sell cannabis products or sublicense the BioHarvest Platform Technology to cannabis producing.

The Issuer is predominantly conducting its own Research & Development. It will eventually use some work performed by external labs to validate certain results or in case certain dedicated measurement equipment is unavailable to the Issuer. For regulatory matters, The Issuer will use consultants.

There are additional costs beyond Research & Development associated with achieving commercial production of the Cannabis product but these will not occur in the next 12 months.

The Issuer does not currently have, and is not in the process of developing, cannabis-related practices or activities in the United States, including the cultivation, possession or distribution of cannabis.

Israel Business Issues

Because the Issuer's business is primarily conducted in Israel, there may be some additional risks above those in domestic operations. Israel is a modern country with similar infrastructure and legal systems to North America and western Europe so the Issuer expects the risks will be minimalized in addition the Issuers directors Zaki Rakib, Vivien Rakib and Liron Carmel as well as the Company's CTO Yochi Hagay have extensive experience living and working in Israel.

Israel is a jurisdiction with a sophisticated commercial business framework. There are no restrictions on foreign investments in Israel nor are there any restrictions on exchange control or currency regulations. According to the 2018 OECD Economic Survey of Israel: "The economy is strong, income inequality has fallen, but economic disparities and a lack of social cohesion persist. Reforming education, infrastructure and product markets will enhance inclusiveness and productivity, population growth, strong economic fundamentals and the dynamic high-tech sector are underpinning today's robust expansion. With the continuation of accommodative monetary policy in a stronger external environment and planned investments in offshore gasfields expected to spur future growth, Israel can turn its focus toward new policies that will make its economy both more efficient and more inclusive." Furthermore, in February 2019, S&P reaffirmed Israel's credit rating of "-AA".16 S&P first upgraded Israel's rating to its current one in August 2018, the highest rating that the state has had. Israel's credit rating is owing to, among other things, stable fiscal and monetary policies and a decrease in the government debt to GDP ratio. The reaffirmation of the credit rating is a significant achievement for the Israeli economy and indicates confidence in the ability of the economy to grow and the government's ability to maintain a responsible fiscal policy. A credit rating of "-AA" puts Israel among a relatively small list of countries in the AA-rated family, and places it above countries such as China, Japan and Chile. As such, in the Issuer's view operating in Israel does not present the same risks as operating in certain other emerging markets, such as potential expropriation and nationalization risks.

Cannabis Regulatory Overview in Israel

In March 2017, the Israeli Health Ministry announced a new cannabis licensing regime, under which new market entrants were encouraged to apply for various licenses which were no longer vertically integrated. Previously, in June 2016, alongside the growing use and demand for medical cannabis, the Israeli government published

Resolution No. 1587, which established a new regulatory framework for the “medicalization” of cannabis. The competent regulatory authority in Israel is the Yakar, the medical cannabis unit within the Israeli Health Ministry. Since March 2017, the Yakar has issued a number of provisional cultivation licenses to applicants to develop production facilities. Final approvals for all stages of the cultivation, production, marketing and distribution of cannabis products are subject to compliance with all regulatory requirements. This process involves agricultural, security and production protocols and standards. Once applicants have completed construction of their production facilities and meet all required agricultural and security rules, the Yakar will grant approval to commence and conduct actual cannabis operations.

In December 2018, the Knesset approved an amendment to the Dangerous Drugs Ordinance – 1973, which, amongst other matters, regulates medical cannabis (the “**Dangerous Drugs Ordinance Amendment**”) and came into force on May 1, 2019. The Dangerous Drugs Ordinance Amendment sets the authorities and enforcement responsibilities of each of the Israeli Health Ministry and the Israeli Police relating to the matter. The Dangerous Drugs Ordinance Amendment provides that the Director General of the Israeli Health Ministry (or his or her designee) has the authority to grant licenses to engage in the various stages of cultivating, developing and commercializing cannabis, based on his/her discretion. The grant of any such licenses will be conditioned upon meeting certain security and protection conditions to be set by an authorized officer of the Israeli Police. Further, the Director General of the Israeli Health Ministry (or his or her designee) may grant any license for cannabis operations only after the authorized officer of the Israeli Police has recommended and approved the grant of such license.

In order to enforce the provisions of the Dangerous Drugs Ordinance Amendment, the Israeli Police has the authority, in respect of any given license holder, to enter into its place of business, carry out necessary examinations, demand documents from and, if needed, act in order to halt the activity of the license holder’s operations.

In January 2019, the Israeli government approved the export of medical cannabis products from Israel (the “**Israeli Government Export Approval**”). As part of the Israeli Government Export Approval, the Israeli government decided to allow medical cannabis license holders that meet the quality standards set forth in Resolution No. 1587 for the applicable stages (cultivation, production, storage, distribution and security) for which they received a license, to export medical cannabis products under the strict supervision of the Israeli authorities. Export licenses may be granted for a limited period and may be canceled at any time or not extended upon expiration. Pursuant to the Israeli Government Export Approval a medical cannabis license holder may apply for an export license, provided that such holder meets all the export requirements including the requirement applicable to the export of dangerous drugs and plant substances). The Israeli Health Ministry will only allow the export of products that meet the standards relating to products that can be directly marketed to patients (including smoking products, such as dried cannabis flowers, oils, and vaporizer products). Export of plant substances (i.e. seeds, tissue cultures) will not be permitted. As of the date of the Listing Statement, the Israeli government has not granted any medical cannabis export permits as it has indicated that it would take at least eight months for the affected ministries to incorporate the changes to their regulations.

The Israeli Government Export Approval sets forth that export will only be permitted to those countries that have signed the United Nations Single Convention on Narcotic Drugs of 1961 (the “**UN Single Convention**”), and that have explicitly approved the import of cannabis.

On July 27, 2018, a bill to decriminalize the adult-use of cannabis, imposing fines rather than criminal penalties for first- and second-time possession offenses, was passed by the Knesset. The bill came into force on April 1, 2019 and will be in effect until March 31, 2022.

Licensing and Authorization

An entity that wants to operate in the medical cannabis field may operate exclusively in one of the following sectors (and shall obtain a specific license for such sector): (i) breeding of medical cannabis; (ii) cultivation of medical cannabis; (iii) manufacturing of medical cannabis related products; or (iv) distribution of medical cannabis products. BioHarvest has obtained a license effective October 27, 2019 permitting it to possess cannabis for research. The license limits the amount that can be possessed to 20 planta, 20 grams of seeds, 8 mother plants, 200 grams of cannabis extractions, 20 bioreactors, and 1 kilogram of plant material for destruction, and the persons who are allowed to enter the site and perform research, related to development of a process of growing cannabis plant cells by using biofarming technology. At the present time Yochi Hagay CTO, Zaki Rakib CEO, Vivien Rakib Board Member, and 8 other employees of BioHarvest can enter the site, and Yochi Hagay and 2 other senior research employees can transport the cannabis. The license expires on October 27, 2020. BioHarvest will seek renewal before expiry.

<u>Revenue</u>

The following table sets out the Issuer's VINIA™ sales for the fiscal years ended December 31, 2017 and 2018 and for the 9 months ended September 30, 2019.

	Year ended Dec 31, 2017 $US	Year ended Dec 31, 2018 $US	9 months ended Sept 30, 2018
VINIA™ sales	$325,000	$449,000	$173,000

During the most recent completed fiscal year the Issuer had an average of 22 employees.

The Issuer and its employees have the specialized skills and knowledge to conduct its business. In addition, the Company's directors Zaki Rakib and Vivien Rakib and the Company's Chief Technology Officer, Yochi Hagay have considerable academic qualifications and experience to allow them to lead the Issuer through the development stage (see section 13 Directors and Officers).

The Issuer has not established social or environmental policies. The Issuer does not expect environmental protection requirements to have a significant effect on its capital, earnings or competitive position in the current financial year or future years.

The materials and component parts or finished products required to produce VINIA™ and complete the Issuers Cannabis Development Plan are readily available from third party suppliers.

The business of the Issuer is not expected to be cyclical or seasonal. No aspect of the Issuer's businesses is expected to be effected in the 12 months following the date of this Listing Statement by re-negotiation or termination of contracts or subcontracts.

The Issuer has no lending operations. There has not been any bankruptcy or receivership or similar proceeding against the Issuer.

DESCRIPTION OF THE SECURITIES

Authorized Capital

The authorized capital of the Issuer consists of an unlimited amount of authorized Common Shares, of which • Common Shares were issued and outstanding, and an unlimited number of preferred shares, of which none are issued and outstanding.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Issuer and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Issuer. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Issuer, are entitled to receive such dividends in any financial year as the Board of Directors of the Issuer may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Issuer, the remaining property and assets of the Issuer. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Preferred Shares

The holders of the preferred shares are not entitled to receive notice of and not entitled to vote at all meetings of the shareholders of the Issuer. The preferred shares may include one or more series of shares. The registered holders of the preferred shares are entitled to receive dividends if and when declared by the Board of Directors out the funds or assets of the Issuer properly applicable to the payment of dividends. The Board of Directors of the Issuer may at any time declare and authorize the payment of such dividends exclusively to the registered holders of the preferred shares without declaring any corresponding dividends to the registered holders of the Common Shares. In the event of the liquidation, dissolution or winding up of the Issuer or other distribution of the assets of the Issuer among its members for the purpose of winding up the affairs of the Issuer, whether voluntary or involuntary, the registered holders of the preferred shares shall be entitled to receive the amount paid up with respect to each preferred share together with an amount equal to all declared and unpaid dividends on such shares in priority of the Common Shares. After payment to the registered holders of the preferred shares of the amount payable to them as provided for above, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Company. The preferred shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

The Issuer has no debt securities outstanding.

The Issuer has no securities other than equity securities outstanding.

Modification of terms:

(a) there are no provisions about modification, amendment or variation of any rights attached to the securities being listed; and

(b) the rights of holders of securities may not be modified otherwise than in accordance with the provisions attached to the securities or the provisions of the British Columbia Business Corporations Act.

Other attributes:

(a) the rights attaching to the securities being listed are not materially limited or qualified by the rights of any other class of securities; and

(b) securities of the class being listed may not be partially redeemed or repurchased.

Prior Sales:

Date of Issuance	Description	Number of Issuer Shares Sold	Price Per Security (CAD$)	Details of Consideration
September 23, 2019	Private Placement (1)	6,666,667	$0.15	Private Placement Units*

*Private Placement September 23, 2019 of 6,666,667 units at $0.15 per unit with each unit consisting of one common share and one non-transferable share purchase warrant exercisable to purchase an additional common share at $0.30 per share until September 23, 2021.

Stock Exchange Price: See above *Part II Information Concerning the Company* for the trading history of the Issuer's shares on the Exchange from May 2016 to March 2020.

PRO FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table represents select particulars of the share capital of the Issuer following completion of the Agreement and Plan of Merger.

The following table sets forth the capitalization of the Issuer:

Security	Authorized	Outstanding upon closing the Agreement and Plan of Merger
Issuer Common Shares, no par value	unlimited	437,643,680
Issuer Preferred Shares, no par value	unlimited	0
Issuer Options (2018 Plan)	58,395,928	21,555,105
Issuer Broker/Finder Warrants (Private Placement September 2018)(1)	-	783,983
Issuer Warrants (Private Placement September, 2019)(2)	-	6,666,6671
Broker Warrants (Concurrent Private Placement)(3)	-	2,112,000
Creditor Warrants (Issued on Merger)(4)	39,581,480	39,581,480

(1) exercisable to purchase an additional share at $0.23 per share until September 2020
(2) exercisable to purchase an additional share at $0.30 per share until September 2021
(3) exercisable to purchase an additional share at $0.15 per share
(4) exercisable to purchase an additional share at $1.00 per share until August 31, 2020

Since the Issuer's recently completed year end (April 30, 2019) the Issuer has issued the following securities:

(a) 6,666,667 units at $0.15 per unit with each unit consisting of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of $0.30 per share until September 2021 (the "Private Placement").

(b) 299,200,000 Shares at $0.15 per share with the Concurrent Private Placement.

(c) Shares at a deemed price of $0.15 per share to BioHarvest shareholders under the Merger Agreement.

The Issuer currently has •common shares issued and outstanding.

Options to Purchase Securities

The Company has granted options to purchase shares of the Company as follows:

Category	Number of Issuer Shares reserved under Option	Exercise Price per Issuer Share	Expiry Date
All executive officers and past executive officers of the Issuer and all directors and past directors of the Issuer who are not also executive officers of the Issuer	11,900,000 8,689,597	$0.15 $0.20	• September 27, 2020
All other employees of the Issuer (Employees of Related Entity)	965,508	N/A	September 27, 2020
All consultants of the Issuer	Nil	n/a	n/a
All previous employees of the Issuer	Nil	n/a	n/a
Any other person	Nil	n/a	n/a

Options to Purchase Securities

2018 Stock Option Plan

A stock option plan (the "2018 Stock Option Plan") was adopted and approved by the directors of the Issuer on July 25, 2018. As at the date of this Listing Statement, the Issuer has 21,555,105 incentive stock options issued and outstanding under the 2018 Stock Option Plan which options were granted on September 27, 2018 on closing of the acquisition of Dolarin Ltd.

The following is a summary of the material terms of the 2018 Stock Option Plan. Capitalized terms in this section not otherwise defined shall have the meaning provided in the full version of the 2018 Stock Option Plan.

- The 2018 Stock Option Plan reserves, for issuance options to purchase, a maximum number of common shares of the Issuer equal to up to a maximum of 15% of Issuer Shares outstanding at the time of the grant.

- An optionee must either be a director, employee or consultant of the Issuer or a related entity at the time an option under the 2018 Plan Option is granted in order to be eligible for the grant of an Option to the optionee.

- The aggregate number of Options granted to any one Person (and companies wholly owned by that Person) in a 12 month period must not exceed 5% of the issued Issuer Shares calculated on the date of grant to the Person.

- The aggregate number of 2018 Plan Options granted to all Persons retained to provide investor relations activities must not exceed 1% of the issued Issuer Shares in any 12 month period, calculated at the date an Issuer Plan Option is granted to any such Person.

- The minimum exercise price per Issuer Share of the 2018 Plan Option must not be less than the market price of the Issuer Shares at the time of agreement. Options can be exercisable for a maximum of 10 years from the date of grant (subject to extension where the expiry date falls within a "blackout period" (see below).

- 2018 Plan Options (other than Issuer Plan Options held by a person involved in investor relations activities) will cease to be exercisable 90 days after the optionee ceases to be a director (which term includes a senior officer), employee, consultant, or management company employee otherwise than by death, or for a "reasonable period" after the optionee ceases to serve in such capacity, as determined by the Board.

- All 2018 Plan Options are non-assignable and non-transferable otherwise than by will or pursuant to the laws of succession.

- Disinterested shareholder approval will be obtained for any reduction in the exercise price of an Issuer Plan Option if the optionee is an insider of the Issuer at the time of the proposed amendment.

- The Option Plan contains provisions for adjustment in the number of Issuer Shares or other property issuable on exercise of an Issuer Plan Option in the event of a share consolidation, split, reclassification or other capital reorganization, or a stock dividend, amalgamation, merger or other relevant corporate transaction, or any other relevant change in or event affecting the Issuer Shares.

- In connection with the exercise of an Issuer Plan Option, as a condition to such exercise the Issuer shall require the optionee to pay to the Issuer an amount as necessary so as to ensure that the Issuer is in compliance with the applicable provisions of any federal, provincial or local laws relating to the withholding of tax or other required deductions relating to the exercise of such Issuer Plan Option.

- An Issuer Plan Option will be automatically extended past its expiry date if such expiry date falls within a blackout period during which the Issuer prohibits optionees from exercising their Issuer Plan Options, subject to the following requirements: (a) the blackout period must (i) be formally imposed by the Issuer pursuant to its internal trading policies; and (ii) must expire upon the general disclosure of undisclosed material information; and (b) the automatic extension of an optionee's Issuer Plan Option will not be permitted where the optionee or the Issuer is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Issuer's securities.

- The Plan also contains an appendix which incorporates a certain Israeli tax requirements for optionees who are Israeli.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Funds Available

Attached as Schedule “G” to this Information Circular is the Pro Forma Financial statements as of September 30, 2019.

As at October 31, 2019 the Canna-V had working capital of approximately USD $340,000, and at September 30, 2019 BioHarvest had a working capital deficit of approximately USD $23,182,000. The Issuer estimates working capital following the Agreement and Plan of Merger and Private Placement of USD $4,000,000 to be approximately USD $2,626,000.

Dividends

The holders of the Issuer Shares will be entitled to dividends, if, as and when declared by the board of directors. The Issuer does not anticipate the payment of any dividends on the Issuer for the foreseeable future.

Principal Purposes

The Issuer intention to use the available funds for a period of 12 months after the completion of the Agreement and Plan of Merger is as follows:

Available Funding and Use of Proceeds

Source	Funds Available (USD)
Working Capital deficit of BioHarvest as of September 30, 2019	$(23,182,000)
Working Capital of the Issuer as of October 31, 2019	$340,000
Increase in Working Capital of BioHarvest from conversion of Convertible Debt	$21,468,000
Proceeds of Concurrent Private Placement	$4,000,000
Expenses related to the completion of the Agreement and Plan of Merger	$(250,000)
Estimated Cost of VINIA™ Marketing Plan	$(200,000)
Estimated VINIA™ sales revenues	$600,000
Estimated Cost of Cannabis Development Plan	$(1,552,700)
General and administrative costs estimated for operating 12 months(1)	$(991,000)
Total Unallocated	**$232,300**

(1)The following table sets out the general and administrative costs estimated for the next 12 months:

	In USD$
Payroll	593,000
Legal Accounting and Audit	169,000
Communications, IT	36,000
Insurance + D&O +Product liability	18,000
Office supplies	15,000
Utilities, Rent, Municipality tax	60,000
Vehicle	100,000
Total	**991,000**

PRINCIPAL SECURITYHOLDERS

The following table lists the person expected to beneficially own, directly or indirectly, or exercise control or direction over, Issuer Shares carrying more than 10% of the voting rights attached to the outstanding Issuer Shares upon closing of the Agreement and Plan of Merger.

Name	Type of Ownership (of record and beneficially)	Number of Issuer Shares	Percentage of Outstanding Issuer Shares of the Issuer
BioHarvest	Of record and beneficially	48,337,496	11.0%
Vivien Rakib	Of record and beneficially	133,477,346	30.5%

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Occupation and Security Holding

The following table sets out the names of he proposed directors and officers of the Issuer after the Agreement and Plan of Merger, the municipalities of residence, their principal occupations during the past five years and the number of the Resulting Company share they will beneficially own, directly or indirectly, or exercise control or direction over, following completion of the Agreement and Plan of Merger.

Name, Municipality of Residence and Age	Principal Occupations during past five years	Position with the Company	Director or Officer Since	Securities Held**	Percentage of Securities Held
Zaki Rakib (61) San Jose, CA	Chairman of BioHarvest Chief Executive Officer and Director of Canna-V-Cell Sciences Inc.	Chairman, CEO & Director	September 27, 2018	0**	0
David Ryan*, (53) Langley, B.C.	Self-employed consultant. Director of GlobeX Data Ltd. since March 2017 President, Secretary and Director of Canna-V-Cell Sciences Inc.. since April 2013. A former Director, President, Secretary and Vice President Finance of Yaterra Ventures Corp. Director and CEO of Scotch Creek Ventures Inc. since January 2017; Director and VP Corporate Communications of Manado Gold Corp. since August 2010 Chief Financial Officer since 2016. Director of International Battery Metals	President, Secretary and Director	April 19, 2013	700,001	0.16%

	Ltd. since August 2019.				
Liron Carmel*, (35) Ramat Gan, Israel	Chairman and CEO of Emerald Medical Applications Corp from December 2014 to August 2015. Currently Chairman and CEO of Smart Energy Solutions Inc. since November 2011.	Director	September 27, 2018	1,050,000	0.24%
Vivien Rakib, (60) Tel-Aviv, Israel	Technology Start-Up Investor	Director	September 27, 2018	133,477,346	30.5%
Yochi Hagay, (62) Rehovot, Israel	Co-Found and Chief Executive Officer and Chief Technology Officer of BioHarvest Ltd. Chief Technology Officer of Canna-V-Cell Sciences Inc.	CTO	September 27, 2018	1,109,580	0.25%
Alan Rootenberg, (67) Toronto, ON	Co-founder, President and CEO of Searchtech Ventures Inc. CFO and Director of Empower Clinics Inc. Chief Financial Officer of Canna-V-Cell Sciences Inc.	CFO	October 9, 2018	0	0
Jake Fiddick*, (78) Burnaby, B.C.	Commercial Services Manager at BMO – retired in August 2017	Director	February 7, 2019	0	0

* Mr. Ryan is a member of the audit committee.

* Mr. Carmel is a member of the audit committee.
* Mr. Fiddick is a member of the audit committee.
** Does not include stock options held by Zaki Rakib to purchase 4,344,800 common shares at $0.20 per share. Stock options held by Yochi Hagay to purchase 4,344,797 common shares at $0.20 per share and 11,910,000 common shares at $0.15 per share and stock options held by David Ryan to purchase 250,000 Shares at $0.20, Liron Carmel to purchase 250,000 Shares at $0.20, and Jake Fiddick to purchase 250,000 Shares at $0.20.

Audit Committee

The Issuer currently has one committee of its Board, being the Audit Committee. The Issuer is a Venture Issuer as defined in National Instrument 51-102 and relies on the exemption for Venture Issuers to the requirements in National Instrument 52-110 for composition of Audit Committee and certain reporting requirements. The members of the Audit Committee consist of Liron Carmel, Jake Fiddick and David Ryan. A majority of the members are independent. The Issuer established a special committee in connection with the Merger and the members of the Special Committee were David Ryan and Jake Fiddick. The Special Committee reviewed and made recommendations on the Merger and supervised the preparation of the Valuation Report.

a. The Issuer Board will adopt a written charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110. The principal duties and responsibilities of the Issuer's Audit Committee are to assist the Issuer's Board in discharging the oversight of
   (i) the integrity of the Issuer's consolidated financial statements and accounting and financial processes and the audits of our consolidated financial statements;
   (ii) the Issuer's compliance with legal and regulatory requirements;
   (iii) the Issuer's external auditors' qualifications and independence;
   (iv) the work and performance of the Issuer's financial management and its external auditors; and
   (v) the Issuer's system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Issuer Board.

b. The Audit Committee has access to all books, records, facilities and personnel and may request any information about the Issuer as it may deem appropriate. It also has the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee. The Audit Committee reviews and approves all related-party transactions and prepares reports for the Issuer's Board on such related-party transactions as well as being responsible for the pre-approval of all non-audit services to be provided by our auditors.

Given the size of the Board, all other functions are dealt with by the full Board. The Issuer expects the Board will constitute additional committees of the Board following the next annual shareholder meeting, including a Compensation Committee and a Corporate Governance Committee.

Management

The following is a brief description of the proposed directors and officers of the Issuer following completion of the Agreement and Plan of Merger.

Dr. Zaki Rakib – *Age 61, Director, Chairman of the Board, CEO*

Dr. Zaki Rakib, Ph.D., serves as the Co-Founder and Executive Chairman of BioHarvest Ltd. He has extensive experience within the software, telecommunications hardware, semiconductors, cellular operations and bioscience categories, where he has spearheaded the development of multiple cutting-edge innovations. Leveraging his foundation in technical sciences, Dr. Rakib was one of the first leaders in the telecommunications industry after the company he co-founded Terayon Communication Systems, invented the first cable modem, and S-CDMA technology. Dr. Rakib holds a Bachelor of Science (1978), a Master of Science (1981), and a Ph.D. degree in Engineering (1984) from Ben-Gurion University in Israel.

Dr. Rakib will devote approximately 100% of his time to the Issuer or such greater amount of time as is necessary. Dr. Rakib has not entered into a non-competition or non-disclosure agreement with the Issuer.

David Ryan - *Age 53, Director, President and Secretary*

Mr. Ryan has extensive experience in investment and public markets. For the past 20 years, he has been part of in bringing multiple initial public offerings to market. He has helped raise both equity and debt financings for numerous public companies in both primary and secondary financings as well as served on the board of public companies and in various roles from president to director.

Mr. Ryan will devote approximately 30% of his time to the Issuer or such greater amount of time as is necessary. Mr. Ryan has not entered into a non-competition or non-disclosure agreement with the Company. Mr. Ryan is an independent contractor of the Issuer.

Vivien Rakib - *Age 60, Director*

Vivien Rakib has served as a director of BioHarvest since 2007. Ms. Rakib worked in software development in Silicon Valley for 18 years. She is currently an active technology startup investor and is on the board of directors of Shaker, a startup focusing on real time social virtual interaction. Ms. Rakib sits also on the board of CoPro, a non-profit organization focused on the funding the production of Israeli documentaries. Ms. Rakib holds a B.Sc. in Mathematics and Computer Science from of Ben Gurion University in Israel.

Ms. Rakib will devote approximately 100% of her time to the Issuer or such greater amount of time as is necessary. Ms. Rakib has not entered into a non-competition or non-disclosure agreement with the Issuer.

Yochi Hagay - *Age 62, Chief Technology Officer*

Ms. Yochi Hagay, Ph.D., is Co-Founder, CTO of BioHarvest Ltd and served as Chief Executive Officer at BioHarvest. She has an extensive experience in leading research and development in the pharmaceutical and bio-tech industry. Prior to co-founding BioHarvest in 2005, Ms. Hagay served as the Managing Partner at Zaki Rakib's Bio-Tech Capital Venture. During that time, she evaluated a large number of scientific research projects and bio-tech companies. Ms. Hagay has served in various positions in BTG for 15 years, until it was acquired by Savient. In her most recent role at Savient (2002-2005), she supervised the company's clinical studies. Ms. Hagay holds a PhD in bio-technology from Hebrew University (2004).

Ms. Hagay will devote approximately 100% of her time to the Issuer or such greater amount of time as is necessary. Ms. Hagay has not entered into a non-competition or non-disclosure agreement with the Issuer.

Alan Rootenberg - *Age 67, Chief Financial Officer*

Mr. Alan Rootenberg is a chartered professional accountant who has served as the Chief Financial Officer of a number of publicly traded companies, listed on the TSX, TSXV, CSE and OTCBB. Alan has a Bachelor of Commerce degree and received his CPA designation in Ontario, Canada. His extensive experience includes serving as Chief Financial Officer for mineral exploration, mining, technology and medical cannabis companies. Mr Rootenberg holds a Certificate in the Theory of Accounting from University of Witwatersrand (1977), a bachelor's degree in commerce from University of Witwatersrand (1975) and was registered as a CPA in1980.

Mr. Rootenberg will devote approximately 100% of his time to the Issuer or such greater amount of time as is necessary. Mr. Rootenberg has not entered into a non-competition or non-disclosure agreement with the Issuer.

Jake Fiddick - *Age 78, Director*

Mr. Jake Fiddick founded the "Public Company Banking Group" for Bank of Montreal ("BMO") in 1984 and was part of a tight-knit 15-person team specializing in servicing public companies. He retired in August 2017. During his 58 years with BMO he obtained his real estate license, and broker's license.

Mr. Fiddick will devote approximately 10% of his time to the Issuer or such greater amount of time as is necessary. Mr. Fiddick has not entered into a non-competition or non-disclosure agreement with the Issuer.

Liron Carmel - *Age 35, Director*

Mr. Liron Carmel was the Chairman and CEO of Emerald Medical Applications Corp from December 2014 to August 2015. He is currently the Chairman and CEO of Smart Energy Solutions Inc. since November 2011.

Mr. Carmel will devote approximately 10% of his time to the Issuer or such greater amount of time as is necessary. Mr. Carmel has not entered into a non-competition or non-disclosure agreement with the Issuer.

Penalties or Sanctions

No director or executive officer of the Issuer, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No proposed director, officer insider, Control Person or promotor of the Issuer, or a personal holding company of any such persons has, within the last 10 years before the date of the prospectus, become bankrupt , made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

Zaki Rakib and Vivien Rakib are directors, and Vivien Rakib was a 33.58% shareholder of BioHarvest, which provided services to Dolarin under the Services Agreement and licensed technology to Dolarin under the Licensing Agreement. Yochi Hagay is the Issuer's Chief Technology Officer, CTO, and director and was a 4.11% shareholder of BioHarvest. As a result of their positions and/or shareholdings in BioHarvest, they had a conflict of interest with respect to the Merger.

Other Reporting Companies Experience

The following proposed directors and officers of the Issuer are, or have been within the last five years, directors, officers or promoters of other Companies that are or were reporting Companies in any Canadian jurisdiction.

Name	Reporting Company	Maket/Tier	Position	From	To
Zaki Rakib	Terayon Communication Systems	NASDAQ	Director	1998	2007
David K. Ryan	InsuraGuest Technologies Inc.	TSX-V	Vice President Corporate Communication, Director,	April 2012	Current
	InsuraGuest Technologies Inc.	TSX-V	Secretary	November 2016	Current
	InsuraGuest Technologies Inc.	TSX-V	CFO	November 2016	February 2020
	Ovation Science Inc.	CNSX	Director and Investor	October 2017	Current

			Relations Officer		
	Scotch Creek Ventures	CNSX	Director and Chief Executive Officer	January 2017	Current
	GlobeX Data Ltd.	CNSX	Director	March 2017	Current
	International Battery Metals Inc.	CNSX	Director	August 2019	Current
	Yaterra Ventures Corp.	OCTBB	Officer, President, Secretary, Treasurer	August 2011	March 2012
	Yaterra Ventures Corp.	OCTBB	Director	August 2011	April 2014
	Yaterra Ventures Corp.	OCTBB	V.P. Finance	April 2007	March 2012
Liron Carmel	Medigus, Ltd.	NASDAQ	Chief Executive Officer	April 2, 2019	Current
	Emerald Medical Applications Corp.	OTCQB	Chairman & CEO	December 2014	August 2015
	Smart Energy Solutions, Inc.	Pink Sheets	Chairman & CEO	November 11, 2014	2019
Alan Rootenberg	Cyntar Ventures Inc.	CNSX	Chief Financial Officer	December 9, 2019	Current
	Osino Resources Corp.	TSX-V	Chief Financial Officer	June 26, 2018	Current
	Eco (Atlantic) Oil & Gas Ltd.	TSX	Chief Financial Officer	November 30, 2011	Current
	Empower Clinics Inc. (formerly, Adira Energy Ltd.)	CNSX	Chief Financial Officer	August 7, 2013	May 15, 2018
	Volta Resources Inc.	TSX	Chief Financial Officer	May 15, 2012	May 15, 2019
	Ungava Mines Inc.	OTCBB	Chief Financial Officer	April 15, 2007	March 10, 2919
	Nearctic Nikel Mines Inc.	Pink Sheets	Chief Financial Officer	April 15, 2007	March 10, 2020

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This discussion describes the Resulting Issuer's anticipated compensation program for each person who will act as Chief Executive Officer ("CEO"), President, Chief Financial Officer ("CFO") and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO, President and CFO, subsequent to the Resulting Company completing the Agreement and Plan of Merger (each a “Named Executive Officer”).

Significant Elements

The Significant elements of compensation awarded to the Named Executive Officers will be cash salary and stock options/ The Issuer does not anticipate having a long-term incentive plan for its Named Executive Officers. There is not expected to be a policy or target regarding allocation between cash and non-cash elements if the Resulting Issuer’s compensation program,. The Board of Directors will be solely responsible for determining compensation to be paid to the Resulting Company’s Named Executive Officers. In addition, the Board of Directors will review annually the total compensation package of each of the Resulting Company’s executives on an individual basis.

Cash Salary

The Issuer’s anticipated compensation payable to the Named Executive Officers is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each Named Executive Officer and varies with the amount of time spent by each Named Executive Officer in carrying out his or her functions on behalf of the Issuer.

Option-Based Awards

There will be no change to the 2018 Stock Option Plan as a result of completion of the Agreement and Plan of Merger,. “*See Part II – Information Concerning the Company – Stock Option Plan”.*

Summary Compensation Table

The following table provides a summary of compensation anticipated to be paid by the Issuer to the CEO, CFO and the Named Executive Officers during the twelve month period following completion of the Agreement and Plan of Merger.

				Non Equity Incentive Plan Compensation ($)				
Name and Principal Position	Salary ($)	Share Based Awards ($)	Option Based Awards ($)	Annual Incentive Plans	Long Term Incentive Plans ($)	Pension Value ($)	All Other Compensation (Consulting Fees) ($)	Total Compensation ($)
David Ryan President and Secretary	-	-	-	-	-	-	60,000	60,000
Zaki Rakib, CEO	-	-	-	-	-	-	USD120,000	USD100,000
Alan Rootenberg CFO	-	-	-	-	-	-	12,000	12,000
Yochi Hagay CTO	-	940,100	-	-	-	-	-	940,100

Compensation of Directors

The following table provides a summary of compensation anticipated to be paid by the Issuer to the Directors during the twelve month period following completion of the Agreement and Plan of Merger.

Name	Fees Earned ($)	Share-based Awards ($)	Option-based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Zaki Rakib	Nil	-	-	-	-	-	-
David Ryan	Nil	-	-	-	-	-	-
Vivien Rakib	12,000	-	-	-	-	-	12,000
Jake Fiddick	12,000	-	-	-	-	-	12,000
Liron Carmel	12,000	-	-	-	-	-	12,000

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director of officer is indebted to the Issuer.

INVESTOR RELATIONS ARRANGEMENTS

The Issuer does not anticipate on entering into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Issuer.

OPTIONS TO PURCHASE SECURITIES

Options

The table below sets out the options to purchase securities of the Issuer that are to be held on completion of the Agreement and Plan of Merger by proposed officers and directors of the Resulting Company:

Optionee	Number of Common Shares Reserved Under Option Following Completion of the Agreement and Plan of Merger	Exercise Price Per Common Share	Expiry Date
Zaki Rakib	4,344,800	$0.20	September 27,2020
Yochi Hagay	4,344,797	$0.20	September 27,2020
	11,910,000	$0.15	2 years from Closing
David K. Ryan,	250,000	$0.20	September 11,2020
Liron Carmel	250,000	$0.20	September 11, 2020
Jack Fiddick	250,000	$0.20	September 11, 2020

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Stock Option Plan

Upon completion of the Agreement and Plan of Merger, the 2018 Stock Option Plan will continue in place. There will be no change to the 2018 Stock Option Plan as a result of completion of the Agreement and Plan of Merger.

ESCROWED SECURITIES

Escrowed Securities

The CSE requires all shares issued to Related Persons (as such term is defined in the policies of the CSE) to be subject to an escrow agreement pursuant to National Policy 46-201 – *Escrow for Initial Public Offerings* ("NP 46-201"). Pursuant to the policies of the CSE, an escrow agreement will be entered into among National, the Issuer and the shareholder(s) of the Company whose securities are required to be held in escrow pursuant to NP 46-201 (the "Escrow Agreement"). In accordance with NP 46-201, all Shares of the Issuer held by a principal of the Company will be subject to escrow restrictions, unless otherwise exempt from the escrow requirements pursuant to NP 46201. A principal which holds securities carrying less than 1% of the voting rights attached to the Issuer's outstanding securities immediately after the Merger is not subject to the escrow requirements under NP 46-201.

Following the Transaction, the following escrowed shares held by principals of the Issuer will be released pro rata to such shareholders as to 10% on the date of final CSE notice and 15% every six months thereafter over a 36 month period. The escrowed shares will be subject to the direction and determination of the CSE. Specifically, escrowed shares may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the consent of the CSE.

Designation of class held in escrow	Holder	Number of securities held in escrow	Percentage of class
Common Shares	BioHarvest Ltd.	29,002,498[1]	6.6%
Common Shares	Vivien Rakib	133,477,346	30.5%
Creditor Warrants	Vivien Rakib	21,875,117	5.0%
Common Shares	Yochi Hagay	1,109,580	0.25%
Creditor Warrants	Yochi Hagay	2,136	0.0%

Balance remaining in escrow of 48,337,496 issued September 27, 2018

Under the terms of the Escrow Agreement, Escrowed Securities cannot be transferred by the holder unless permitted under the Escrow Agreement. Notwithstanding this restriction on transfer, a holder of Escrowed Securities may (a) pledge, mortgage or charge the Escrowed Securities to a financial institution as collateral for a loan provided that no Escrow Securities will be delivered by the escrow agent to the financial institution; (b) exercise any voting rights attached to the Escrow Securities; (c) receive dividends or other distributions on the Escrow Securities; and (d) exercise any rights to exchange or convert the Escrow Securities in accordance with the Escrow Agreement.

The securities of the Company held in escrow may be transferred within escrow to: (a) subject to approval of the Company's board of directors, to an individual who is an existing or newly appointed director or senior officer of the Company or of a material operating subsidiary of the Company; (b) subject to the approval of the Company's board of directors, a person that before the proposed transfer holds more than 20% of the voting rights attached to the Company's outstanding securities; (c) subject to the approval of the Company's board of directors, a person that after the proposed transfer will hold more than 10% of the voting rights attached to the Company's outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Company or any of its material operating subsidiaries; (d) upon the bankruptcy of a holder of escrowed securities, the securities held in escrow may be transferred within escrow to the trustee in bankruptcy or other person legally entitled to such securities; (e) upon the death of a holder of escrowed securities, all securities of the deceased holder will be released from escrow to the deceased holder's legal representative; (f) a financial institution that the holder pledged, mortgaged or charges to a financial institution as collateral for a loan on realization of such loan; and (g) a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF") or similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of another plan or fund are limited to the holders spouse, children or parents, or if the holder is the trustee of such registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund or his or her spouse, children or parents.

In addition, tenders of Escrowed Securities pursuant to a business combination, which includes a take-over bid, issuer bid, statutory arrangement, amalgamation, merger or other reorganization similar to an amalgamation or merger, are permitted. Escrowed Securities subject to a business combination will continue to be escrowed if the successor entity is not an "exempt issuer", the holder is a principal of the successor entity; and the holder holds more than 1% of the voting rights of the successor entities' outstanding securities.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of the Issuer will be Ziv Haft, Certified Public Accountants (Isr), BDO Member Firm, at 48 Derech Menachem Begin Rd. - Amot BDO House, Tel Aviv, 6618001.

The registrar and transfer agent of the Issuer is National Securities Administrators Ltd., 777 Hornby Street, Suite 702, Vancouver, BC V6Z 1S4.

PART VI – GENERAL MATTERS

EMERGING MERKET DISCLOSURE

Israel is considered an emerging market under OSC Staff Notice 51-720. The following are specific disclosures under that notice:

A) Business and Operating Environment

Israel is a modern industrialized nation with infrastructure, corporate and financial institutions similar to North American jurisdictions. The Issuer's business operations are substantially conducted in Israel, through its wholly owned Israeli subsidiaries BioHarvest and Dolarin, and are governed by Israeli law.

There are no restrictions under Israeli law that would prevent the ownership of the Issuer's Israeli subsidiaries or the ability of the Issuer to operate these subsidiaries.

Bio Harvest's relationships with the government of Israel are managed by its Vice President of Regulatory Affairs, sometimes with the assistance of outside legal counsel. Particular areas where the BioHarvest interfaces with government are in business licensing, food (health) licensing and approvals and cannabis licensing. Yochi Hagay, CTO deals with cannabis licensing.

The legal system of Israel is a mix of common law and civil code systems. Based principally on English Law as Palestine was a British Mandate at the time of the formation of Israel. Business and taxation laws are substantially similar to those in North American jurisdictions.

Vivien Rakib, Director of the Issuer, Yochi Hagay CTO of the Issuer, Zaki Rakib CEO of the Issuer and Liron Carmel, Director of the Issuer have extensive experience dealing with the political, legal and cultural realities of Israel. Vivien Rakib, Yochi Hagay, and Liron Carmel live in Israel and Zaki Rakib has experience living in Israel and frequently travels to Israel.

The Israeli banking system is substantially similar to the banking systems of western developed countries. There are no restrictions on transferring funds to and from Israel that would impact the ability of the Issuer to transfer funds to and from its subsidiaries.

Ownership of land in Israel with some limited exceptions lies with the government of Israel. Title tends to be based on 50 -100 year leases.

The Issuer's books and records are kept in Canada and Israel. The Issuer employs an outside chartered accountant to assist it in preparing its financial disclosures. The outside accountant is based in Israel, is fluent in both Hebrew and English and is familiar with both Israeli and Canadian accounting and disclosure requirements. Directors have full access to him and accounting records of both the Issuer and BioHarvest.

The fact that significant corporate assets are located in Israel may hinder an investors ability to exercise or enforce statutory rights and remedies under Canadian Securities Laws. However Israeli courts will recognize and enforce foreign judgements in certain circumstances.

There are no religion-based laws that would affect operations of the Israeli based subsidiaries.

B) Language and Cultural Differences

The official language in Israel is Hebrew although many businesspeople also speak English. Legal documents can be in Hebrew or English. Official government documents are generally in Hebrew.

Vivien Rakib and Liron Camel, directors of the Issuer are fluent in both Hebrew and English. Zaki Rakib, CEO and Yochi Hagay, CTO are both fluent in English and Hebrew.

Zaki Rakib visits Israel on a frequent basis to meet with BioHarvest Management and outside service providers. David Ryan, President of the Issuer is scheduled to travel to Israel to meet with BioHarvest Management in the next 60 days. BioHarvest Management have also made visits to Vancouver.

Given the background of Vivien Rakib, Liron Carmel, Yochi Hagay, and Zaki Rakib living and working in Israel they are familiar with the manner in which business is conducted in Israel.

Books, records, key documents, material contracts or bank documents may be in either Hebrew or English. This does not present any difficulty because of the familiarity of both languages by the Issuer's management and directors and outside professional advisors.

The legal counsel in Israel, the Issuer's outside accountant and the Issuer's auditors are fluent in both languages. Non-Hebrew speaking directors and officers can obtain translations when necessary. Directors also have access to the outside accountants, legal advisors and auditors if necessary, to deal with language or cultural issues.

C) <u>Corporate Structure</u>

The Issuer has a typical corporate structure with a Canadian parent and foreign subsidiaries. The Issuer may in the future merge its Israeli subsidiaries to simplify the corporate structure. The issuer does not use special purpose entities or unusual business structures. The current structure does not limit the Issuer's abilities to oversee and monitor Israeli operations.

Israeli corporate law is modelled on Delaware General Corporations Law. The Board of Directors of the Israeli subsidiaries may be changed by the Issuer as it is a holder of all of the shares of the subsidiaries.

Zaki Rakib is in constant communication with the management of BioHarvest and provides timely updates to the Board of Directors of the Issuer.

There are no additional risks associated with the Issuer's structure resulting from the fact that the issuer's subsidiaries are based in Israel.

D) <u>Risk Management and Disclosure</u>

Israel is a democracy with representation by population. As the Country has a number of political parties, minority and coalition governments are common resulting in frequent elections. Notwithstanding the frequency of elections, the business environment in Israel remains relatively stable. The Issuer does not expect any change in government to significantly impact its operations or result in arbitrary changes of laws.

The legal and regulatory framework in Israel in robust. Laws are enforced and judgements upheld.

There are no currency restrictions in Israel that would prevent the flow of funds between the Issuer and its Israeli subsidiaries.

Israel has criminal sanctions for bribery and corruption.

Title to personal property in Israelis based on common law.

The Issuer does not believe there is any significant risk of nationalization of its assets in Israel.

There are no laws in Israel that would restrict the Issuer from access to its assets in Israel. Israeli immigration is not an issue for the Issuer because a number of its directors and officers are Israeli citizens.

The Board regulatory assesses risks and will update its disclosure records when new material risks emerge.

E) <u>Internal Controls</u>

The Issuer believes it has sufficient internal controls and procedures. Cheques require two signatures in both the Issuer and its Israeli subsidiaries. All invoices are reviewed by management before payment and regular bank reconciliations are completed. The Issuer believes that operating in Israel does not result in risks in maintaining internal controls. No weakness in internal controls and procedures of the Issuer's Israeli subsidiaries have been identified. The auditors have not provided any comments on internal controls and procedures of the Israeli subsidiaries.

F) Use and Reliance on Experts

The Issuer relies on outside legal and accounting experts. Legal counsel in Israel are H-F & Co. which is a well-established business and technology law firm with an excellent reputation. The chartered accountant that provides outside accounting services to the Issuer has many years' experience accounting for reporting issuers in Canada and the USA as well as in Israel.

The Issuer generally employs experts that are familiar to management from prior experiences dealing with them. The Issuer also seeks to employ experts and consultants dealing with Israeli issues that are also familiar with North American requirements and standards.

The Issue is aware that errors by such experts could be costly and result in loss of property or licenses.

The Issuer completes background checks when necessary including reviewing the websites of consultant's governing bodies.

In Israel lawyers are governed by the Israeli Bar which has similar rules of ethics and professional conduct as North American legal governing bodies.

The Issuer's experience with its legal and other consultants in Israel makes it clear that they are professional and perform adequate due diligence with respect to facts.

G) Oversight of External Auditor

The Israeli auditor Ziv Haft, Certified Public Accountants (Isr), BDO Member Firm is an affiliate of B.D.O. a major multinational accounting firm. They are auditors for a large number of companies with Israeli operations listed on North American markets.

The auditors are based in Israel and accordingly have language skills and cultural knowledge relevant to Israel as well as knowledge of the accounting and tax rules in Israel and knowledge of risks and challenges relating to Israel.

Auditors in Israel are governed by the Israeli CPA Council. The auditors consult with BDO Canada with respect to Canadian companies.

Members of the Audit Committee have access to the auditors to perform their oversight responsibilities. The auditors in Israel who deal with the Issuer are fluent in English and Mr. Carmel, a member of the Audit Committee is fluent in Hebrew.

H) Enforcement of Legal Rights

Because a number of the Issuer's directors and officers are based in Israel it may be difficult to effect service for a legal proceeding in Canada.

In the event of a judgement being rendered in a legal proceeding in Canada, it may be difficult or impossible to realize on assets of the Issuer held through it's Israeli subsidiaries. Although it is possible to seek reciprocal enforcement of foreign judgements in Israeli courts, there is no assurance a court in Israel will grant such enforcement.

Israel has both criminal and civil remedies for securities fraud and misrepresentation under its securities laws. In addition, torts such as misrepresentation are available in Israel. Attempts to bring civil actions in Israel may be confronted with a number of issues including jurisdictional issues if the subject matter of the complaint took place outside of Israel, and costs to being such actions, including retaining local Israeli counsel, language barriers, and obtaining certified translations of documents. The costs of bringing an action in Israel may make it prohibitive for investors in Canada.

EXPERTS

The following persons or companies whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company are named in this Information Circular as having prepared or certified a report, valuation, statement or opinion in this Information Circular:

(a) Evans & Evans, Inc.

Other than as disclosed herein, none of the foregoing persons or companies have held, received or is to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company, BioHarvest or their respective Associates or Affiliates.

EXPERT OPINION OF EVANS & EVANS

The Valuation Report of Evans & Evans, Inc. is as of September 30, 2019, in the Valuation Report the authors valued BioHarvest at an estimated fair market value in the range of $33.7 million to $34.6 million.

The valuators considered a number of approaches to valuation and determined that the most appropriate approach was the Modified Discounted Cash Flow Approach which involves taking the projected future cash flow of BioHarvest and taking an additional discount for uncertainty of future profits.

The members of the Special Committee determined that the valuators were qualified to complete the Valuatio.

The valuators have the following backgrounds:

Michael Evans: a Bachelor of Business Administration degree from Simon Fraser University; a Master's in Business Administration from the University of Portland, where he graduated with honors; the professional designations of Chartered Financial Analyst (CFA); Chartered Business Valuator (CBV) and Accredited Senior Appraiser. Mr. Evans is a member of the CFA Institute of Chartered Business Valuators ("CICBV") and the American Society of Appraisers (ASA).

Jennifer Lucas: a Bachelor of Commerce degree from the University of Saskatchewan, a Master of Business Administration degrees from the University of British Columbia. Ms. Lucas holds the professional designations of Chartered Business Valuator and Accredited Senior Appraiser. She is a member of the CICBV and the ASA.

Evans & Evans, Inc's consent for the Valuation Report to be referenced in the Information Circular is attached as Schedule "H" hereto.

OTHER MATERIAL FACTS

There are no other material facts about the Company, the Issuer, Bioharvest or Biofarming Ltd. or the Agreement and Plan of Merger that are not disclosed in this Information Circular, or are necessary in order for the Information Circular to contain full, true and plain disclosure of all material facts relating to the Company, Bioharvest and the Agreement and Plan of Merger.

BOARD APPROVAL

The contents of this Information Circular and the delivery of the Information Circular to securityholders of the Company have been approved by the Board of Directors of the Company. Where information contained in this Information Circular rests particularly within the knowledge of a person other than the Company, the Company has relied upon information furnished by such person.

CERTIFICATE OF CANNA-V-CELL SCIENCES INC.

Dated: March 5, 2020

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of **Canna-V-Cell Sciences** assuming completion of the Agreement and Plan of Merger.

"Zaki Rakib"

ZAKI RAKIB
Chief Executive Officer

"Alan Rootenberg"

ALAN ROOTENBERG
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"David K. Ryan"

DAVID K. RYAN
Director

"Vivien Rakib"

VIVIEN RAKIB
Director

CERTIFICATE OF BIOHARVEST LTD.

Dated: March 5, 2020

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of **BIOHARVEST LTD.** assuming completion of the Agreement and Plan of Merger.

"Zaki Rakib"	*"Bar Moreh"*
ZAKI RAKIB	**BAR MOREH**
Chief Executive Officer	Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Vivien Rakib"	*"Yochi Hagay"*
VIVIEN RAKIB	**YOCHI HAGAY**
Director	Director

<u>SCHEDULE “A” AGREEMENT AND PLAN OF MERGER RESOLUTION</u>

RESOLUTION OF THE HOLDERS OF COMMON SHARES OF CANNA-V-CELL SCIENCES INC.

BE IT RESOLVED THAT:

1. The Agreement and Plan of Merger among Canna-V-Cell Sciences Inc., BioHarvest Ltd. and Biofarming Ltd. dated December 9, 2019, as more particularly described and set forth in the management information circular (the “Information Circular”) of Canna-V-Cell Sciences Inc, dated March 4, 2020, accompanying the notice of meeting (as the Agreement and Plan of Merger may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.

2. The Agreement and Plan of Merger, and implementation of the Agreement and Plan of Merger, the full text of which is set out in Schedule “B’ of the Information Circular (as the Agreement and Plan of Merger may be, or may have been, modified or amended in accordance with its terms) and all transactions contemplated therein, the actions of the directors of Canna-V-Cell Sciences Inc. in executing and delivering the Agreement and Plan of Merger is hereby authorized, approved, and adopted.

3. Notwithstanding that this resolution has been passed (and the Agreement and Plan of Merger approved) by the shareholders of Canna-V-Cell Sciences Inc., the directors of Canna-V-Cell Sciences Inc. are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Canna-V-Cell Sciences Inc:

    a. To amend the Agreement and Plan of Merger to the extent permitted by the Agreement and Plan of Merger; or

    b. Subject to the terms of the Agreement and Plan of Merger, not to proceed with the Agreement and Plan of Merger.

4. Any director of officer of Canna-V-Cell Science Inc. is hereby authorized and directed for and on behalf of Canna-V-Cell Sciences Inc. to execute, whether under corporate seal or otherwise, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do so or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Agreement and Plan of Merger and the completion of the Agreement and Plan of Merger in accordance with the Agreement and Plan of Merger, including:

    a. all actions required to be taken by or on behalf of Canna-V-Cell Sciences Inc., and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities;

    b. the signing of the certificates, consents and other documents or declarations required under the Agreement and Plan of Merger or otherwise to be entered into by Canna-V-Cell Science Inc; and

    c. such determinations to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of such act or thing.

SCHEDULE "B" - AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "**Agreement**"), dated as of December 9, 2019, is entered into by and among Canna-V-Cell Sciences Inc., a company existing under the laws of British Colombia, Canada ("**Parent**"), BioFarming Ltd., a incorporated under the laws of the State of Israel, a wholly owned subsidiary of Parent ("**Merger Sub**"), and BioHarvest Ltd., an Israeli company (the "**Company**"; Parent, Merger Sub and the Company are collectively referred to as the "**Parties**").

INTRODUCTION

WHEREAS, upon the terms and subject to the conditions of this Agreement and in accordance with Sections 314 to 327 of the Israeli Companies Law, 5759-1999 (the "**Companies Law**"), the Parties intend to effect the merger of the Company and Merger Sub, pursuant to which Merger Sub will cease to exist and the Company will become a wholly-owned subsidiary of Parent; and

WHEREAS, the respective boards of directors of each of Parent, Merger Sub and the Company have approved the merger of Merger Sub with and into the Company (the "**Merger**") upon the terms and subject to the conditions set forth in this Agreement, have approved this Agreement and have deemed it advisable that the shareholders of each of Parent, Merger Sub and the Company (as applicable) approve and adopt this Agreement, having determined and resolved that, considering the financial position of the Company and Merger Sub, no reasonable concern exists that the Surviving Corporation (defined below) will be unable to fulfill the obligations of the Company to its creditors as and when they fall due; and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants, and agreements contained herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

THE MERGER

Section 1.01. The Merger. Upon the terms and subject to the conditions set forth in this Agreement and the applicable provisions of the Companies Law, at the Effective Time (as defined in Section 1.2 hereof), Merger Sub shall be merged with and into the Company in accordance with Sections 314 through 327 of the Companies Law, and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (also hereinafter referred to as the "**Surviving Corporation**"), and the separate corporate existence of the Company with all its rights, assets, privileges, immunities, powers and franchises shall continue unaffected by the Merger in accordance with the Companies Law. Following the Merger, the Company shall become a wholly owned subsidiary of Parent, which will become the record and beneficial owner of all of the issued and outstanding shares of the Company's share capital, and there shall be no outstanding shares, options, warrants or rights of any kind to subscribe for or purchase any shares of the Company's share capital.

Section 1.02. Effective Time; Closing. Unless otherwise mutually agreed in writing between the Parties, the closing of the Merger (the "**Closing**") shall take place, subject to the terms and conditions of this Agreement, at the offices of Hirsch-Falk & Co. Law Offices, at a time and date to be designated by the Parties (the "**Closing Date**") which shall be no later than the 2nd (second) Business Day after the satisfaction or waiver of the conditions set forth in this Article I (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions prior to or at the Closing) or at such other time, date and location as the Parties shall mutually agree. For purposes of this Agreement, the term "**Business Day"** shall mean any day other than a Friday, Saturday, Sunday or a day on which banks are required or authorized to close in the State of Israel or in Canada. The Merger shall become effective upon the issuance by the Registrar of Companies of the State of Israel (the "**Companies Registrar**") of a certificate evidencing the completion of the Merger in accordance with Section 323(5) of the Companies Law (the "**Effective Time**").

Section 1.03. Articles of Association of the Surviving Corporation. The Parties shall ensure that the Articles of Association of the Surviving Corporation shall be amended promptly following the Effective Time to reflect the Articles of Association of the Merger Sub (such articles, the "**Charter**"), until duly amended as provided therein or by applicable law.

Section 1.04. Approval by Board of Directors. In anticipation of this Agreement, each Party has taken all necessary and requisite corporate and other action, including without limitation, actions of the Board of Directors of such Party in order to approve this Agreement and all transactions contemplated hereby and in connection herewith. The Company and Parent shall ensure that the directors of the Company as at the date hereof shall remain in office following the Effective Time until their respective successors are duly elected and qualified or their earlier death, resignation or removal in accordance with the Charter.

Section 1.05. Conditions to Each Party's Obligations. The respective obligation of each party to effect the exchange of shares contemplated by this Agreement is subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Shareholders' Approval. This Agreement, the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents shall have been duly approved by the requisite vote of the shareholders of the Company, as required by Law and the Company's Articles of Association. "**Transaction Documents**" means this Agreement and any other agreement, exhibit or document attached or ancillary to this Agreement

(b) No Restraints. No court or other Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced (whether temporary, preliminary or permanent) any Law that is in effect and restrains, enjoins or otherwise prohibits consummation of the Merger (collectively, an "**Order**").

(c) Approval by the Israel Securities Authority ("**ISA**"). The Company shall obtain written approval by the ISA, according to which, in accordance with the terms and conditions of Section 15A of the Israeli Securities Law, 5728-1968, (i) the Merger and the issuance to each of the Israeli Company Shareholder of its applicable portion of the Aggregate Merger Consideration (as defined below) shall not be deemed an offer or a sale to the public; and (ii) no actions of enforcement shall be taken by the ISA in this respect.

(d) Certificate of Merger. The Company and Merger Sub shall have received the Certificate of Merger from the Companies Registrar.

(e) 103K/104H Tax Ruling. The 103K/104H Tax Ruling (as defined below), or an interim ruling, was duly obtained, and was duly approved by the Parent, the Merger Sub and the Company and by the respective general meetings.

(f) Investment in Parent. The Parent shall enter into a share purchase agreement with certain investors for an aggregate investment amount of at least US$ 4,000,000, at a price per share of CAD 0.15 (the "**SC SPA**"), such SC SPA to be conditioned upon and shall become effective upon Closing, provided however, that the amount under the SC SPA may be reduced by Parent if Parent determines that the Company has sufficient funds such that a lesser amount will be sufficient to meet the financial requirements of Parent for the 12 months period following Closing.

Section 1.06. Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are further subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of the Company shall be true and correct (without giving effect to any materiality qualifications) in all respects as of the date of this Agreement and at and as of the Effective Time as though made at and as of the Effective Time, except for such failures to be true and correct as would not have individually or in the aggregate a Company Material Adverse Effect (as defined below); *provided however*, that representations and warranties that are made as of a particular date or period shall be true and correct only as of such date or period except for such failures to be true and correct as would not have individually or in the aggregate a Company Material Adverse Effect.

(b) Performance of Obligations of the Company. The Company shall have performed and complied in all material respects with all obligations and covenants required to be performed by it or complied with under this Agreement and the other Transaction Documents at or prior to the Closing Date.

(c) Company Liabilities. The Company's consolidated total current liabilities shall not exceed $500,000.

(d) Company Officer Certificate. The Company shall deliver to Parent a Company Officer Certificate executed by the Company's Chief Executive Officer, in a form reasonably satisfactory to the Parent.

(e) Parent Shareholder Approval. Approval of this Agreement by the shareholders of Parent with the majority required under Multilateral Instrument 61-101 adopted by Canadian Securities Regulators.

(f) Stock Exchange Approval. Approval by the Canadian Securities Exchange.

Section 1.07. Conditions to Obligation of Company. The obligation of Company to effect the Merger is further subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent set forth in this Agreement shall be true and correct (without giving effect to any materiality qualifications) in all respects as of the date of this Agreement and at and as of the Effective Time as though made at and as of the Effective Time, except for such failures to be true and correct as would not have individually or in the aggregate a Material Adverse Effect (as defined below) on the Parent; provided however, that representations and warranties that are made as of a particular date or period shall be true and correct only as of such date or period except for such failures to be true and correct as would not have individually or in the Aggregate a Material Adverse Effect on the Parent. The term "**Material Adverse Effect**" means with respect to a Party, any event, change, violation, inaccuracy, circumstance or effect that is, or could reasonably be expected to be, individually or in the aggregate, materially adverse to the business, operations, condition (financial or otherwise), assets (tangible or intangible), liabilities, employees, prospects, properties, capitalization or results of operations of the applicable Party, taken as a whole.

(b) Shareholders' Approval. This Agreement, the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents shall have been duly approved by the Parent in its capacity as the sole shareholder of the Merger Sub, as required by Law and the Merger Sub's Articles of Association.

(c) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed and complied in all material respects with all obligations and covenants required to be performed or complied by it under this Agreement at or prior to the Closing Date.

Section 1.08. Aggregate Merger Consideration.

(a) Upon and subject to the terms and conditions of this Agreement, in connection with the Merger each Company Shareholder shall be entitled to receive shares of common stock of Parent (each, a "**Parent Common Stock**") in such amounts as set forth opposite to the name of each Company Shareholder in the consideration allocation table substantially in the form to be attached hereto as **Schedule A** (the "**Parent Stock Consideration**" and the "**Consideration Allocation Table**", respectively). Note Holders (as defined below) upon conversion are entitle to receive warrant to purchase additional Parent Common Stock at an exercise price per share of CAD $1, exercisable until August 31, 2020 (the "**Warrant**"), in such amounts as set forth opposite to the name of each Company Shareholder / Note Holder in the Consideration Allocation Table. The aggregation of the Parent Stock Consideration and of the Warrant shall be referred to as the "**Aggregate Merger Consideration**". In consideration for issuance the Aggregate Merger Consideration, at the Effective Time, Parent shall become the sole and lawful owner of all issued and outstanding Company Shares (as hereinafter defined).

(b) To the extent required under the 103K/104H Tax Ruling (as defined below), the Aggregate Merger Consideration shall be held in escrow by the Tax Trustee (as defined below), which shall hold and distribute the Aggregate Merger Consideration in accordance with the 103K/104H Tax Ruling.

Section 1.09. Exchange Procedures.

(a) As soon as reasonably practicable after the Effective Time, Parent and the Surviving Corporation shall mail (via express mail or certified courier): (i) to each Company Shareholder at the Effective Time (A) a letter of transmittal, in customary form, which shall specify that delivery of Company Shares shall be effective only upon delivery of a certificate or certificates (or affidavit with respect to lost certificate(s) in lieu thereof or with respect to such Company's Outstanding Share being a non-certificated share) which immediately prior to the Effective Time represented outstanding Company Shares (the "**Certificates**") to Parent and that risk of loss and title to the Certificates shall remain with the Company Shareholder holding such Company Shares until such delivery, and (B) instructions for effecting the surrender of such Certificates in exchange for the respective portion of the Aggregate Merger Consideration as set forth under the Consideration Allocation Table. Upon surrender of a Certificate and/or letter of transmittal (or other documentation in compliance with Section 1.09(b) hereof), as applicable, to Paying/Exchange Agent together, with respect to holders of Certificates, with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required the Parent, each Company Shareholder holding such Company Shares delivering such documents shall be entitled to receive in exchange therefor: its respective portion of the Aggregate Merger Consideration, less any required tax withholdings in accordance with Section 1.14 below, and delivered by courier or by certified or registered mail to the address specified in the applicable letter of transmittal. No later than fifteen (15) Business Days prior to the Closing, Parent shall deliver the form of letter of transmittal to the Company and prior to the Closing shall make such changes to the form as the Company shall reasonably request. For the avoidance of doubt, it is hereby clarified that no interest will be paid or will accrue on the amount payable upon the surrender of any such Certificate. The exchange procedures shall comply with such procedures as may be required by Israeli tax laws and shall permit Parent (after consultation with the Company) to require holders to provide any information as is reasonably needed to comply with the Israeli tax laws.

(b) Non-Existent or Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, or if any Company's Outstanding Share shall have been issued without a Certificate representing such Company Shares having been issued, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed or to have never been issued and, if required by Parent, an agreement, in customary form, to indemnify against any claim that may be made against the Parent or the Surviving Corporation with respect to such Certificate, Parent will deliver in exchange for such affidavit the portion of the Aggregate Merger Consideration with respect to the relevant Company Shares.

Section 1.10. Assumption of Company's Stock Options

(a) Effective as of the Closing, (i) each outstanding option to acquire Ordinary Shares of Company then outstanding, including, without limitation, Section 102 Options and Section 3(i) Options, as defined below (each, a "**Company Option**"), whether or not then exercisable (including, without limitation, any unvested Company Option), shall, without any further action on the part of any holder thereof other than the provision of an applicable waiver (to be obtained at the Closing and as a condition thereto), be terminated and cancelled and shall not be assumed by Parent, and no Company Option shall be substituted with any equivalent option or right to purchase Parent Common Stock or any other securities or Parent or any subsidiary or Affiliate of Parent. Upon cancellation thereof, no payment shall be made with respect to any Company Option

(b) For the purposes hereof, the term (i) "**Section 102 Shares**" mean ordinary shares of the Company acquired upon the exercise of Section 102 Options and held by the Section 102 Trustee or ordinary shares of the Company granted as restricted shares under Section 102 of the ITO; (ii) "**Section 102 Options**" mean Options of the Company that have been issued under Section 102 of the ITO at the capital gain track and deposited with a Section 102 Trustee pursuant to Section 102 of the ITO; and (iii) "**Section 3(i) Options**" mean Options of the Company that are granted under Section 3(i) of ITO.

Section 1.11. Conversion of Outstanding Promissory Notes and Convertible Loans.

(a) At the Closing, the aggregate principal loan amount outstanding under the convertible promissory notes and convertible loans (collectively, the "**Notes**") issued by the Company to each of the lenders listed on **Schedule B** (the "**Note Holders**") shall be automatically converted into such number of shares of Parent as set forth opposite each Note Holder's name in the Consideration Allocation Table. Upon such conversion, the Notes shall be deemed as fully repaid and Company shall have been considered to have discharged in full any and all undertakings and obligations under the Notes.

(b) At the Closing, each Note Holder shall execute an applicable statement of conversion, by which such Note Holder shall irrevocably (1) agree to surrender, on or prior to the Closing, its respective Note to the Company for conversion and cancellation and, upon Company request, to execute an instrument of cancellation, in form and substance acceptable to Company, and (2) agree that upon the conversion of the Note of such Note Holder, as contemplated by this Section 1.11, the aggregate principal loan amount outstanding under such Note and any and all interest accrued thereon shall be deemed as fully repaid and all obligations, liabilities and undertakings of the Company in favor of and/or if connection with such Note Holder under the Note shall terminate and shall be fully discharged and released, without any further action on the part of the Company or the Note Holder, and whether or not the Notes are surrendered to the Company for cancellation; (3) agree that such Note Holder shall have no further rights or remedies under, or in respect of, its respective Note and/or in respect of the aggregate principal loan amount outstanding under such Note, and such Note shall no longer be of any force or effect; and (4) such Note Holder waive any and all conditions and restrictions applying to the conversion of its respective Note and repayment of any interest accrued thereon, including, without limitation, any notice requirements therein.

Section 1.12. Conversion of Merger Sub Securities. Upon and by virtue of the Merger, Merger Sub shall cease to exist, and each issued and outstanding ordinary share of Merger Sub shall cease to be of any further force and effect.

Section 1.13. Cancellation of Treasury Shares. If and to the extent that there exists any Company Shares that is owned by the Company immediately prior to the Effective Time, such Company Shares shall automatically be cancelled at the Effective Time.

Section 1.14. Withholding Rights. The Parent shall be entitled to deduct and withhold from the Aggregate Merger Consideration (or any part thereof) as Parent in good faith determines is required to be deducted or withheld with respect to the making of such payment under the Israeli Income Tax Ordinance and the rules and regulations promulgated thereunder or under any other applicable Law, provided that Parent shall not make any deductions or withholdings, or shall make such deductions or withholdings at a reduced rate, from any consideration payable hereunder to a holder of Company Shareholder and/or to security holder of the Company, to the extent that such holder has provided Parent with a Valid Exemption or ruling issued by the Israeli Tax Authority or by any other applicate tax authority at least three (3) Business Days prior to the time such payment is made and provided that with respect to any withholding under applicable laws or regulations the Parent shall act in accordance with an applicable withholding tax ruling, if obtained. Should a tax ruling or certificate of exemption was not obtained by the Company and/or the Company Shareholders, the shareholders can request to appoint a withholding agent to hold temporarily the parent company's shares and warrants received (the payment) with accordance to the transaction until finalizing the withholding process with the proper tax authority, subject to a withholding exemption for the transfer to the withholding agent. Any amounts deducted and withheld pursuant to this Section 1.14 shall be remitted to the appropriate Tax authority in accordance with applicable Law and notice thereof shall be provided to the applicable holder. For purposes of this Agreement, a "**Valid Exemption**" means a certificate or ruling issued by the Israeli Tax Authority (the "**ITA**") or by any other applicate tax authority which is sufficient to enable the Parent, to the discretion of Parent, to establish that no withholding or reduced withholding of Israeli tax is required with respect to payment payable to the Company Shareholder under this Agreement. For the avoidance of doubt, in the absence of a Valid Exemption and/or 103K/104H Tax Ruling (or an interim ruling) (as defined below), the applicable amount to be withheld from the Aggregate Merger Consideration will be calculated and delivered to the ITA as provided above unless the ITA provides different written instructions.

Section 1.15. 103K/104H Tax Ruling. Following the execution of this Agreement and prior to the Closing Date, the Parties shall prepare and file with the ITA an application for a ruling (or an interim ruling) under Section 103K or under Section 104H of the ITO permitting certain Company Shareholder and/or other security holders of the Company specifically described in such tax ruling (each a "**Security Holder**"), to defer any applicable tax with respect to the Aggregate Merger Consideration that such Security Holder is entitled to receive pursuant to this Agreement until such date set forth in Section 103K or in Section 104H of the ITO (the "**103K/104H Tax Ruling**"). The Parties shall cooperate with respect to the preparation and filing of such application and in the preparation of any written or oral submissions that may be necessary, proper or advisable to obtain the 103K/104H Tax Ruling. If the 103K/104H Tax Ruling shall not be received and delivered to Parent at least five (5) Business Days prior to the applicable withholding date, then Parent shall act in accordance with the instruction of the interim ruling. Also, the Company's Board of Directors is authorized to appoint a Tax Trustee (the "**Tax Trustee**"), to hold the applicable portion of the Aggregate Merger Consideration with respect to each Security Holder until the 103K/104H Tax Ruling is obtained and with accordance with the 103K/104H Tax Ruling, and to distribute the Aggregate Merger Consideration in accordance with the 103K/104H Tax Ruling, and to address the Company Shareholders in order authorize BDO Israel to prepare and file the 103K/104H Tax Ruling.

ARTICLE II.

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of Parent and Merger Sub. Parent and Merger Sub hereby represent and warrants to the Company that:

(a) Incorporation. Parent is a company existing under the laws of British Colombia, Canada. Merger Sub is a company existing under the laws of the State of Israel. The Parent has all requisite power and authority (corporate and other) to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

(b) Authority to Transact. Each of the Parent and Merger Sub has the capacity and authority to execute and deliver this Agreement, to perform hereunder and to consummate the Merger. All corporate action on the part of the Parent and Merger Sub necessary for the authorization and execution of this Agreement, the consummation of the Merger and the performance of all of the Parent's and Merger Sub's obligations hereunder have been taken, or shall be taken prior to the Closing Date. This Agreement constitutes and, when signed by its duly authorized representatives, all other documents contemplated hereby will constitute, valid and legally binding obligations of Parent and Merger Sub, enforceable in accordance with their terms.

(c) No Conflict; Required Filings and Consents. The execution and delivery of this Agreement by each of Parent and Merger Sub does not, and the performance of this Agreement by each of Parent and Merger Sub shall not, (i) conflict with or violate the organizational documents of any of Parent in any material respect, or (ii) subject to receipt of required regulatory, administrative and governmental approvals, conflict with or violate any Law applicable to Parent or Merger Sub or by which it or their respective properties are bound, or (iii) conflict with, result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, require any notice or consent pursuant to any material contract to which Parent or Merger Sub is a party or by which Parent or Merger Sub or their or any of their respective properties are bound, except to the extent such conflict, violation, breach, failure to give notice or obtain consent, default, impairment rights, losses or Liens or other effect would not, in the case of clauses (ii) or (iii), reasonably be expected to prevent the consummation of the Merger.

(d) Ownership and Operations of Merger Subsidiary. Parent owns of record and beneficially owns all outstanding shares of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the transactions contemplated hereby, and has engaged in no other business or other activities or incurred any liabilities, other than as contemplated herein.

(e) Compliance with Laws. The businesses of Parent have been conducted in material compliance with all applicable Laws, licenses and authorizations, including Applicable Canadian Securities Laws. In this Agreement, "**Applicable Canadian Securities Laws**" means at any time the applicable securities laws of British Colombia, Canada and the respective rules and regulations thereunder together with all applicable published policy statements, instruments, orders, and the rules, regulations and policies of the CSE (as defined below).

(f) Capitalization. The authorized capital stock of Parent consists of unlimited amount of shares of Parent Common Stock having no par value, of which 103,243,680 shares of Parent Common Stock are issued and outstanding, and unlimited amount of shares of preferred stock having no par value, non of which are issued and outstanding ((i) and (ii) collectively, "**Parent Stock**"). As of the Closing Date, 26,975,508 shares of Parent Common Stock were reserved for future issuance pursuant to outstanding, unexercised options to purchase shares of Parent Common Stock. Each of such outstanding Parent Stock is duly and validly authorized, validly issued, fully paid, and nonassessable, has not been issued and is not owned or held in violation of any preemptive or similar right of stockholders. Except as set forth in this Section 2.01, there are no outstanding (i) shares of, or other securities or ownership interests in Parent, (ii) securities convertible into or exchangeable for Parent Stock, or (iii) options or other rights to acquire from Parent, or other obligation of Parent to issue, any Parent Stock, or other voting securities or ownership interests in, or any securities convertible into or exchangeable for, Parent Stock, or other voting securities or ownership interests in Parent.

(g) Issuance of Parent Common Stock. The Aggregate Merger Consideration and any Parent Common Stock to be issued pursuant to this Agreement, including without limitations, the Parent Stock Consideration, the Parent Common Stock issuable upon exercise of the Warrants, the Parent Options and the Parent 102 Shares have been duly authorized, and when issued, will be validly issued, fully paid and nonassessable and not subject to preemptive rights.

(h) Parent Public Documents. The Parent Public Documents were, as of their respective dates, in compliance in all material respects with all applicable Canadian Laws and did not, when filed, contain a misrepresentation (as defined under Applicable Canadian Securities Law). Parent has not filed any confidential material change report with any securities authority or regulator or any stock exchange or other self-regulatory authority, which at the date hereof remains confidential. For purposes of this Agreement, the term "**Parent Public Documents**" means documents filed by Parent with Securities Regulators including the Canadian Securities Exchange.

(i) Canadian Reporting Issuer Status. Parent: (i) is a reporting issuer not in default or the equivalent thereof under the securities legislation of British Columbia and Ontario, Canada,

(ii) is not subject to any cease trade order or stop order under Applicable Canadian Securities Laws and (iii) is current with all material filings required to be made under Applicable Canadian Securities Laws. The outstanding Parent Common Shares are listed on the Canadian Stock Exchange ("**CSE**").

(j) Financial Statements. The financial statements of Parent forming part of Parent Public Documents have been prepared in accordance with Canadian GAAP consistently applied. Such statements present fairly, in all material respects, the consolidated financial condition and results of operations of Parent as of the respective dates thereof and for the respective periods covered thereby applied on a basis consistent with the immediately prior period and throughout the periods indicated (except as may be indicated expressly in the notes thereto).

(k) Litigation. There are no actions, suits, proceedings or investigations commenced or threatened, or to the knowledge of Parent, contemplated, against or affecting Parent which involve the possibility of any judgment or liability which could reasonably be expected to have a Material Adverse Effect on Parent.

(l) Consents. No consent, approval, Order or authorization of, or declaration or filing with, any regulatory authority in Canada is required to be obtained by Parent in connection with the execution and delivery of this Agreement or the consummation by Parent of the Merger other than (i) filings to be made by Parent in accordance with Applicable Canadian Securities Laws, and (ii) the conditional approval of the CSE to list the Parent Common Shares issuable pursuant to the Merger and this Agreement.

Section 2.02. Representations and Warranties of the Company. The Company hereby represents and warrants to Parent that the statements contained in this Section 2.02 are true and correct as of the Closing Date (in each case, except as otherwise indicated), subject to any exceptions set forth in the disclosure schedule delivered by the Company to Parent concurrently with the execution of this Agreement (the "**Company Disclosure Schedule**") which exceptions shall be deemed to be part of the representations and warranties made hereunder. The Company Disclosure Schedule shall be arranged according to the specific sections in this Section 2.02 and shall provide exceptions to, or otherwise qualify in reasonable detail, the corresponding section in this Section 2.02 and any other section hereof where it is readily apparent on the face of such disclosure (without reference to the documents referenced therein) that it applies to such other representations and warranties.

(a) Except as set forth in Section (a) to the Company Disclosure Schedule, the Company has no subsidiaries or affiliated corporation or owns any interest in any other enterprise (whether or not such enterprise is a corporation). The Company has been duly organized and is validly existing as a private company under the laws of the State of Israel, with full corporate power and authority to own, lease and operate its respective properties and conduct its respective business as conducted on the date hereof; the Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on its business, condition (financial or otherwise), and results of operations of the Company taken as a whole ("**Company Material Adverse Effect**"). To the Company's knowledge, no proceeding has been instituted in any such jurisdiction, revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification;; the Company is not in violation of its articles of association or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any material bond, debenture, note or other evidence of indebtedness, or in any material lease, contract, indenture, mortgage, deed of trust, loan agreement, joint venture or other agreement or instrument to which it is a party or by which it or its properties or assets may be bound, which violation or default would have a Company Material Adverse Effect; and, to its knowledge, the Company is not in violation of any law, order, rule, regulation, writ, injunction, judgment or decree of any court, government or governmental agency or body, domestic or foreign, having jurisdiction over the Company or any subsidiary thereof or over its properties or assets, which violation would have a Company Material Adverse Effect.

(b) The Company has all requisite power and authority to execute, deliver, and perform this Agreement. All necessary corporate proceedings of the Company have been duly taken to authorize the execution, delivery, and performance of this Agreement on the part of the Company thereby. This Agreement has been duly authorized, executed, and delivered by the Company, constitutes the legal, valid, and binding obligation of the Company, and is enforceable as to the Company in accordance with its terms, except as such obligations and enforceability may be limited by applicable bankruptcy and other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies is subject to the discretion of the court before which any proceeding therefor may be brought (whether in law or in equity). Except as otherwise set forth in this Agreement or in Section 2.02(b) of the Company Disclosure Schedule, no consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local, or other governmental authority or any court or other tribunal is required by the Company for the execution, delivery, or performance of this Agreement thereby, other than as may be required under applicable securities laws or filings with the Israeli Registrar of Companies of certain notices in connection with the aforesaid transactions to be effected following the Closing. No consent of any party to any material contract, agreement, instrument, lease, license, arrangement, or understanding to which the Company is a party, or to which its or any of its respective businesses, properties, or assets are subject, is required for the execution, delivery, or performance of this Agreement by the Company, which consent has not heretofore been obtained or shall be obtained prior to Closing; and the execution, delivery, and performance of this Agreement by the Company will not violate, result in a breach of, conflict with, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under, entitle any party to receive rights or privileges that such party was not entitled to receive immediately before this Agreement was executed under, or create any obligation on the part of the Company to which it was not subject immediately before this Agreement was executed under, any term of any such material contract, agreement, instrument, lease, license, arrangement, or understanding, or violate or result in a breach of any term of the articles of association of the Company or (if the provisions of this Agreement are satisfied) violate, result in a breach of, or conflict with any law, rule, regulation, order, judgment, decree, injunction, or writ of any court, government or governmental agency or body, domestic or foreign, having jurisdiction over the Company or over its properties or assets.

(c) There is not any pending or, to the Company's knowledge, threatened, action, suit, written claim or proceeding against the Company, or any of the Company's current or past officers or any of the respective properties, assets of the Company, before any court, government or governmental agency or body, domestic or foreign, having jurisdiction over the Company or over the Company's current or past officers or the properties of the Company, or otherwise that (i) is reasonably likely to result in any Company Material Adverse Effect or might materially and adversely affect its properties, assets or rights taken as a whole, or (ii) might prevent consummation of the transactions contemplated by this Agreement.

(d) The authorized capital stock of the Company consists of (i) 50,000,000 ordinary shares, par value NIS0.01 per share ("**Company Ordinary Shares**"), of which 9,431,638 Company Ordinary Shares are outstanding; (ii) One (1) Ordinary A Share, par value NIS 0.01 per share which is outstanding; (iii) 4,007,000 Preferred A-1 Shares, par value NIS 0.01 per share, of which 4,006,540 are outstanding; and (iv) 2,500,000 Preferred A-2 Shares, par value NIS 0.01 per share of which 2,227,043 are outstanding. Each of such outstanding Company shares is duly and validly authorized, validly issued, fully paid, and nonassessable, has not been issued and is not owned or held in violation of any preemptive or similar right of the stockholders of the Company (items (i)-(iv) – the "**Company Shares**"). Except as disclosed in Section 2.02(c) of the Company Disclosure Schedule, (i) there is no commitment, plan, or arrangement to issue, and no outstanding option, warrant, or other right calling for the issuance of, any share of capital stock of, or any security or other instrument convertible into, exercisable for, or exchangeable for capital stock of the Company, and (ii) there is outstanding no security or other instrument convertible into or exchangeable for capital stock of the Company. Except as disclosed in Section 2.02(c) to the Company Disclosure Schedule, the Company has no stock option, stock bonus and other stock plans or arrangements.

(e) True and complete copies of the audited consolidated balance sheets and income statements of the Company as of December 31, 2018 the unaudited reviewed and the unaudited review consolidated balance sheet and income statement as of September 30, 2019 (the "**Company Financial Statements**"), are attached as Section 2.02(e) of the Company Disclosure Schedule. The Company Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") applied on a consistent basis throughout the periods indicated and each present fairly, in all material respects, the consolidated financial position of the Company as at the respective dates thereof and for the respective periods indicated therein, except as otherwise noted therein), and except as may otherwise have been disclosed in the notes to the Company Financial Statements, since 2007:

(i) There has at no time been a material adverse change in the financial condition, results of operations, businesses, properties, assets, or liabilities of the Company.

(ii) the Company has not authorized, declared, paid, or effected any dividend or liquidating or other distribution in respect of its capital stock or any direct or indirect redemption, purchase, or other acquisition of any stock of the Company.

(iii) The operations and businesses of the Company have been conducted in all material respects only in the ordinary course, except as described in the Company Disclosure Schedule.

(iv) There has not been any transaction committed to or consummated that is material to the Company, except such obligations as have been incurred in the ordinary course of business and expect as disclosed in the Company Disclosure Schedule.

(v) There has not been any change in the capital stock or outstanding indebtedness of the Company that is material to the Company, expect as disclosed in the Company Disclosure Schedule.

(vi) There has not been any loss or damage (whether or not insured) to the property of the Company which has a Company Material Adverse Effect.

Other than a "*going concern*" qualification in the report of the auditors with respect to the financial statements of the Company, there is no fact known to the Company which materially adversely affects the financial condition, results of operations, businesses, properties, assets or liabilities of the Company; provided, however, that the Company expresses no opinion as to political or economic matters of general applicability.

(f) Except as set forth in Section 2.02(f) of the Company Disclosure Schedule, the Company has not incurred any liability, direct or indirect, for finders' or similar fees on behalf of or payable by the Company in connection with the transactions contemplated hereby.

(g) Except as set forth in Section 2.02(g) of the Company Disclosure Schedule, no Company Shareholder has any right to request or require the Company to register the sale of any shares owned by such Company Shareholder under any registration statement.

(h) Except as set forth in Section 2.02(h) of the Company Disclosure Schedule, the Company does not own any legal or equitable interest in any real property. The properties and assets owned by the Company or leased or licensed by the Company from a third party constitute all such properties and assets which are necessary, in all material respects, for the conduct of the Company's business, as presently conducted.

(i) Section 2.02(i) of the Company Disclosure Schedule contains a list of all active agreements to which the Company is a party which are material (each, a "**Material Agreement**"). The Company has made available to the Parent: (i) the articles of association of the Company and all amendments thereto, as presently in effect and (ii) the following: (A) copies of all Material Agreements referred to in Section 2.02(i) to the Company Disclosure Schedule; and (B) copies of all material leases and licenses referred to in the Company Disclosure Schedule. Section 2.02(i) to the Company Disclosure Schedule contains a list of all employment agreement with any employee of the Company (the "**Company Employment Agreements**"). To the Company's knowledge, neither the Company nor any other party to any such Material Agreement is now in material violation or material breach of, or in default with respect to complying with, any material term thereof, and each such Material Agreement is in full force and is, to the Company's knowledge, the legal, valid, and binding obligation of the parties thereto and subject to applicable bankruptcy, insolvency, and other laws affecting the enforceability of creditors' rights generally is enforceable as to them in accordance with its terms. Neither the Company nor any other party to any such Material Agreements has given written notice of termination or, to the knowledge of the Company, taken any action inconsistent with the continuance of such Material Agreement.

(j) The Company has no monetary liability of any nature, accrued or contingent, including, without limitation, liabilities for Taxes (as defined below) or liabilities to customers or suppliers, other than (i) as set forth in Section 2.02(j) to the Company Disclosure Schedule; (ii) as set forth in the Company Financial Statements; (iii) liabilities incurred in the ordinary course of business subsequent to the date of the Company Financial Statements; (iv) liabilities that are not material individually or in the aggregate, or (v) liabilities or obligations under contracts and commitments incurred in the ordinary course of business. Without limiting the generality of the foregoing, the amounts set up as provisions for Taxes, if any, in the Company Financial Statements are sufficient for all accrued and unpaid Taxes of the Company, which are due and payable as of the Closing Date under applicable tax laws. The execution, delivery, and performance of this Agreement by the Company will not cause any Taxes to be payable by the Company or cause any lien, charge, or encumbrance to secure any Taxes payable by the Company to be created either immediately or upon the nonpayment of any Taxes by the Company. The Company has filed all applicable tax returns required to be filed by it; has made available to the Parent a copy of each such return which was filed in the past five years; has paid (or has established on the last balance sheet included in the Financial Statements a reserve for) all Taxes, and other governmental charges payable or remittable by it or levied upon it or its properties, assets, income, or franchises which are due and payable as of the Closing Date; and has made available to the Parent a copy of any report as to adjustments received by it from any taxing authority during the past five years and a statement as to any litigation, governmental or other proceeding (formal or informal), or investigation pending, threatened, or in prospect with respect to any such report or the subject matter of such report. The Company has paid all taxes payable thereby due on or prior to the date hereof. In this Agreement, “**Tax**” or “**Taxes**” shall mean (i) any federal, state, local or municipal or other tax in any jurisdiction (including any corporate tax, income tax, franchise tax, capital gains tax, value-added tax, estimated tax, unemployment tax, national health insurance payment, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, profits tax, alternative minimum tax, environmental tax, capital stock tax, severance tax, occupation tax, windfall profits tax, social security payment, national insurance payment, health tax, disability tax, withholding tax or payroll tax), levy, assessment, tariff, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, penalty, interest or inflation linkage), imposed, assessed or collected by or under the authority of any governmental authority; and (ii) any transferee liability in respect of any items described in the foregoing clause (i).

(k) Except as disclosed in Section 2.02(k) of the Company Disclosure Schedule, the Company does not have any insurance policies in effect; the Company has at no time been refused any insurance coverage sought or applied for.

(l) No labor disturbance by the employees of the Company exists or, to the Company’s knowledge, is imminent. No collective bargaining agreement exists with any of the Company’s employees and, to the Company’s knowledge, no such agreement is imminent. The Company does not have, or contribute to, and has never maintained or contributed to, any pension, profit-sharing, option, other incentive plan, or any other type of any applicable Israeli employee benefit plan, except as required under applicable law or pursuant to the Company

Employment Agreements or as set forth in Section 2.02(l) to the Company Disclosure Schedule. There are no outstanding loans or advances made by the Company to, or for the benefit of, any of the officers, directors, or employees of the Company or any of the members of the families of any of them, except as disclosed in Section 2.02(l) to the Company Disclosure Schedule.

ARTICLE III
COVENANTS

Section 3.01. Interim Operations. The Company covenants and agrees as to itself and its Subsidiaries that after the date hereof and until the earlier of the termination of this Agreement pursuant to its terms or the Effective Time (unless otherwise approved in writing by Parent and except as otherwise expressly contemplated by this Agreement, the "**Interim Period**"), the business of the Company shall be conducted in the ordinary and usual course and in accordance with past practices and, to the extent consistent therewith, the Company shall use their respective best efforts to pay or perform their obligations when due, preserve their business organizations intact and maintain existing relations and goodwill with governmental authorities, customers, suppliers, distributors, creditors, lessors, employees, independent contractors and business associates and keep available the services of the Company's present employees and agents. The foregoing notwithstanding, if the operations of the Company during the Interim Period the shall require additional funding, the Company may raise an aggregate amount of US$500,000 by means of a convertible loan, and in such event, the Consideration Allocation Table shall be adjusted accordingly.

Section 3.02. Financial Data. As from the date hereof and until the Closing Date, the Company shall provide Parent with monthly management reports by no later than 10 (ten) business days from the end of each calendar month for the preceding month. In addition, Company agrees to comply with the provisions of Section 6 of the Companies Regulations (Merger), 5760–2000, including without limitation, obtaining written consent from the Company's auditor to include its opinion regarding the Company's financial status in the Merger Proposal.

Section 3.03. Merger Proposal.

(a) Promptly after the execution and delivery of this Agreement but no later than two (2) Business Days thereafter: (a) each of the Company and Merger Sub shall cause a merger proposal (in the Hebrew language) in a form reasonably agreed upon by the Parties (the "**Merger Proposal**") to be executed in accordance with Section 316 of the Companies Law; and (b) each of the Company and Merger Sub shall deliver the Merger Proposal to the Companies Registrar in accordance with the provisions of Section 317(a) of the Companies Law. The Company shall cause a copy of the Merger Proposal to be delivered to each of its secured creditors, if any, no later than three (3) days after the date on which the Merger Proposal is delivered to the Companies Registrar, and shall promptly inform its non-secured creditors of the Merger Proposal and its contents in accordance with the provisions of Section 318 of the Companies Law and the regulations promulgated thereunder. Promptly after the Company complies with the preceding sentence, the Company and Merger Sub shall inform the Companies Registrar, in accordance with the provisions of Section 317(b) of the Companies Law, that notice was given to their creditors under Section 318 of the Companies Law and the regulations promulgated thereunder.

(b) Promptly after the execution and delivery of this Agreement, but no later than two (2) Business Days thereafter, each of the Company and Merger Sub shall take all actions necessary under any applicable Law to call (promptly after the execution and delivery of this Agreement), give notice of and hold a meeting and/or class meetings (as applicable) of the general meeting of the Company and Merger Sub, as applicable, to vote on the approval of this Agreement, the Merger and the other transactions contemplated hereunder or ancillary thereto. Subject to the notice requirements of the Companies Law and the applicable Charters, the meeting and/or class meetings (as applicable) of the shareholders of the Company shall be held as promptly as practicable after the date of this Agreement. Parent (as the sole shareholder of Merger Sub) shall adopt a resolution in writing to approve the Agreement, the Merger and the other transactions contemplated hereby. Within three (3) days after the approval of the Merger by the general meeting of the Company and Merger Sub, each of the Company and Merger Sub shall deliver to the Companies Registrar its shareholders approval notice in accordance with the provisions of Section 317(b) of the Companies Law informing the Companies Registrar that the Merger was approved by the shareholders of the Company (or Merger Sub, as applicable) at the meeting and/or class meetings of the general meeting of the Company (or Merger Sub, as applicable).

Section 3.04. Other Actions. Subject to the terms and conditions set forth in this Agreement, the Company, Parent and Merger Sub shall cooperate with each other and use (and shall cause their respective Subsidiaries to use) their respective reasonable commercial efforts to take or cause to be taken all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under this Agreement and the applicable Laws to consummate and make effective the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Merger or any of the other transactions contemplated by this Agreement and the other Transaction Documents.

Section 3.05. Publicity. The initial press release regarding the Merger shall be a joint press release by the Parties and thereafter the Company and Parent shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents and prior to making any filings with any third party and/or any Governmental Entity with respect thereto, except as may be required by Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange or by the request of any Governmental Entity (in which case reasonable efforts to consult with the other Party will be made prior to any such release or public statement).

Section 3.06. Expenses. Subject to Section 4.01(e) below, whether or not the Merger is consummated, all fees and expenses incurred in connection with the Merger or any of the Transaction Documents or, to the extent such fees or expenses are incurred before the Closing, including all legal, accounting, financial advisory, consulting and all other fees and expenses of incurred by a Party in connection with the negotiation or effectuation of the terms and conditions of this Agreement, any Transaction Documents, or the transactions contemplated hereby or by any Transaction Documents, including any payments made or anticipated to be made by the Company as a brokerage or finders' fee, agents' commission or any similar charge, shall be borne on Parent.

Section 3.07. Regulatory Filings. Each of the Company and Parent shall cause all documents that it is responsible for filing with any Governmental Entity required under applicable Law, to comply as to form and substance in all material respects with the applicable Law. Whenever any event occurs which is required to be set forth in an amendment or supplement to any such document or filing, the Company or Parent, as the case may be, shall promptly inform the other Party of such occurrence and cooperate in filing with the applicable Governmental Entity, such amendment or supplement.

Section 3.08. Insurance. The Company will use reasonable best efforts to maintain in force at the Effective Time policies of insurance of the same character and coverage as those disclosed in writing by the Company to the Parent, and the Company will promptly notify Parent in writing of any changes in such insurance coverage occurring prior to the Effective Time.

Section 3.09. Indemnification of Directors and Officers. From and after the Effective Time, the Parent shall, to the fullest extent permitted by Law, cause the Surviving Corporation, for a period of seven years from the Effective Time, to honor all of the Company's obligations to indemnify and hold harmless each present and former director and officer of the Company against any costs or expenses (including attorneys' fees), judgments, fines, losses, claims, damages, liabilities or amounts paid in settlement incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time. The Company shall, prior to the Effective Time, be entitled to purchase an extended reporting period endorsement under the Company's existing directors' and officers' liability insurance coverage that (a) has an effective term of seven years from the Effective Time, (b) covers those persons who are currently covered by the Company's existing directors' and officers' liability insurance policy as in effect on the date hereof for actions and omissions occurring on or prior to the Effective Time and (c) contains coverage in amount not less than the Company's existing coverage.

Section 3.10. Employment Agreements. Each of the Persons listed in **Schedule C** shall have entered into an Amendment to Employment Agreement with the Company, in those forms which are enclosed herewith as Closing deliverables.

Section 3.11. Adoption of New Signatory Rights. Immediately prior to the Closing, the Company shall adopt new signatory rights as shall be provided by the Parent at least three (3) Business Days prior to the Closing, which signatory rights shall become effective upon Closing.

ARTICLE IV
MISCELLANEOUS

Section 4.01. Termination.

(a) Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after the approval by the general meeting of the Company, by mutual written consent of the Company and Parent.

(b) Termination by Either Parent or the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by either Parent or the Company if (i) the Merger shall not have been consummated by March 31, 2020 (the "**Termination Date**") , or (ii) any Order permanently restraining, enjoining or otherwise prohibiting consummation of the Merger shall become final and non-appealable; provided, that the right to terminate this Agreement pursuant to clause (i) of this Section 4.01 shall not be available to any Party whose failure to fulfill any obligation under this Agreement, has been the cause of, or results in, the failure of the Merger to be consummated by such time.

(c) Termination by Parent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by Parent if any of the conditions to Closing in Section 1.06 are incapable of being satisfied on or before the Termination Date;

(d) Termination by the Company. This Agreement may be terminated and the Merger may be abandoned by the Company at any time prior to the Effective Time, if any of the conditions to Closing in Section 1.07 are incapable of being satisfied on or before the Termination Date.

(e) Effect of Termination and Abandonment. In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Section 4.01, this Agreement shall become void and of no effect (except for this Section 4.01) with no liability to any Person on the part of any Party hereto (or of any of its representatives or affiliates); provided however, and notwithstanding anything in the foregoing to the contrary, that except as otherwise provided herein, no such termination shall relieve any Party hereto of any liability or damages to the other Party hereto resulting from any material breach of this Agreement.

Section 4.02. Modification or Amendment. Subject to any limitations under applicable Law, at any time prior to the Effective Time, this Agreement may be amended, modified or supplemented in writing by the Parties hereto.

Section 4.03. Waiver of Conditions. The conditions to each of the Parties' obligations to consummate the Merger are for the sole benefit of such Party and may be waived by such Party in whole or in part to the extent permitted by applicable Law.

Section 4.04. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile of by any electronic delivery (including, without limitation, in pdf or other scan format) shall be sufficient to bind the parties to the terms and conditions of this Agreement.

Section 4.05. Governing Law and Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Israel, without regard to conflict of laws principles thereof. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this letter may be brought against any of the Parties exclusively in the District Court of Tel Aviv, and each of the Parties consents to the exclusive jurisdiction of such courts in any such action or proceeding and waives any objection to venue laid therein.

Section 4.06. Notices. Any notice, request, instruction or other document to be given hereunder by any Party to the others shall be in writing and delivered by courier or sent by registered or certified mail, postage prepaid, or by facsimile or confirmed email:

if to Parent or Merger Sub:
Canna-V-Cell Sciences Inc.

Two Bentall Centre, 555 Burrard St., Suite 1085
Vancouver, BC V7X 1M8
Canada
Tel: 604-622-1186
Fax: 604-685-9182
Email: david.ryan@hotmail.ca
Attn.: Dave Ryan

with a copy (which shall not constitute notice) to:

O'Neill Law LLP
704 – 595 Howe Street
Vancouver, BC V6C 2T5 Canada
Attention: Stephen F.X. O'Neill
Telephone: 604-687-5792

if to the Company:

BioHarvest Ltd.
3 Pakris St.
Rehovot, Israel
Tel: +972-72-2221910
Fax: +972-72-2221909
Email: zaki@bioharvest.com
Attn.: Zaki Rakib

with a copy (which shall not constitute notice) to:

H-F & Co. Law Offices
20 Lincoln St., 7th Floor
Tel Aviv, Israel
E-mail: Nitzan@h-f.co; Yuval@h-f.co, Raz@h-f.co
Facsimile No.: 972-3-7944878
Attention: Nitzan Hirsch-Falk; Yuval Oren; Raz Ofer.

or to such other Persons or addresses as may be designated in writing by the Party to receive such notice as provided above. Any notice, request, instruction or other document given as provided above shall be deemed given to the receiving Party upon actual receipt, if delivered personally; three (3) business days after deposit in the mail, if sent by registered or certified mail; upon confirmation of successful transmission if sent by facsimile or email (provided that if given by facsimile or email such notice shall be confirmed by return fax or return email or, alternatively, such request, instruction or other document shall be followed up within one (1) business day by dispatch pursuant to one of the other methods described herein); or on the next business day after deposit with an overnight courier, if sent by an overnight courier.

Section 4.07. Entire Agreement. This Agreement and any other Transaction Documents (including any exhibits, annexes and schedules), constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof.

Section 4.08. No Third Party Beneficiaries. The Parties hereto hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other Parties hereto, in accordance with and subject to the terms of this Agreement and this Agreement is not intended to, and does not, confer upon any Person other than the Parties hereto any rights or remedies hereunder, including, without limitation, the right to rely upon the representations and warranties set forth herein. The representations and warranties in this Agreement are the product of negotiations among the Parties hereto and are for the sole benefit of the Parties hereto. Any inaccuracies in such representations and warranties are subject to waiver by the Parties hereto in accordance with this Agreement without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the Parties hereto of risks associated with particular matters regardless of the knowledge of any of the Parties hereto. Consequently, Persons other than the Parties hereto may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

Section 4.09. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 4.10. Headings. The Article and Section headings are provided herein for convenience of reference only and do not constitute a part of this Agreement and will not be deemed to limit or otherwise affect any of the provisions hereof.

Section 4.11. Assignability. This Agreement shall not be assignable by operation of law or otherwise without the prior written approval of the other Parties. Any purported assignment in violation of this Agreement is void. Subject to the proceeding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by, the Parties and their respective successors and assigns.

Section 4.12. Joint Drafting. The Parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

Section 4.13. Delays or Omissions; Waiver. The rights of a Party may be waived by such Party only in writing and specifically; the conduct of any one of the Parties shall not be deemed a waiver of any of its rights pursuant to this Agreement or as a waiver or consent on its part as to any breach or failure to meet any of the terms of this Agreement or as an amendment hereto. A waiver by a Party in respect of a breach by the other Party of its obligations shall not be construed as a justification or excuse for a further breach of its obligations. No delay or omission to exercise any right, power, or remedy accruing to any Party hereto upon any breach or default by the other under this Agreement shall impair any such right or remedy nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein or in any similar breach or default thereafter occurring.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in a manner legally binding upon them as of the date first above written.

[PARENT]

By

Name: David Ryan.

Title: Director.

[MERGER SUB]

By______________________________

Name:

Title:

BIOHARVEST LTD.

By ______________________________

Name: Arik Lukach

Title: Director

BIOHARVEST LTD.

By ______________________________

Name: Sharon Levy

Title: Director

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in a manner legally binding upon them as of the date first above written.

[PARENT]

By
Name:
Title:

[MERGER SUB]

By________________________________
Name: Vivien Rakib
Title: Board Member

BIOHARVEST LTD.

By ________________________________
Name: Arik Lukach
Title: Director

BIOHARVEST LTD.

By ________________________________
Name: Sharon Levy
Title: Director

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in a manner legally binding upon them as of the date first above written.

[PARENT]

By
Name:
Title:

[MERGER SUB]

By______________________________
Name:
Title:

BIOHARVEST LTD.

By ______________________________
Name: Arik Lukach
Title: Director

BIOHARVEST LTD.

By ______________________________
Name: Sharon Levy
Title: Director

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in a manner legally binding upon them as of the date first above written.

[PARENT]

By
Name:
Title:

[MERGER SUB]

By__________________________________
Name:
Title:

BIOHARVEST LTD.

By __________________________________
Name: Arik Lukach
Title: Director

BIOHARVEST LTD.

By __________________________________
Name: Sharon Levy
Title: Director

SCHEDULE A
CONSIDERATION ALLOCATION TABLE

Shareholder Name	% of holdings in CNVC following merger	Number of CNVC's shares
Vivien Rakib	37.69%	133,477,346
Azuri Einachi	0.11%	379,052
Dalia Tricot	0.13%	475,539
Ariella Tricot	0.13%	475,539
Rita Nissim	0.13%	475,539
Edna&Nissim Triko	0.43%	1,539,902
Yehiel Munchin	0.23%	812,521
Einat Shnider	0.65%	2,315,665
Richared Kafton	0.74%	2,632,013
Stephen Franklin	0.37%	1,316,006
Henry Shoaht	0.56%	1,974,010
Asiv (Lerner)	1.64%	5,808,427
Tsuri company	0.18%	621,470
Everheart Company	2.45%	8,667,495
Greensoil Investments Fund I, L.P.	6.87%	24,343,407
Greensoil Investments Annex Fund I, L.	7.15%	25,307,637
Arik Lukach	2.03%	7,186,801
Yehuda Nir	3.15%	11,161,703
Pinhas Schapira	1.84%	6,503,139
Israel Rosenthal	1.39%	4,910,641
Shaar Yeshuv Ben Baruch	0.24%	834,755
Meir Heth	1.13%	4,006,505
Timor Yaacov	0.34%	1,201,845
Shlomo Tiran	0.29%	1,024,733
Yosef Dotan	0.97%	3,439,159
Adi Cohen	0.18%	629,366
Reuven Adler	0.40%	1,404,166
Eyal Chomski	0.50%	1,760,950
Gabi Ravid	0.23%	817,312
Daniel Silbiger	0.15%	514,899
Carim Holdings Corporation	0.22%	765,150
Mor Swiel	0.01%	30,386
Esther Fisher	0.02%	79,829
Nachum Friedman	0.38%	1,340,907
Sofie Shemer	0.05%	190,696
Tzili Zik	0.09%	302,084
Lazar Fruchter	0.42%	1,492,496
BTG Pactual	0.07%	259,163
Ailon Michaely	0.02%	66,679
Yunsen Ltd.	0.06%	208,941
Yochi Hagay*	0.31%	1,109,580
Eli Mor	0.08%	272,885
Ilana Belzer	0.01%	19,113
NRS	1.36%	4,816,584
SDA	0.20%	713,568
Highline Research Advisors	0.02%	84,692
Peter Fox	1.13%	4,013,820
Viva Enterpries Ltd.	1.13%	4,013,820
Hans Arusi (leverege)	0.17%	602,073
David Aharon	0.11%	401,382
Sasson Somech	0.11%	401,382
Alan&Orly Katan family trust	0.11%	401,382
Mayer Atar	0.11%	401,382
Eitan Popper	1.12%	3,977,073
New investors CL 9	5.39%	17,217,391
Total	**85.02%**	**299,200,000**

SCHEDULE B

NOTE HOLDERS

Shareholder Name	CNVC warrants to be issued to debt holders	% of holdings in CNVC following merger	Total number of CNVC's shares for all BioHarvest's convertible loans
Vivien Rakib	20,875,117	35.18%	124,566,367
Azuri Einachi	37,367	0.09%	334,313
Dalia Tricot	36,190	0.09%	323,781
Ariella Tricot	36,190	0.09%	323,781
Rita Nissim	36,190	0.09%	323,781
Edna&Nissim Triko	174,602	0.43%	1,539,902
Yehiel Munchin	92,128	0.23%	812,521
Einat Shnider	262,562	0.65%	2,315,665
Richared Kafton	251,484	0.74%	2,632,013
Stephen Franklin	125,742	0.37%	1,316,006
Henry Shoaht	188,613	0.56%	1,974,010
Asiv (Lerner)	652,710	1.64%	5,808,427
Everheart Company	3,064,063	1.92%	6,803,084
Greensoil Investments Fund I, L.P.	1,937,297	4.89%	17,332,381
Greensoil Investments Annex Fund I, L.P.	4,012,033	7.15%	25,307,637
Arik Lukach	1,395,512	1.90%	6,726,298
Yehuda Nir	1,421,576	2.95%	10,450,307
Pinhas Schapira	946,994	1.72%	6,108,129
Israel Rosenthal	738,786	1.28%	4,515,630
Shaar Yeshuv Ben Baruch	79,107	0.20%	701,333
Meir Heth	455,985	0.99%	3,505,638
Timor Yaacov	141,721	0.29%	1,022,332
Shlomo Tiran	88,094	0.22%	776,197
Yosef Dotan	555,001	0.91%	3,215,022
Adi Cohen	74,217	0.15%	535,377
Reuven Adler	133,069	0.33%	1,179,735
Eyal Chomski	173,662	0.43%	1,536,519
Gabi Ravid	80,705	0.20%	717,229
Daniel Silbiger	46,577	0.12%	414,816
Carim Holdings Corporation	70,843	0.18%	627,171
Esther Fisher	6,834	0.02%	60,777
Nachum Friedman	129,692	0.33%	1,151,176
Sofie Shemer	16,237	0.04%	142,714
Tzili Zik	28,636	0.07%	253,871
Lazar Fruchter	113,584	0.29%	1,016,204
Yunsen Ltd.	15,901	0.04%	142,261
Yochi Hagay	2,136	0.01%	19,113
Eli Mor	2,136	0.01%	19,113
Ilana Belzer	2,136	0.01%	19,113
NRS	548,010	1.36%	4,816,584
SDA	81,187	0.20%	713,568
Eitan Popper	450,852	1.12%	3,977,073
New investors CL 9	-	4.86%	17,217,391
Total	**39,581,480**	**74.35%**	(*) **263,294,360**

(*) These shares are included in Schedule A

SCHEDULE "C" FINANCIAL STATEMENTS OF CANNA-V

Canna-V-Cell Sciences Inc.

(Formerly Midnight Star Ventures Corp.)

Consolidated Financial Statements
April 30, 2019 And 2018
(U.S. dollars in thousands)

CANNA-V-CELL SCIENCES INC.
(Formerly Midnight Star Ventures Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2019 AND 2018

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Independent Auditors' Report
To the Shareholders of Canna-V-Cell Sciences Inc.
(Formerly Midnight Star Ventures Corp.)

We have audited the accompanying consolidated financial statements of Canna-V-Cell Sciences Inc. (Formerly Midnight Star Ventures Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2019, and its related consolidated statements of comprehensive income, changes in equity and cash flows for year ended April 30, 2019, and notes to the financial statements, including a summary of significant accounting policies.

The financial statements for the year ended April 30, 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on January 18, 2019.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019, and 2018 of its financial performance and its cash flows for year ended April 30, 2019 and for the period from inception (February 26, 2018) to April 30, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1C in the consolidated financial statements, which indicates that the Entity incurred losses from operations since its inception, and as of April 30, 2019, the Company has an accumulated deficit of approximately US $5,140 thousands, As stated in Note 1C, these events or conditions, along with other matters as set forth in Note 1C, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Tomer Fromovich.

Tel-Aviv, Israel	"Ziv Haft"
August 28, 2019	Certified Public Accountants (Isr.)
	BDO Member Firm

Canna-V-Cell Sciences Inc. (Formerly Midnight Star Ventures Corp.)
Consolidated Statement of Financial Position
For the Years Ended April 30, 2019 and 2018
U.S. dollars in thousands

	Note	April 30, 2019	April 30, 2018
Assets			
Current			
Cash and cash equivalents		$ **532**	$ -
Prepaid expenses		**336**	-
Total current assets		**868**	-
Non-current			
License	4	**4,757**	-
Total non-current assets		**4,757**	-
Total assets		$ **5,625**	$ -
Liabilities			
Current			
Accounts payable and accrued liabilities		$ **27**	$ 4
Total current liabilities		**27**	4
Non-current liabilities			
Derivative liability - Warrants	5	**1,291**	-
Related parties	1A	**590**	-
Total non-current liabilities		**1,881**	-
Shareholders' equity	9		
Share capital		**8,857**	1
Accumulated deficit		**(5,140)**	(5)
Total Shareholders' equity		**3,717**	(4)
Total Liabilities and Shareholders' equity		$ **5,625**	$ -

August 28, 2019	"Zaki Rakib"	"David Ryan"
Date of approval of the financial statements	Director	President

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income (Loss)

U.S. dollars in thousands, except per share data

	Note	Year ended April 30, 2019	Period from inception (February 26, 2018) to April 30, 2018
Operating expenses			
Research and development		$ **1,100**	$ -
Listing expenses	1B	**2,732**	-
General and administrative		**523**	5
Total operating expenses		**4,355**	5
Loss from operations		**(4,355)**	(5)
Finance expenses		**(780)**	-
Net loss and comprehensive loss		$ **(5,135)**	$)5(
Basic loss per share		$ **)0.09(**	$)0.05(

The accompanying notes are an integral part of the consolidated financial statements.

Canna-V-Cell Sciences Inc. (Formerly Midnight Star Ventures Corp.)

Consolidated Statement of Changes in shareholders' equity (See note 1C)

U.S. dollars in thousands, except number of shares

	Note	Share capital Number	Share capital Amount	Accumulated deficit	Total
Balance, February 26, 2018 (Inception)		-	$ -	$ -	$ -
Issuance of shares		100,000	1	-	1
Comprehensive loss for the year		-	-	(5)	(5)
Balance, April 30, 2018		100,000	$ 1	$ (5)	$ (4)
Issuance of shares to BioHarvest in respect of license agreement	1A	900,000	4,234	-	4,234
Issuance of shares upon reverse take over	1B	95,577,013	4,193	-	4,193
Share-based compensation	6	-	429	-	429
Comprehensive loss for the year		-	-	(5,135)	(5,135)
Balance, April 30, 2019		**96,577,013**	$ **8,857**	$ **(5,140)**	$ **3,717**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

U.S. dollars in thousands

	Note	Year ended April 30, 2019	Period from inception (February 26, 2018) to April 30, 2018
Cash flows from operating activities:			
Net loss for the period		$ **(5,135)**	$ (5)
Adjustments to reconcile net loss to net cash used in operating activities:			
Listing expenses	1B	**2,732**	-
Share-based compensation	6	**429**	-
Loss from remeasurements of financial liabilities at fair value	5,8	**662**	-
Finance expenses		**74**	
Increase in prepaid expenses		**(335)**	-
Increase (decrease) in accounts payable and accrued liabilities		**(115)**	4
Net cash used in operating activities		**(1,688)**	)1(
Cash flows from financing activities:			
Cash acquired on reverse takeover (Appendix A)	1B	2,227	-
Net proceeds from share issuance		-	1
Net cash provided by financing activities		-	1
Increase in cash and cash equivalents		**539**	-
Effects of exchange rate changes on cash and cash equivalents		**(7)**	
Cash and cash equivalents at beginning of the year		-	-
Cash at the end of the year		$ **532**	$ -

The accompanying notes are an integral part of the consolidated financial statements.

1. General:

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp. ("Midnight Star") (the "Company" or "CannaVCell", or collectively with its subsidiaries, the "Group") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013.

On September 27, 2018, the Company completed a qualifying transaction (the Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel ("Business Combination Agreement"). The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a Reverse Takeover and change of business for the Company (the "RTO"). BioHarvest is the ultimate parent of the Group.

Following the completion of the Transaction, Midnight Star Ventures Corp. changed its name to Canna-V-Cell Sciences Inc. Subsequent to the Transaction, the Company's principal business is to develop and produce cannabis active ingredients based on biopharming technology.

The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol "CNVC".

These consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2019.

A. Licensing and Service Agreement

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement ("License Agreement"), which has an effective date of the closing of the Transaction (September 27, 2018). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, Sales-based royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 in 16 equal monthly payments of $10 commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

1. General (cont.):

B. Accounting for the Reverse Take Over

The Transaction does not qualify as a reverse acquisition under IFRS 3, Business Combinations, as the Company do not meet the definition of a business. Therefore, the Transaction was accounted as a share-based payment in accordance with IFRS 2, Share-Based Payments. Accordingly, the consolidated financial statements represent a continuation of the financial statements of Dolarin, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of the Company. The fair value of the shares issued was determined based on the share price of the company in the transaction date. The consideration for the Transaction amounted to $4,193 and was recorded as share capital, and the difference between this amount and the fair value of the Company's net assets at the Transaction date amounted to $2,732, was recorded as listing expenses.

Cash acquired on reverse take over	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Share issuance and Share-based compensation		(4,193)
Listing expenses	$	**(2,732)**

As a result of the transaction described above, the former shareholders of Dolarin acquired control of the Company as they owned a majority of the outstanding shares of the Company upon completion of the transaction. Therefore, the transaction constitutes a reverse take-over and is accounted for with Dolarin being identified as the acquirer and the net assets of CannaVCell being recorded at fair value at the date of the transaction. Consequently, the comparative figures presented within these consolidated financial statements are of Dolarin.

C. Going Concern

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary, should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company’s ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values. The Company has yet to have any revenue and has incurred losses to date resulting in a cumulative deficit of $5,140 as at April 30, 2019. The recoverability of the carrying value of the assets and the Company’s continued existence is dependent upon the achievement of profitable operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute its business strategy or be successful in future financing activities.

2. Significant accounting policies:

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of preparation:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for the embedded derivative that is measured at fair value through profit or loss.

B. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenue and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 3.

C. Functional and presentation currency:

The functional currency of the Company and its subsidiaries and the presentation currency of the consolidated financial statements is the U.S. dollar.

The Company and its subsidiaries determine the functional currency of each entity, and this currency is used to separately measure each Group entity's financial position and operating results.

D. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

E. Basis of consolidation

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee,

2. Significant accounting policies (cont.):

including: the contractual arrangement with the other vote holders of the investee, the Group's potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity. (ii) Recognises the consideration received at fair value, recognises any investment retained at fair value of and recognises any surplus or deficit in profit or loss. (iii) reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

F. Cash equivalents:

Cash equivalents are considered by the Group to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

G. Deferred taxation:

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2. Significant accounting policies (cont.):

H. Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years ended April 2019 and 2018 no impairment charges of non-financial assets were recognized.

I. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

2. Significant accounting policies (cont.):

J. Financial instruments:

1. Financial Liabilities:

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Amortized cost

These liabilities include Accounts payable and accrued liabilities, initially recognized at fair value plus transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss (Derivative liability – Warrants).

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

2. Issue of a unit of securities

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

3. Warrant liability

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

4. Derecognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or Cancelled, or expire.

2. Significant accounting policies (cont.):

K. Operating Segment

The company currently conduct its operation through one operating segment.

L. Share-based payments:

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is based on the share fair price is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized Over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

M. Research and Development:

Research Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years ended April 2019 and 2018 the company did not meet these criteria, therefore all research and development expenditures were expensed as incurred.in the following criteria therefore all research and development recognized as expenses.

N. Issuance costs:

The Company recognized the incremental costs that were directly attributable to issuing new shares in equity (net of any income tax benefit) and the costs that were related to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, were recognized as an expense in the statement of comprehensive income. Costs that were related to both share issuance and listing were allocated between those functions based on the number of shares on a relative basis.

2. Significant accounting policies (cont.):

O. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted earnings per share when they are considered to have a dilutive effect. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

P. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Q. New IFRSs adopted in the period:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has implemented the requirements of IFRS 9 since its inception.

See note 2 (K) for the accounting policy applied

3. 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

3. Critical accounting estimates and judgements (cont.):

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.

Share based payments

The Company has a share based payment plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see also Note 6).

Derivatives

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.

Amortization of intangible assets

Amortization of intangible assets is based on estimates of their useful lives, which are determined through the exercise of judgment and market comparable information.

Impairment of intangible assets:

The Company is required to test, on an annual basis, whether intangible assets has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

4. License:

As part of the License Agreement, Dolarin issued 900,000 common shared to BioHarvest to consummate the License Agreement (see Note 1). The fair value of the shares issued was determined by reference to the 49,867,707 shares issued by The Company to BioHarvest to acquire Dolarin. Accordingly, the fair value of the shares issued is $4,234.

As the company considers it is probable that it will reach the milestone and construct the factory, it recorded a liability for the Milestone payment. The company currently does not consider the royalty stream probable and therefore did not recognize a liability for future streams.

As Dolarin assumed an amount payable of $590 to BioHarvest to recognize the periodic payments pursuant to the agreement, the fair value of the License Agreement has been computed by the total consideration transferred which is $4,757.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

5. Derivative liability - Warrants:

Each warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the periods presented:

Warrant activity	Exercisable at April 30, 2019	Weighted average exercise price
Balance, February 26, 2018 (Inception)	-	$ -
Issued in the RTO Private Placement (note 9B)	20,119,665	0.17
Issued to brokers for RTO Private Placement (note 9B)	770,483	0.17
Balance, April 30, 2019	**20,890,148**	**$ 0.17**

The following table summarizes information about warrants outstanding as at April 30, 2019:

Date of issuance	Date of expiry	Exercise price	Exercisable at April 30, 2019
September 27, 2018	September 26, 2020	CAD 0.23	20,890,148

The Company uses the Black-Scholes option pricing model to estimate fair value. The following weighted average assumptions were used to estimate the fair value of the derivative warrant liability on:

	April 30, 2019	September 27, 2018
Expected life of warrants	1.4 years	2 years
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Risk-free interest rate	1.8%	1.8%
Market price of Common share	CAD 0.20	CAD 0.11
Exercise price	CAD 0.23	CAD 0.23

The Company considers expected volatility of the shares of comparable companies and its Common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

The Company recorded a derivative warrant liability of $820 related to the reverse take over on September 27, 2018 (see note 1B).

6. Share based payment

a. At September 27, 2018 9,655,105 options were granted to the Company's CEO and to the employees of BioHarvest, the options exercisable to ordinary shares on 1:1 basis and with a vesting schedule of 12.5% in each quarter over the period of two years.

   The options are valued using the Black Scholes option valuation methodology based on the following data and assumptions: Share price - CAD 0.11 (representing approximately $0.09), Exercise price - CAD 0.20 (representing approximately $0.15), Expected volatility - 100% ,Risk-free interest rate – 2.3% , and expected average life of options 5.6 year.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

6. Share based payment (cont.)

b. At March 11, 2019 750,000 options were granted to the company's directors, the options exercisable to ordinary shares on 1:1 basis and with a vesting schedule of 8% and 10% in each quarter over the period of 30 and 37.5 months accordingly.

The options are valued using the Black Scholes option valuation methodology based on the following data and assumptions: Share price - CAD 0.20 (representing approximately $0.15), Exercise price - CAD 0.2 (representing approximately $0.15), Expected volatility - 100% ,Risk-free interest rate – 1.65% , and expected average life of options 2.5 year.

The total value of the options are $ 747 and as of April 30, 2019 the company recognized an expense at the amount of $ 429.

Data related to the share option plan as of April 30, 2019 and changes during the two years ended on that date are as follows:

	April 30, 2019		April 30, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	-	-	-	-
Changes during the period:				
Granted	10,405,105	0.23	-	-
Options outstanding at end of year (*)	10,405,105	0.23	-	-
Options exercisable at year-end	2,413,776	0.23	-	-
Weighted-average fair value of options Granted during the year	$ 747		-	

* The options outstanding at April 30, 2019 had a weighted-average contractual life of 5.27 year.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

7. Income tax

A. Tax rates:

The Group is subject to income tax in the Canada and Israel. Income taxes have not been recognized in profit and loss, as the Group has been incurring losses since inception, and it is not probable that future taxable profits will be available against which the accumulated tax losses can be utilized.

B. Net operating losses carry forward:

As of April 30, 2019, the Group has estimated carry forward tax losses of approximately $5,697, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax asset on the Group's losses was not recognized since it is not probable that taxable profit will be available in the foreseen future.

C. Reconciliation of effective tax rate:

The adjustments for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

Year and period ended April 30,	2019	2018
Loss before income tax	)5,135(	-
Tax computed at the corporate rate in Canada – 26%	)1,335(	-
losses for which no deferred tax asset is recognized	1,335	-
Total income tax expense	-	-

8. Financial instruments and risk management:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

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. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

8. Financial instruments and risk management (cont.):

	April 30, 2019			
Assets	**US dollar**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	7	521	4	532
Prepaid expenses	325	11	-	336
	332	**532**	**4**	**868**
Liabilities				
Accounts payable and accrued liabilities	-	26	-	26
Related parties	590	-	-	590
	590	**26**	**-**	**616**

	April 30, 2018			
Liabilities	**US dollar**	**CAD**	**NIS**	**Total**
Accounts payable and accrued liabilities	4	-	-	4
	4	**-**	**-**	**4**

Analysis:

A 5% appreciation of the USD against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

For a 5% depreciation of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	April 30, 2019	April 30, 2018
Linked to CAD	506	-
	5%	5%
	25	-
Linked to NIS	4	-
	5%	5%
	*	-

* Represents an amount lower than 1 thousand.

Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Company has no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a positive working capital and cash in bank to finance its working capital in the near future. The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the repayment forecast of the management of the company.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

8. Financial instruments and risk management (cont.):

April 30, 2019:	Amortized cost						
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	)27(	)27(	-	-	-	-	)27(
Related parties	)590(	-	(504)	(336)	-	-	(840)
Total	**(617)**	**(27)**	**(504)**	**(336)**	-	-	**(867)**

April 30, 2018:	Amortized cost						
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	(4)	(4)	-	-	-	-	(4)
Total	**(4)**	**(4)**	-	-	-	-	**(4)**

Fair value of financial assets and liabilities:

The fair value of the Company's current financial assets and liabilities approximates their carrying amounts as their maturity date is less than 1 year and they do not bear a fixed interest rate.

The following table summarises the information about the level 3 fair value measurements:

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	1,291	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- 87K of the fair value

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	**2019**	**2018**
Balance as of May 1	-	-
Issuance of Warrants	629	-
Loss recognized in Profit or loss:	662	-
Balance as of April 30	1,291	-

Capital management:

Group's objective is to maintain, as much as is possible, a stable capital structure. In the opinion of Group's management its current capital structure is stable. Consistent with others in the industry, the Group monitors capital, including others also, on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

9. Share Capital:

	Number of shares	
	April 30, 2019 Issued and outstanding	**April 30, 2018 Issued and outstanding**
Ordinary shares without par value	96,577,013	100,000

A. The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of the Company, including, the right to receive notices of and to attend meetings of shareholders; for each share held, the right to one vote at all meetings of shareholders; and to share equally, on a per share basis, in such dividend and other distributions to shareholders of the Company as may be declared by the Board of Directors and upon liquidation or dissolution of the Company, in the distribution of assets of the Company legally available for distribution to shareholders in accordance with the terms of applicable law. All Ordinary Shares rank pari-passu in all respects with each other.

B. Before the Transaction, the Company completed a brokered private placement (“RTO Private Placement”) and issued 20,119,665 units at a price of CAD 0.15 per unit for gross proceeds of $2,313 (“RTO Units”). Each RTO Unit consists of one common share and one common share purchase warrant (an "RTO Warrant"). Each RTO Warrant entitles the holder thereof to acquire one share at a price of CAD 0.23 for a period of 24 months following the issuance. The brokers for the RTO Private Placement received a cash commission in the amount of $89 and 770,483 RTO Warrants with a fair value of $23 thousands. The Company also issued 1,450,124 shares with a fair value of $123 in respect of brokerage services for the RTO Private Placement.

C. On September 27, 2018, the Company completed the Transaction (note 1B) and issued 48,337,496 shares to BioHarvest in consideration for the 100% issued share capital of Dolarin (1,000,000 shares).

D. On completion of the RTO, under the RTO accounting, Dolarin is considered to have issued 26,669,728 shares to acquire the net assets and public listing status of the Company.

Notes to Consolidated Financial Statements (U.S. dollars in thousands, except per share data)

10.Loss per share:

Net loss per share attributable to equity owners:

	April 30, 2019	April 30, 2018
Net loss used in basic and diluted EPS	(5,135)	(5)
Weighted average number of shares used in basic and diluted EPS	57,193,246	100,000
Basic and diluted net EPS (dollars)	(0.09)	(0.05)

11. Related party transactions:

Related party transactions:

For the year and period ended April,	2019	2018
Compensation of key management personnel of the Company:		
Management fees for the CEO	40	-
Share base payment to CEO (note 6)	193	-
Other related party transactions:		
Research and development (note 1A)	846	-
Share base payment (note 6)	236	-

Balances with related parties:	As of April 30, 2019	As of April 30, 2018
Prepayments	325	-
Related parties (note 1A)	(590)	-

12.Subsequent events:

On August 13, 2019, the Company announced that it intends to complete a private placement of up to 6,666,667 units at a price CAD 0.15 per unit for total proceeds of up to CAD 1,000. Each unit will consist 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 CAD 0.30 per share for a period of four years from closing of the private placement.

The Company will pay commissions of 5% to registered investment dealers and brokers or to finders in jurisdictions where permitted by law.

Canna-V-Cell Sciences Inc.

(Formerly Midnight Star Ventures Corp.)

Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended October 31, 2019 and 2018
(U.S. dollars in thousands)

NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp.) for the three and six months ended October 31, 2019 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

U.S. dollars in thousands

	Note		October 31, 2019		April 30, 2019
			(Unaudited)		(Audited)
ASSETS					
Current					
Cash		**$**	**252**	$	532
Amounts Receivable and prepaid expenses	10		**122**		336
Total current assets			**374**		868
License	4		**4,757**		4,757
Total Assets		**$**	**5,131**	$	5,625
EQUITY AND LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**34**	$	27
Total current liabilities			**34**		27
Non-current					
Warrant liability	8		**490**		1,291
Royalties Commitment	10		**765**		590
Total liabilities		**$**	**1,289**	$	1,908
Shareholders' Equity					
Share capital	6	**$**	**8,875**	$	8,305
Reserves	7		**761**		552
Deficit			**(5,794)**		(5,140)
Total shareholders' equity			**3,842**		3,717
Total liabilities and shareholders' equity		**$**	**5,131**	$	5,625

December 30, 2019	Zaki Rakib	David Ryan
Date of approval of the financial statements	Director	President

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Canna-V-Cell Sciences Inc. (Formerly Midnight Star Ventures Corp.)

Condensed Consolidated Interim Statement of Comprehensive Loss

U.S. dollars in thousands, except per share data

		For the three months ended October 31		For the six months ended October 31	
		2019	2018	2019	2018
		(Unaudited)		(Unaudited)	
Operating expenses					
Research and development	$	**471**	36	**984**	36
Listing expenses		**-**	2,732	**-**	2,732
General and administrative		**327**	46	**472**	46
Total operating expenses		**798**	2,814	**1,456**	2,814
Loss from operations		**(798)**	(2,814)	**(1,456)**	(2,814)
Finance income (expense)		**254**	(1,648)	**802**	(1,648)
Net loss and comprehensive loss	$	**(544)**	(4,462)	**(654)**	(4,462)
Basic loss per share		**(0.01)**	(0.00)	**(0.01)**	(0.00)
Weighted Average Number of Shares Outstanding		**99,391,828**	36,803,211	**97,984,420**	36,803,211

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Changes in shareholders' equity

For the Three and Six Months Ended October 31, 2019 and 2018

U.S. dollars in thousands

	Number of Shares		Share Capital		Reserve		Accumulated Deficit		Total Shareholders' Equity
Balance April 30, 2018	**100,000**	**$**	**1**	**$**	**-**	**$**	**(5)**	**$**	**(4)**
Issuance of shares to Bioharvest in respect of license agreement (Note 4)	900,000		4,234		-		-		4,234
RTO (Note 1B)	95,577,013		4,070		123		-		4,193
Stock based compensation (Note 7)	-		-		78		-		78
Net loss for the period	-		-		-		(4,462)		(4,462)
Balance October 31, 2018	**96,577,013**	**$**	**8,305**	**$**	**201**	**$**	**(4,467)**	**$**	**4,039**
Stock based compensation (Note 7)	-		-		351		-		351
Net loss for the period	-		-		-		(673)		(673)
Balance April 30, 2019	**96,577,013**	**$**	**8,305**	**$**	**552**	**$**	**(5,140)**	**$**	**3,717**
Issuance of shares (Note 6)	6,666,667		570		-		-		570
Stock based compensation (Note 7)	-		-		209		-		209
Net loss for the period	-		-		-		(654)		(654)
Balance Octboer 31, 2019 (unaudited)	**103,243,680**	**$**	**8,875**	**$**	**761**	**$**	**(5,794)**	**$**	**3,842**

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Canna-V-Cell Sciences Inc. (Formerly Midnight Star Ventures Corp.)

Condensed Consolidated Interim Statements of Cash Flows

U.S. dollars in thousands

	For the Six Months Ended October 31	
	2019	**2018**
	(Unaudited)	
Cash flows from operations		
Net loss for the period	$ **(654)**	$ (4,462)
Adjustments to reconcile net loss to net cash used in operating activities:		
Listing fees, net	**-**	2,732
Stock based compensation	**209**	78
Changes in fair value of warrant liability	**(973)**	1,515
Charnge in fair value of royalty commitment	**175**	119
Changes in accounts receivable and prepaid expenses	**214**	-
Changes in accounts payable and accrued liabilities	**7**	(2)
	(1,022)	(20)
Investing activities		
Proceeds from issuance of shares	**742**	-
Cash acquired on RTO	**-**	2,227
	742	2,227
Net change in cash	**(280)**	2,207
Cash, beginning of period	**532**	-
Cash, end of period	**$ 252**	$ 2,207

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. General

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp. ("Midnight Star") (the "Company" or "CannaVCell", or collectively with its subsidiaries, the "Group") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013.

On September 27, 2018, the Company completed a qualifying transaction (the Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel ("Business Combination Agreement"). The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a Reverse Takeover and change of business for the Company (the "RTO"). BioHarvest is the ultimate parent of the Group.

Following the completion of the Transaction, Midnight Star Ventures Corp. changed its name to Canna-V-Cell Sciences Inc. Subsequent to the Transaction, the Company's principal business is to develop and produce cannabis active ingredients based on biopharming technology. The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol "CNVC".

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 30, 2019.

A. <u>Licensing and Service Agreement</u>

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement, which has an effective date of the closing of the Transaction ("License Agreement"). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, Sales-based royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 in 16 equal monthly payments of $10 commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

B. <u>Going Concern</u>

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary, should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed consolidated interim financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values. The Company has yet to have any revenues and has incurred losses to date resulting in a cumulative deficit of $5,794 as at October 31, 2019. The recoverability of the carrying value of the assets and the Company's continued existence is dependent upon the achievement of profitable operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute its business strategy or be successful in future financing activities.

2. Basis of Preparation

Statement of Compliance

The Company prepares its unaudited condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The unaudited condensed consolidated interim financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed.

Basis of Presentation

The financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Foreign currencies

These condensed consolidated interim financial statements are presented in United States dollars. The functional currency of the Company and its subsidiary is the United States dollar.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its directly owned 100% subsidiary, Dolarin.

All inter–company balances, and transactions, have been eliminated upon consolidation.

Significant accounting judgments and estimates

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, assumptions regarding expected volatility, expected life of share option and expected dividend yield.

Fair value of derivative financial instruments

Management assesses the fair value of the Company's financial derivatives in accordance with the accounting policies in the consolidated financial statements. Fair value of the warrant liability has been measured using the Black-Scholes model, taking into account the terms and conditions upon which the warrants are granted. These calculations require the use of estimates and assumptions. Changes in assumptions concerning volatilities, interest rates, foreign exchange rates, and expected life could have a significant impact on the fair value attributed to the Company's financial derivatives.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. Basis of Preparation (continued)

Significant accounting judgments and estimates(continued)

Business Combination

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Amortization of intangible assets

Amortization of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment and market comparable information.

Exploration and Evaluation Expenditures

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off to net income in the period the new information becomes available.

3. 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.

4. License:

As part of the License Agreement, Dolarin issued 900,000 common shared to BioHarvest to consummate the License Agreement. The fair value of the shares issued was determined by reference to the 49,867,707 shares issued by The Company to BioHarvest to acquire Dolarin. Accordingly, the fair value of the shares issued is $4,234.

As the company considers it is probable that it will reach the milestone and construct the factory, it recorded a liability for the Milestone payment. The company currently does not consider the royalty stream probable and therefore did not recognize a liability for future streams.

As Dolarin assumed an amount payable of $590 to BioHarvest to recognize the periodic payments pursuant to the agreement, the fair value of the License Agreement has been computed by the total consideration transferred which is $4,757.

(U.S. dollars in thousands, except per share data)

5. Derivative liability - Warrants:

A summary of changes in share purchase warrants for the six months period ending October 31, 2019 is presented below:

	Number	Weighted Average Exercise Price
Balance, April 30, 2019	20,890,148	$ 0.17
Issued during the period (Note 6)	6,666,667	0.23
Balance, October 31, 2019	27,556,815	$ 18.45

The following table summarizes information about warrants outstanding as at October 31, 2019:

Date of issuance	Date of expiry	Exercise price	Exercisable at October 31, 2019
September 27, 2018	September 26, 2020	$ 0.17 (CAD 0.23)	20,890,148 see (1)
September 23, 2019	September 22, 2021	$ 0.23 (CAD 0.3)	6,666,667 see (2)

Each warrant entitles the holder to purchase one common share of the Company.

The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period. The following assumptions were used to estimate the fair value of the derivative warrant liability on:

1)	October 31, 2019	April 30, 2019
Expected life of warrants	0.9 years	1.4 years
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Risk-free interest rate	1.6%	1.8%
Market price of Common share	CAD 0.115	CAD 0.20
Exercise price	CAD 0.23	CAD 0.23

2)	At Issuance and as of October 31, 2019
Expected life of warrants	2 years
Expected volatility	100%
Expected dividend yield	0%
Risk-free interest rate	1.6%
Market price of Common share	CAD 0.115
Exercise price	CAD 0.3

The Company considers expected volatility of the shares of comparable companies and its Common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term. For the three and six month periods ended October 31, 2019, the Company recorded a gain of $307 and $973, respectively, in the statement of comprehensive loss as a result of a decrease in the fair value of the warrant liability as of October 31, 2019 (2018: loss of $1,515 and $1,515, respectively).

(U.S. dollars in thousands, except per share data)

6. Share Capital:

	Number of shares	
	October 31, 2019 Issued and outstanding	**April 30, 2019 Issued and outstanding**
Ordinary shares without par value	103,243,680	96,577,013

On September 23, 2019 the Company has closed a private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of $0.15 per unit for gross proceeds of $753,580 CAD$1,000 (CAD$985 after payment of commissions and finder's fees). The securities issued under the Private Placement Financing will be subject to a hold period expiring four months and one day from the date of issuance pursuant to applicable Canadian securities laws. Each unit consists of one common share of the Company and one non-transferable share purchase warrant ("Private Placement Warrant"). Each Private Placement Warrants will be exercisable to purchase an additional common share at a price of $0.30 per share for a period of two years from closing of the Private Placement Financing.

The Private Placement Warrants have been valued at $172, using black-Scholes options pricing model with the following assumptions: Share price: CAD$0.115, exercise price: CAD$0.30, risk-free rate: 1.60%, dividend yield: Nil, volatility: 100%, expected life: 2 years.

Since the Private Placement Warrants have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the Company (US Dollars), the Private Placement Warrant are recorded at their fair value as a derivative liability.

The increase in Additional Paid in Capital is $570, being the net proceeds received ($742) less the fair value of the Private Placement Warrants (172).

7. Stock Options

The Company maintains a stock option plan (the "Plan") for the directors, officers, consultants and employees of the Company. The maximum number of options issuable under the Plan shall be equal to ten percent (10%) of the outstanding shares of the Company less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement of the Company.

No options were issued during the three and six month period ended October 31, 2019.

During the three and six months ended October 31, 2019, share-based compensation of $206 and $115, respectively was recognized based on options vested during the period (three and six months ended October 31, 2018 - $78 and $78, respectively)

The following table summarizes information about the options outstanding as at October 31, 2019 and April 30, 2019:

Options Outstanding		**Options Exercisable**		
Number Outstanding at October 31, 2019	**Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable at October 30, 2019**	**Weighed Average Exercise Price**
10,405,105	$ 0.15	4.76	3,797,998	$ 0.15
10,405,105	**$ 0.15**	**4.76**	**3,797,998**	**$ 0.15**

8. Financial instruments and risk management:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

Fair value of financial assets and liabilities:

The fair value of the Company's current financial assets and liabilities approximates their carrying amounts as their maturity date is less than 1 year and they do not bear a fixed interest rate.

The following table summarises the information about the level 3 fair value measurements:

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	490	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $50 of the fair value.

Capital management:

The Company's objective is to maintain, as much as is possible, a stable capital structure. In the opinion of management its current capital structure is stable. Consistent with others in the industry, the Company monitors capital, including others also, on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the condensed consolidated interim statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the condensed consolidated interim statement of financial position plus net debt.

measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	$
Balance as of May 1,2019	1,291
Issuance of Warrants	175
Loss recognized in Profit or loss:	(976)
Balance as of October 31,2019	490

(U.S. dollars in thousands, except per share data)

9. Loss per share:

Net loss per share attributable to equity owners:

	For the three months ended October 31		For the six months ended October 31	
	2019	**2019**	**2018**	**2018**
	(Unaudited)		**(Unaudited)**	
Net loss used in basic and diluted EPS	(544)	(654)	(4,462)	(4,462)
Weighted average number of shares used in basic and diluted EPS	99,391,828	97,984,420	36,803,211	36,803,211
Basic and diluted net EPS	(0.01)	(0.01)	(0.00)	(0.00)

10. Related Parties:

	For the three months ended October 31		For the six months ended October 31	
	2019	**2018**	**2019**	**2018**
	(Unaudited)		**(Unaudited)**	
Compensation of key management personnel of the Company:				
Management fees for the CEO	25	-	35	-
Management fees for the CFO	4	1	6	1
Share base payment to CEO (Note 6)	67	35	94	35
Other related party transactions:				
Research and development (Note 1A)	471	-	890	-

Balances with related parties:	**31-Oct-19**	**30-Apr-19**
Prepayments	30	325
Royalties Commitment	(765)	(590)

11. Subsequent events

On December 2, 2019, the Company established a wholly owned subsidiary in the Israel, Biofarming Ltd ("Acquisition Sub"). Acquisition Sub agreed to merge with BioHarvest with the merger consideration being the issuance of 299,200,000 common shares of the Company to the shareholders of BioHarvest.

BioHarvest's existing shareholding of 48,337,496 common shares of the Company will be returned to the Company's treasury.

The merger will be completed under the Israel Companies Law and is subject to a number of conditions including:

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding $500;
- Approval of the Canadian Securities Exchange;
- The agreement of convertible debt holders of BioHarvest to accept warrants of the Company to replace their warrants in BioHarvest; and
- Termination of BioHarvest's outstanding options to directors, officers, employees and consultant.

SCHEDULE "D" MANAGREMENT'S DISCUSSION AND ANALYSIS FOR CANNA-V

Canna-V-Cell Sciences Inc.

(formerly Midnight Star Ventures Corp.)

Management's Discussion and Analysis

For the year ended April 30, 2019

(U.S. dollars in thousands)

INTRODUCTION

The following Management Discussion and Analysis ("MD&A"), prepared as of August 28, 2019 has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in U.S dollars in thousands unless otherwise indicated.

The following information should be read in conjunction with the financial statements for the year ended April 30, 2019, and the related notes to those financial statements, all of which are available on the SEDAR website at www.sedar.com.

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.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISK AND UNCERTAINTIES** in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in mineral exploration and development and mining activities in general, volatility and sensitivity to market prices for commodities, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp. ("Midnight Star") (the "Company" or "CannaVCell", or collectively with its subsidiaries, the "Group") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013.

CannaVCell is the exclusive cannabis worldwide licensee of the proprietary and patent protected BioHarvest technology. It is the first and only industrial large-scale plant cell growth technology capable of directly and constantly producing the active plant ingredients without the necessity to grow the plant itself. By adopting this technology and building adequate cells production capacity, Canna-V-Cell's objective is to become the leading supplier of cannabis for both the medicinal and recreational legal use.

In October 2018, CannaVcell has embarked on a 16 months program to prove the feasibility of applying its unique Biofarming technology to cannabis production. Biofarming cannabis represents a revolution in producing the cannabis active ingredients also known as cannabinoids without growing the plant itself.

On August 26, 2019, the Company announced it has reached a significant milestone of having cannabis trichomes at the suspension phase, which confirms that the progress made to-date towards the completion of the 16 months development program had exceeded expectations.

The Company we will be able to start diverting more resources towards the manufacturing phase

FINANCING

On August 13, 2019, the Company announced that it intends to complete a private placement of up to 6,666,667 units at a price CAD$0.15 per unit for total proceeds of up to CAD$1,000,000. Each unit will consist of one common share of the Company and one non-transferable share purchase warrant. Each warrant will be exercisable to purchase an additional common share at a price of CAD$.30 per share for a period of four years from closing of the private placement.

The Company will pay commissions of 5% to registered investment dealers and brokers or to finders in jurisdictions where permitted by law.

RTO TRANSACTION

On September 27, 2018, the Company completed a qualifying transaction (the Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel ("Business Combination Agreement"). The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a Reverse Takeover and change of business for the Company (the "RTO").

Upon the completion of the Transaction, Midnight Star Ventures Corp. changed its name to Canna-V-Cell Sciences Inc. Subsequent to the Transaction, the Company's principal business is to develop and produce cannabis active ingredients based on biopharming technology.

The Company obtained final approval for the Transaction from the Exchange on October 2, 2018 and trades on the Canadian Securities Exchange under the symbol "CNVC".

As a condition of the Transaction a financing was completed by the Company to ensure the Company held the requisite net cash amount of US$2,000,000 prior to closing of the transaction. The Company undertook a financing of up to CAD$3,300,000 by issuing up to 22,000,000 Units at a subscription price of CAD$0.15 per Unit. Each Unit was comprised of one common share and one common share purchase warrant of the Company. Each warrant is exercisable into one common share of the Resulting Issuer at an exercise price of CAD$0.23 for a period of 24 months following the closing of the Transaction. Agents were retained for the Financing. The Agents received a cash commission of 5% of the gross proceeds and broker's warrants equivalent to 5% of the number of Units issued. Each broker's warrant is exercisable into one common share of the Company at CAD$0.23 for a period of 24 months following closing.

As compensation for brokering the transaction, the Company paid CAD$115,573 and issued common shares equivalent to 3% of the number of shares issued to BioHarvest, to an unrelated 3rd party.

The Transaction also required the Company to adopt a Stock Option plan whereby Employee Stock Option Plan ("ESOP") shares shall constitute 10% of the issued and outstanding share capital of the Company. Such stock options shall be granted immediately upon closing and vest over a 2-year period on a quarterly basis to employees of Dolarin.

Licensing and Service Agreement

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement, which has an effective date of the closing of the Transaction ("License Agreement"). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 thousands in 16 equal monthly payments of $10 thousands commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 thousands upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

The initial period of the agreement shall be for 16 months, from closing of the transaction at a budgeted cost of US$1,538,000. Further expenditures may be required if the objectives of the research are not met during the initial period.

Under the terms of the Transaction, the board of directors of the Company will consist of six persons with half the Board members to be nominated by Bioharvest. The following persons have been nominated by Bioharvest:

Dr. Zaki Rakib, Ph.D., serves as the Co-Founder and Executive Chairman of Bioharvest. He has extensive experience within the software, telecommunications hardware, semiconductors, cellular operations and bioscience categories, where he has spearheaded the development of multiple cutting-edge innovations. Leveraging his foundation in technical sciences, Dr. Rakib was one of the first leaders in the telecommunications industry. He co-founded Terayon Communication Systems, invented the first cable modem, and S-CDMA technology. Dr. Rakib holds Bachelor of Science, Master of Science, and Ph.D. degrees in Engineering from Ben Gurion University in Israel.

Mrs. Vivien Rakib holds a B.Sc. in Math and computer science. She had extensive experience in Software development for fortune 100 companies primarily in Silicon Valley California including Sun Microsystems and Phillips semiconductors. Mrs. Rakib is an investor in high-tech and in biotech. Most noteworthy are Shaker (where she also served as a board member) who was acquired by Play-Studios and Bioharvest where she is currently the largest shareholder and a board member. Mrs. Rakib also serves on the board of 2 NGO's.

Initially at closing, the capacity of the Board is four members and the above two persons will be appointed with a third member to be appointed at the next general meeting of the Company after the board capacity is increased to six members. In addition, the Company has appointed Liron Carmel as a director of the Company. Mr. Carmel is a businessman based in Israel with experience in management of technology companies. He is currently the Chairman of Smart Energy Solutions Inc. and is a former Chairman of Emerald Medical Applications Corp. The existing directors, Mr. Shane Epp and Mr. Bernie Hoing resigned to make room for the appointments. David Ryan continues as a director of the Company. In January 2019, the Company appointed Mr. Jake Fiddick to the Company's board of directors. As of the date of this report, the Company has six directors.

Fish Property

Following the RTO and the resulting change in the main business activity of the Company, as of April 30, 2019, the Company ceased to make payments in terms of the agreements in place in respect of the Fish project and as such, the property has reverted to the owner.

U.S. dollars in thousands

SELECTED ANNUAL INFORMATION

	Years ended April 30,		
	2019		**2018**
Operating expenses			
Research and development	**1,100**	$	-
Listing expenses	**2,732**		-
General and administrative	**523**		5
Total operating expenses	**4,355**		5
Loss from operations	**(4,355)**		5
Finance expense	**(780)**		-
Net loss and comprehensive loss	**(5,135)**	$	**5**

The Company incurred a comprehensive loss of $5,135 thousands, for the year ended April 30, 2019. The primary reasons for this loss is as follows:

1. We incurred expenses of $1,100 thousands for the year ended April 30, 2019 as compared to nil for the year ended April 30, 2018, in respect of research and development expenses.
2. We incurred expenses of $2,732 thousands for the year ended April 30, 2019 as compared to nil for the year ended April 30, 2018, in respect of the licensing and services agreements that we signed with BioHarvest.
3. We incurred expenses of $523 thousands for the year ended April 30, 2019 as compared to 5 for the year ended April 30, 2018, in respect of general and administrative expenses.

U.S. dollars in thousands

Summary of Quarterly Results

The following is a summary of the Company's quarterly results for the period from February 26, 2018 through to April 30, 2019.

QUARTER ENDED

	April 30 2019	January 31 2019	October 31, 2018	July 31, 2018	April 30 2018
Total revenue	$ -	$ -	$ -	$ -	$ -
Net loss before income taxes	$ (1,439)	$ (1,177)	$ (2,519)	$ -	$ (5)
Net loss for the period	$ (1,439)	$ (1,177)	$ (2,519)	$ -	$ (5)
Basic loss per share	$ (0.01)	$ (0.01)	$ (0.07)	$ -	$ 0.00

Costs incurred prior to October 31, 2018 relate to the period prior to the Transaction. Costs incurred in the quarter ended October 31, 2018 comprised primarily of expenses relating the Transaction and our license and services agreement with BioHarvest. During the following quarters (January 31, 2019 and April 30, 2019) the costs relate primarily to advancing the license and services agreement with BioHarvest.

LIQUIDITY AND CAPITAL RESOURCES

The Financial Statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for the Financial Statements, then adjustments of a material nature would be necessary in the carrying value of assets such as petroleum and natural gas licenses, liabilities, the reported expenses, and the balance sheet classifications used. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned program beyond the next year.

At April 30, 2019 the Company held cash of $532 thousands, (April 30, 2018 - Nil), prepaid expensed $336 thousands (April 30, 2018 - Nil). The Company had current liabilities of $868 thousands (April 30, 2018 - $4 thousands). At April 30, 2019, the Company's working capital was $841 thousands (April 30, 2018 – negative $4 thousands).

During the year ended April 30, 2019, the Company's overall position of cash and cash equivalents increased by $532 thousands. This increase in cash can be attributed to the following:

The Company's net cash used in operating activities during the year ended April 30, 2019 was $1,688 thousands as compared to net cash used of $1 thousands for the year ended April 30, 2018. The amount is primarily due to the commencement of operations following the completion of the Transaction.

Cash acquired on the reverse takeover was $2,227 thousands, which included the private placement mentioned above. The gross amount raised in the private placement was $3,018

Cash generated from other financing activities for the year ended April 30, 2019 was nil as compared to net cash provided of $1 thousands for the year ended April 30, 2018.

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.

U.S. dollars in thousands

OFF BALANCE SHEET ARRANGEMENTS

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 year ended April 30, 2019 was as follows:

Related party transactions:

For the year ended April,	For the year ended April 30,	
	2019	2018
Compensation of key management personnel of the Company:		
Management fees for the CEO	40	-
Share base payment	193	-
Other related party transactions:		
Research and development	846	
Share base payment	236	

Balances with related parties:	As of April 30, 2019	As of April 30, 2019
Prepayments	325	-
Related parties	(590)	-

U.S. dollars in thousands

NEWLY ADOPTED ACCOUNTING STANDARDS

A. New IFRSs adopted in the period:

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company expects the adoption of this standard to have no material impact on the financial statements.

COMMON SHARE DATA

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Common Shares	96,577,013
Share options issued and outstanding	10,405,105
Warrants issued and outstanding	20,890,148
Common shares outstanding on a fully diluted basis	**127,872,266**

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

Limited Operating History

The Company is in the early stages of its business activities. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses every period since inception and as of April 30, 2019, had an accumulated deficit of $5,140 thousands.

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 its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues from operating and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Acquisition and Expansion Risk

The Company intends to expand its operations through organic growth and depending on certain conditions, by identifying a proposed qualifying transaction. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional properties or businesses.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

MD&A PREPARATION

This MD&A is intended to assist the reader's understanding of Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp) and its' operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at www.SEDAR.com.

Canna-V-Cell Sciences Inc.

(formerly Midnight Star Ventures Corp.)

Management's Discussion and Analysis

For the Three and Six months ended October 31, 2019

INTRODUCTION

The following Management Discussion and Analysis (”MD&A”), prepared as of December 30, 2019 has been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company’s comparative amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in U.S dollars in thousands unless otherwise indicated.

The following information should be read in conjunction with the condensed consolidated interim financial statements for the three and six months ended October 31, 2019 and the annual financial statements for the year ended April 30, 2019, and the related notes to those financial statements, all of which are available on the SEDAR website at **www.sedar.com**.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute “forward-looking statements”. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISK AND UNCERTAINTIES** in this MD&A.

This MD&A contains certain information that may constitute forward-looking information and forward-looking statements within the meaning of applicable securities laws (collectively, “Forward-Looking Statements”), which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. All information contained herein that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “potential”, “proposed”, “estimate” and other similar words, expressions and phrases, 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 historical fact.

Certain of the Forward-Looking Statements contained herein concerning the cannabis industry are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of this industry, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While we are not aware of any misstatement regarding any industry or government data or other information presented herein that is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

NATURE OF BUSINESS, OVERVIEW OF OPERATIONS AND SIGNIFICANT DEVELOPMENTS

Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp. ("Midnight Star") (the "Company" or "CannaVCell", or collectively with its subsidiaries, the "Group") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013.

The Company is the exclusive cannabis worldwide licensee of the proprietary and patent protected BioHarvest technology. It is the first and only industrial large-scale plant cell growth technology is capable of directly and constantly producing the active plant ingredients without the necessity to grow the plant itself. By adopting this technology and building adequate cells production capacity, the Company's objective is to become the leading supplier of cannabis for both the medicinal and recreational legal use markets.

In October 2018, the Company embarked on a 16 months program to prove the feasibility of applying its unique Biofarming technology to the production of cannabis. The Biofarming technology represents a revolution in producing the cannabis active ingredients also known as cannabinoids, without growing the plant itself.

On August 26, 2019, the Company announced it has reached a significant milestone of having produced? cannabis trichomes at the suspension phase, which confirms that the progress made to-date towards the completion of the 16 months development program had exceeded expectations.

The Company we will now be able to start diverting more resources towards the manufacturing phase.

On September 26, 2019, the Company announced the first ever production of cannabis cells in suspension, with a cannabinoid profile identical to that of the source plant. This was achieved without the need to grow the cannabis plant itself.

This milestone represents the successful completion of the development program that commenced in October of 2018 which aimed to prove the feasibility of BioHarvest's previously proven technology for the production of Cannabinoids and other Cannabis derived compounds.

The program was successfully completed four months ahead of schedule. The goals for this development stage have been exceeded, as the Company went one step beyond production in liquid media (or suspension) at lab-scale, where it demonstrated fully grown trichomes, and stably produced Cannabis cells and cannabinoids in a small scale bioreactor.

BioHarvest expects to complete an initial scale-up process, and reach a commercial production capacity of 2 tonnes/year by year-end 2020. A significantly larger facility is expected to be completed by year-end 2021. The Bioharvest team has successfully developed industrial scale production processes for other (non-Cannabis) plant cells in the past, and has commercially produced and distributed such products.

Reverse Take Over, Licensing and Service Agreement

On September 27, 2018, the Company completed a qualifying transaction (the Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel ("Business Combination Agreement"). The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the

Transaction resulted in a Reverse Takeover and change of business for the Company (the "RTO"). BioHarvest is the ultimate parent of the Group.

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement (the License Agreement), which has an effective date of the closing of the Transaction. Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 thousand in 16 equal monthly payments of $10 thousand commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 thousands upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

The initial period of the agreement shall be for 16 months, from closing of the transaction at a budgeted cost of US$1,538,000. Further expenditures may be required if the objectives of the research are not met during the initial period.

Financing

On September 23, 2019 the Company has closed a private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of $0.15 per unit for gross proceeds of $753,580 CAD$1,000 (CAD$985 after payment of commissions and finder's fees). The securities issued under the Private Placement Financing will be subject to a hold period expiring four months and one day from the date of issuance pursuant to applicable Canadian securities laws. Each unit consists of one common share of the Company and one non-transferable share purchase warrant ("Private Placement Warrant"). Each Private Placement Warrants will be exercisable to purchase an additional common share at a price of $0.30 per share for a period of two years from closing of the Private Placement Financing.

Merger Agreement

On December 2, 2019, the Company established a wholly owned subsidiary in the Israel, Biofarming Ltd ("Acquisition Sub"). Acquisition Sub agreed to merge with BioHarvest with the merger consideration being the issuance of 299,200,000 common shares of the Company to the shareholders of BioHarvest.

BioHarvest's existing shareholding of 48,337,496 common shares of the Company will be returned to the Company's treasury.

The merger will be completed under the Israel Companies Law and is subject to a number of conditions including:

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding $500;
- Approval of the Canadian Securities Exchange;
- The agreement of convertible debt holders of BioHarvest to accept warrants of the Company to replace their warrants in BioHarvest; and
- Termination of BioHarvest's outstanding options to directors, officers, employees and consultant.

SELECTED ANNUAL INFORMATION (US Dollars in Thousands)

		For the three months ended October 31		For the six months ended October 31	
		2019	**2018**	**2019**	**2018**
		(Unaudited)		(Unaudited)	
Operating expenses					
Research and development	$	**471**	36	**984**	36
Listing expenses		**-**	2,732	**-**	2,732
General and administrative		**327**	46	**472**	46
Total operating expenses		**798**	2,814	**1,456**	2,814
Loss from operations		**(798)**	(2,814)	**(1,456)**	(2,814)
Finance income (expense)		**254**	(1,648)	**802**	(1,648)
Net loss and comprehensive loss	$	**(544)**	(4,462)	**(654)**	(4,462)
Basic loss per share		**(0.01)**	(0.00)	**(0.01)**	(0.00)
Weighted Average Number of Shares Outstanding		**99,391,828**	36,803,211	**97,984,420**	36,803,211

The Company incurred a comprehensive loss of $544 thousand, for the three months ended October 31, 2019 as compared to $4,462 thousand for the three months ended October 31, 2018. The primary reasons for this loss is as follows:

- We recorded expenses of $471 thousand for the three months ended October 31, 2019 as compared to $36 thousand for the three months ended October 31, 2018, in respect of research and development expenses. The primary reason for the increase is due advancement in the development program within the Licensing and Service Agreement.
- We recorded nil for the three months ended October 31, 2019 as compared to $2,732 thousand for the three months ended October 31, 2018, in respect of Listing expenses, in respect of the licensing and services agreements that we signed with BioHarvest.
- We incurred expenses of $327 thousand for the three months ended October 31, 2019 as compared to $46 thousand for the three months ended October 31, 2018, in respect of general and administrative expenses. The primary reasons for the increase is due increase in professional and consulting fees, office and general expenses and stock based compensation.
- We recorded finance income of $254 thousand for the three months ended October 31, 2019 as compared to finance expenses of $1,648 thousand for the three months ended October 31, 2018. The primary reasons for the Company reflecting finance income in 2019 is the result of a decrease in the fair value of the warranty liability as compared to the prior period. The primary reasons for the Company reflecting a finance expense in 2018 is the result of the increase in the fair value of the warranty liability.

The Company incurred a comprehensive loss of $654 thousand, for the six months ended October 31, 2019 as compared to $4,462 thousand for the six months ended October 31, 2018. The primary reasons for this loss is as follows:

- We recorded expenses of $984 thousand for the six months ended October 31, 2019 as compared to $36 thousand for the six months ended October 31, 2018, in respect of research and development expenses. The primary reason for the increase is due advancement in the development program within the Licensing and Service Agreement.
- We recorded nil for the six months ended October 31, 2019 as compared to $2,732 thousand for the six months ended October 31, 2018, in respect of Listing expenses, in respect of the licensing and services agreements that we signed with BioHarvest.
- We incurred expenses of $472 thousand for the six months ended October 31, 2019 as compared to $46 thousand for the six months ended October 31, 2018, in respect of general and administrative expenses. The primary reasons for the increase is due increase in professional and consulting fees, office and general expenses and stock based compensation.
- We recorded finance income of $802 thousand for the six months ended October 31, 2019 as compared to finance expenses of $1,648 thousand for the six months ended October 31, 2018. The primary reasons for the Company reflecting finance income in 2019 is the result of a decrease in the fair value of the warranty liability as compared to the prior period. The primary reasons for the Company reflecting a finance expense in 2018 is the result of the increase in the fair value of the warranty liability.

Summary of Quarterly Results

The following is a summary of the Company's quarterly results for the period from February 26, 2018 (inception) through to October 31, 2019 (US dollars in thousands, except per share data).

QUARTER ENDED

	October 31, 2019	July 31, 2019	April 30 2019	January 31 2020
Total revenue	$ -	$ -	$ -	$ -
Net loss before income taxes	$ (544)	$ (110)	$ (1,439)	$ (1,177)
Net loss for the period	$ (544)	$ (110)	$ (1,439)	$ (1,177)
Basic loss per share	$ (0.01)	$ 0.00	$ (0.01)	$ (0.01)

	October 31, 2018	July 31, 2018	April 30 2018
Total revenue	$	$	$ -
Net loss before income taxes	$ (4,462)	$ -	$ (5)
Net loss for the period	$ (4,462)	$ -	$ (5)
Basic loss per share	$ (0.00)	$ -	$ 0.00

Costs incurred prior to October 31, 2018 relate to the period prior to the Transaction. Costs incurred in the quarter ended October 31, 2018 comprised primarily of expenses relating the Transaction and our license and services agreement with BioHarvest. During the following quarters, the costs relate primarily to advancing the license and services agreement with BioHarvest.

LIQUIDITY AND CAPITAL RESOURCES

The Financial Statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for the Financial Statements, then adjustments of a material nature would be necessary in the carrying value of certain assets, liabilities, the reported expenses, and the balance sheet classifications used.

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. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned program beyond the next year.

FINANCIAL POSITION

At October 31, 2019 the Company had cash of $252 thousand, (April 30, 2019 - $532 thousand), amounts receivable and prepaid expenses of $122 thousand (April 30, 2019 - $336 thousand). At that date the Company had current liabilities of $34 thousand (April 30, 2019 - $27 thousand). At October 31, 2019, the Company's working capital was $340 thousands (April 30, 2019 –$841 thousand).

During the six months ended October 31, 2019, the Company's overall position of cash and cash equivalents decreased by $280 thousand. This decrease in cash can be attributed to the following:

The Company's net cash used in operating activities during the six months ended October 31, 2019 was $1,022 thousand as compared to net cash used of $20 thousand for the six months ended October 31, 2018. The amount is primarily due to the commencement of operations following the completion of the Transaction.

Cash generated from investing activities for the six months ended October 31, 2019 was $742 thousand received from the completion of a private placement as compared to cash generated of $2,227 thousand for the six months ended October 31, 2018. The amount in 2018 relates to the net cash that was acquired in the RTO, which included a private placement.

OFF BALANCE SHEET ARRANGEMENTS

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 period ended October 31, 2019 was as follows:

(In US Dollars)

	For the three months ended October 31		For the six months ended October 31	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Compensation of key management personnel of the Company:				
Management fees for the CEO	25	-	35	-
Management fees for the CFO	4	1	6	1
Share base payment to CEO (Note 6)	67	35	94	35
Other related party transactions:				
Research and development (Note 1A)	471	-	890	-

Balances with related parties:	**31-Oct-19**	**30-Apr-19**
Prepayments	30	325
Royalties Commitment	(765)	(590)

COMMON SHARE DATA

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Common Shares	103,243,680
Share options issued and outstanding	10,405,105
Warrants issued and outstanding	27,566,815
Common shares outstanding on a fully diluted basis	**141,215,600**

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

Limited Operating History

The Company is in the early stages of its business activities. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses every period since inception and as of October 31, 2019, had an accumulated deficit of $5,794 thousand.

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 its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate any revenues from operating and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Acquisition and Expansion Risk

The Company intends to expand its operations through organic growth and depending on certain conditions, by identifying a proposed qualifying transaction. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional properties or businesses.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

MD&A PREPARATION

This MD&A is intended to assist the reader's understanding of Canna-V-Cell Sciences Inc. (formerly Midnight Star Ventures Corp) and its operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at www.SEDAR.com.

SCHEDULE "E" FINANCIAL STATEMENTS OF BIOHARVEST

BioHarvest Ltd.

Consolidated Financial Statements

December 31, 2018, and 2017

Expressed in U.S. dollars in thousands

BIOHARVEST LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditors' Report
To the Shareholders of BioHarvest Ltd.

Opinion

We have audited the accompanying consolidated financial statements of BioHarvest Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and 2017 and its related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and 2017 of its consolidated financial performance and its consolidated cash for each of the three years in the period ended December 31, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Company Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1B in the consolidated financial statements, which indicates that the Company incurred losses from operations since its inception, and as of December 31, 2018, the Company has an accumulated deficit of approximately $37,185 thousand. In addition, the Company generated negative cash flows from operating activities of $2,766 thousand and loss in the amount of $7,526 thousand for the year ended December 31, 2018, As stated in Note 1B, these events or conditions, along with other matters as set forth in Note 1B, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management and directors are responsible for the other information. The other information comprises the information contained in the Management's Discussion and Analysis and financial statements for the years ended December 31, 2018, 2017 and 2016 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and directors for the Financial Statement

Management and directors of the Company are responsible for the preparation and fair presentation of these financial report in accordance with IFRSs, and for such internal control as management and the directors determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the Audit of the Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Tel-Aviv, Israel

December 9, 2019

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

BioHarvest Ltd.

Consolidated Statements of Financial Position
U.S. dollars in thousands

	Notes	December 31, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		$ **1,199**	$ 7
Trade accounts receivable		**44**	78
Other accounts receivable		**201**	1,096
Inventory	4	**131**	171
Total current assets		**1,575**	1,352
Non-current			
Restricted cash		**118**	124
Property and equipment, net	5	**201**	218
Total non-current assets		**319**	342
Total assets		$ **1,894**	$ 1,694
Liabilities			
Current liabilities			
Current portion of long term debt		$ **102**	$ 105
Bank Credit		-	135
Trade accounts payable		**284**	343
Other accounts payables		**387**	519
Related parties		**42**	336
Convertible loans	7	**19,082**	-
Derivative liability - Warrants	8	**1,254**	-
Accrued liabilities		**824**	236
Total current liabilities		**21,975**	1,673
Non-current liabilities			
Long term debt	6	**57**	137
Convertible loans	7	**-**	16,094
Related parties	13	**22**	-
Accrued liabilities		**-**	602
Liability to Agricultural Research Organization	2o	**2,529**	2,869
Total non-current liabilities		**2,608**	19,702
Shareholders' equity			
Share capital	9	**39**	39
Additional paid-in capital		**10,821**	10,791
Non controlling interest		**3,636**	-
Accumulated deficit		**(37,185)**	(30,512)
Total Shareholders' deficit		**(22,689)**	(19,682)
Total Liabilities and Shareholders' deficit		$ **1,894**	$ 1,694

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 18)
Subsequent events (Note 20)

December 9, 2019	Zaki Rakib
Date of approval of the financial statements	Director

The accompanying notes are an integral part of the consolidated financial statements.

BioHarvest Ltd.

Consolidated Statement of Comprehensive Loss

U.S. dollars in thousands

	Notes		Year ended December 31, 2018		2017		2016
Revenues	14	$	**449**	$	325	$	40
Cost of revenues			**463**		493		240
Gross loss			**(14)**		(168)		(200)
Operating expenses							
Research and development expenses	15		**553**		429		388
Selling and marketing expenses			**484**		422		162
Listing expenses	1a		**2,784**		-		-
General and administrative expenses	16		**1,547**		719		1,436
Total operating expenses			**(5,368)**		(1,570)		(1,986)
Loss from operations			**(5,382)**		(1,738)		(2,186)
Finance expenses	17		**2,090**		108		1,313
Net loss before tax			**(7,472)**		(1,846)		(3,499)
Tax expenses			**-**		-		
Net loss and comprehensive loss		$	**(7,472)**	$	(1,846)	$	(3,499)
Attributable to:							
Owners of the Company		$	**(6,673)**	$	(1,846)	$	(3,499)
Non-controlling interests		$	**(799)**	$	-	$	-

The accompanying notes are an integral part of the consolidated financial statements.

BioHarvest Ltd.

Consolidated Statements of Changes in shareholders' deficit
U.S. dollars in thousands, except per share data

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2016		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,629**	**$ (25,167)**	**$ -**	**$ (14,499)**
Share based compensation	**10**	-	-	-	-	-	-	-	-	39	-	-	39
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(3,499)	-	(3,499)
Balance, December 31, 2016		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,668**	**$ (28,666)**	**$ -**	**$ (17,959)**
Share based compensation	**10**	-	-	-	-	-	-	-	-	28	-	-	28
Issuance warrants		-	-	-	-	-	-	-	-	95	-	-	95
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(1,846)	-	(1,846)
Balance, December 31, 2017		**9,431,638**	**25**	**1**	**-*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,791**	**$ (30,512)**	**$ -**	**$ (19,682)**
Transaction with Non-controlling interest	**1a**	-	-	-	-	-	-	-	-	-	-	4,193	4,193
Share based compensation in subsidiary	10	-	-	-	-	-	-	-	-	-	-	242	242
Share based compensation	**10**	-	-	-	-	-	-	-	-	27	-	-	27
Issuance warrants		-	-	-	-	-	-	-	-	3	-	-	3
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(6,673)	(799)	(7,472)
Balance, December 31, 2018		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,821**	**$ (37,185)**	**$ 3,636**	**$ (22,689)**

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of the consolidated financial statements.

BioHarvest Ltd.

Consolidated Statement of Cash Flows

U.S. dollars in thousands

	Note	Year ended December 31, 2018	2017	2016
Cash flows from operating activities:				
Net loss for the year		$ **(7,472)**	$ (1,846)	$ (3,499)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization		**70**	84	102
Listing expenses	1a	**2,732**	-	-
Interest on convertible loans		**1,404**	1,224	1,108
Fair value adjustments of convertible loans		**-**	(1,274)	(173)
Fair value adjustments of derivative liability - warrants		**625**	-	-
Re-assessment of Agricultural Research Organization liability		**(340)**	(636)	560
Issuance of warrants		**3**	95	-
Share based compensation		**269**	26	39
Changes in operations assets and liabilities:				
Change in Inventory		**40**	143	(156)
Change in trade receivables		**34**	(78)	(31)
Change in other receivables		**62**	(199)	25
Changes in trade payables and accrued expenses		**(139)**	697	(172)
Net cash used in operating activities		**(2,766)**	(1,764)	(2,197)
Cash flow from investing activities:				
Restricted cash		**7**	(19)	17
Purchase of property & equipment		**(53)**	(37)	(3)
Net cash provided by (used in) financing activities		**(46)**	(56)	14
Cash flow from financing activities				
Repayment of long term loan		**(76)**	(70)	(100)
Receipt of short term loan		**-**	27	-
Loan from related party		**22**	42	150
Short term credit from bank		**(135)**	112	23
Transaction with Non-controlling interest	**1a**	**2,227**	-	-
Convertible loans received		**1,973**	1,643	1,991
Net cash provided by financing activities		**4,011**	1,754	2,064
Exchange rate differences on cash and cash equivalents		**(7)**	31	(23)
Increase (decrease) in cash and cash equivalents		**1,192**	(66)	(119)
Cash and cash equivalents at the beginning of the year		**7**	42	184
Cash at the end of the year		$ **1,199**	$ 7	$ 42

The accompanying notes are an integral part of the consolidated financial statements.

(U.S. dollars in thousands, except per share data)

NOTE 1- General:

a. Description of business and formation of the Company:

BioHarvest Ltd. (the "Company" or “BioHarvest"), an Israeli company, incorporated in January 2007 and commenced its activity in July 2007. In July 2014, the Company established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

The Company is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. The Company has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

On February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On September 27, 2018 the Company completed a transaction with CannaVCell Sciences Inc. (“CannaVCell”) (the “Transaction”). CannaVCell issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of CannaVCell. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of CannaVCell. Completion of the Transaction resulted in a Reverse Takeover and change of business for CannaVCell (the “RTO”) and BioHarvest became the ultimate parent of CannaVCell and Dolarin.

The Transaction does not qualify as a business combination under IFRS 3, as CannaVCell does not meet the definition of a business. Therefore, The Company accounted for the transaction as an equity transaction with the Non-controlling interest without loss of control, in which it sold ownership interests in Dolarin in exchange for CannaVcell's net assets. The company recorded listing expenses of the shares of Dolarin in an amount of $2,732

Cash acquired	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Non-controlling interest		(4,193)
Listing expenses	$	**(2,732)**

CannaVCell’s principal business is to develop and produce cannabis active ingredients based on BioHarvest’s biopharming technology.

CannaVCell obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol “CNVC”.

As December 31, 2018 BioHarvest held 50.5% of the issued share capital of CannaVCell.

These consolidated financial statements were authorized for issue by the Board of Directors on December 9, 2019.

b. Going concern:

Since inception through December 31, 2018, the Company has generated a cumulative loss of $ 37,185. In addition, the Company generated negative cash flows from operating activities of $ 2,766, and loss in the amount of $ 7,472 for the year ended December 31, 2018. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

NOTE 1- General (Continued):

b. Going concern: (continued)

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

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

NOTE 2- Significant accounting policies:

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of preparation:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for the embedded derivative that is measured at fair value through profit or loss.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenue and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 3.

c. Functional and presentation currency:

The functional currency of the Company and its subsidiaries and the presentation currency of the consolidated financial statements is the U.S. dollar.

The Company and its subsidiaries determine the functional currency of each entity, and this currency is used to separately measure each Company entity's financial position and operating results.

d. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

NOTE 2- Significant accounting policies (continued):

e. Basis of consolidation:

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including: the contractual arrangement with the other vote holders of the investee, the Group's potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity. (ii) Recognizes the consideration received at fair value, recognizes any investment retained at fair value of and recognizes any surplus or deficit in profit or loss. (iii) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

All inter–company balances, and transactions, have been eliminated upon consolidation.

f. Cash equivalents:

Cash equivalents are considered by the Company to be highly-liquid investments, including, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

NOTE 2- Significant accounting policies (continued):

g. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials - at cost of purchase using the "first-in, first-out" method.

Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

Purchased merchandise and products - using the weighted average cost method or using the "first-in, first-out" method.

h. Deferred taxation:

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

i. Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years, ended December 31, 2018 and 2017 no impairment charges of non-financial assets were recognized.

NOTE 2- Significant accounting policies (continued):

j. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or

2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

k. Financial instruments:

The accounting policy applied until December 31, 2017 with regards to financial instruments is as follows:

1. Financial assets:

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Receivables: Receivables are investments with fixed or determinable payments that are not quoted in an active market and they are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses.

NOTE 2- Significant accounting policies (continued):

k. Financial instruments (continued):

2. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset as follows. Financial assets carried at amortized cost:

There is objective evidence of impairment of loans and receivables if one or more events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss

recognized in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal recognized in profit or loss.

3. Financial Liabilities:

The Company classifies its financial liabilities as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include the following items:

Trade payables and other short-term monetary liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

<u>The accounting policy applied as from January 1, 2018 in regards of financial instruments is as follows:</u>

1. Financial assets:

The Company classifies its financial assets into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

Amortized cost

These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

NOTE 2- Significant accounting policies (continued):

k. Financial instruments (continued):

2. Financial Liabilities:

The Company classifies its financial liabilities into one of the following categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Amortized cost

These liabilities include Accounts payable and accrued liabilities, initially recognized at fair value plus transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss (Derivative liability – Warrants).

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading.

3. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

4. Derivative liability - Warrants:

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

5. De-recognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

NOTE 2- Significant accounting policies (continued):

k. Financial instruments (continued):

6. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. For December 31, 2018 and 2017, there is no evidence of impairment.

l. Operating Segment:

An operating segment is a component of the Company that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Company's financial income and expenses and income tax.

m. Share-based compensation:

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is based on the share fair price is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting

conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

n. Research and Development:

Research Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years ended December 2018 and 2017 the Company did not meet these criteria, therefore all research and development expenditures were expensed as incurred in the following criteria therefore all research and development recognized as expenses.

NOTE 2- Significant accounting policies (continued):

o. Liability to Agricultural Research Organization:

Grants received from the Agricultural Research Organization - Volcani Center (henceforth "ARO") as support for a research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from ARO, are accounted for as forgivable

loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9. Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate

of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method.

Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of IFRS 9.

At the end of each reporting period, the Company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recorded in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

p. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Computers and others	33
Furniture and office equipment	7
Leasehold improvements	10-30
Laboratory equipment	10-15

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

NOTE 2- Significant accounting policies (continued):

p. Property, plant and equipment (continued):

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

q. Revenue recognition:

The accounting policy applied until December 31, 2017 in regards of revenue recognition is as follows:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues from the sale of goods are recognized when all of the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which risks and rewards pass.

Customer discounts

Customer discounts given at year end in respect of which the customer is not obligated to comply with certain targets, are recognized in the financial statements as the sales entitling the customer to said discounts are made.

Customer discounts for which the customer is required to meet certain targets, such as a minimum amount of annual purchases (either quantitative or monetary), an increase in purchases compared to previous periods, etc., are recognized in the financial statements in proportion to the purchases made by the customer during the year that qualify for the target, provided that it is expected that the targets will be achieved and the amount of the discount can be reasonably estimated.

The accounting policy applied as from January 1, 2018 in regards of revenue recognition is as follows:

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the equipment.

Volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

To estimate the variable consideration to which it will be entitled, the Company applied the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Company includes in the transaction price amounts of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

NOTE 2- Significant accounting policies (continued):

q. Revenue recognition (continued):

At the end of each reporting period, the Company updates its estimates of variable consideration.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

r. Severance pay:

The Company's liability for its Israeli employees regarding severance pay is pursuant to Section 14 of the Israeli severance pay law ("Section 14"). All the Israeli employees are included under this section, and entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The fund is made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the balance sheet as the severance pay risks have been irrevocably transferred to the severance funds

s. Provisions:

The Company has recognized provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

t. New IFRSs adopted during the period:

1. IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has implemented the requirements of IFRS 9 retrospectively on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018See note 2 (k) for the accounting policy applied

2. IFRS 15 Revenue from Contracts with Customers:

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Company elected to apply IFRS 15 retrospectively for the first time by recognizing the cumulative effect of the retroactive application as an adjustment to the opening balance of retained earnings as at January 1, 2018.

NOTE 2- Significant accounting policies (continued):

t. New IFRSs adopted during the period (continued):

The adoption of IFRS 15 did not have an impact on the financial statements.

See note 2 (q) for the accounting policy applied

3. IFRS 16 Leases:

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero. Any remaining amount of re-measurements will be recognized in profit or loss.
Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.
According IFRS 16 the lessees will be implemented retrospectively in one of two ways:

- Cumulative effect method, without restatement of comparative information.
- Retrospectively to each prior reporting period presented

The Company plans to apply IFRS 16 initially from its effective adoption date of 1 January 2019, using the modified retrospective approach. Accordingly, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

NOTE 2- Significant accounting policies (continued):

t. New IFRSs adopted during the period: (continued)

1. IFRS 16 Leases (continued):

The following are the Company's estimates regarding the expected effects:

- leases in which the Company is the lessee, which are currently classified as operating leases, the Company is required to recognize on the initial implementation date a right of use and lease liability for all leases in which it is found to have the right to control the use of identified assets for a specified period of time. These changes are expected to result in an increase of approximately $740 thousand in the balance of the right to use assets at the date of initial implementation and an increase of approximately $740 thousand in the balance of the lease liability as at the date of initial implementation.
- At the initial implementation date, the lease liability will be recognized in the present value of the future lease fees. The Company intends to measure the right to use asset at that date in accordance with the amount equal to the lease liability at the initial application date, adjusted for the amount of any prepaid or accrued lease payments relating to this lease, which were recognized in the statement of financial position immediately prior to the initial implementation date.
- The range of nominal discount rates used to measure the liability described above in respect of a lease ranges from 3.9% to 5.4%, which, as at the date of the interim financial statements, constitutes the incremental interest of the lessee. The Company intends to continue examining the range of nominal interest rates.
- In the statement of cash flows, lease payments in respect of leases to be recognized as an asset of a right to use and a lease undertaking will no longer be presented as part of current operations, and therefore an increase in cash flow from operating activities is expected. Instead, the principal repayment component of the lease liability and the interest component on the liability will be presented in the financing activity.
- The Company expects a change in the main financial ratios, such as: an increase in the leverage rate, a decrease in the ratio of capital to the balance sheet and a decrease in working capital.

With respect to all of the above, the principal leases expected to be affected as a result of the implementation of the new standard derive mainly from the leasing of vehicles and office used for the Company's operations.

NOTE 3- 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 Company. Such changes are reflected in the assumptions when they occur.

(U.S. dollars in thousands, except per share data)

NOTE 3- Critical accounting estimates and judgements: (continued)

a. Share based compensation

The Company has a share based compensation plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see also Note 10).

b. 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.

c. Liability to Agricultural Research Organization

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

NOTE 4- Inventories

	December 31,	
	2018	2017
Raw materials	**51**	47
Finished goods	**80**	124
	131	171

(U.S. dollars in thousands, except per share data)

NOTE 5– Property, Plant and Equipment, net:

	Laboratory equipment	Furniture and office equipment	Leasehold improvements	Computers	Other	Total
Cost:						
As of January 1, 2017	658	66	159	55	12	950
Additions	22	6	-	5	4	37
As of January 1, 2018	680	72	159	60	16	987
Additions	11	7	30	5	-	53
As of December 31, 2018	**691**	**79**	**189**	**65**	**16**	**1,040**
Accumulated depreciation:						
As of January 1, 2017	451	22	150	51	11	685
Additions	64	6	9	3	2	84
As of January 1, 2018	515	28	159	54	13	769
Additions	61	5	-	3	1	70
As of December 31, 2018	**576**	**33**	**159**	**57**	**14**	**839**
Net Book Value:						
As of December 31, 2018	**115**	**46**	**30**	**8**	**2**	**201**
As of December 31, 2017	**165**	**44**	**30**	**6**	**3**	**218**

(U.S. dollars in thousands, except per share data)

NOTE 6- Bank Loans:

The Company has the following loans outstanding as of December 31, 2018 and 2017:

	Effective interest rate	Maturity date	December 31, 2018	December 31, 2017
	%			
Current interest-bearing loans and borrowings:				
Current portion of Long Term debt			**70**	76
Bank loans			**32**	29
Total current interest-bearing loans and borrowings			**102**	105
Non-current interest-bearing loans and borrowings:				
Other non-current loans:				
$ 125 bank loan	3.7%	August 2020	**20**	52
$ 202 bank loan	3.23%	October 2020	**37**	85
Total non-current interest-bearing loans and borrowings			**57**	137
Total interest-bearing loans and borrowings			**159**	242

NOTE 7- Convertible Notes:

a. In July 2013, the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the First Loan") with aggregate principal amount of $ 3,000 ("Principal Loan Amount"). The First Loan was denominated in USD and bears accumulated interest at the rate of 8% per annum. The First Loan shall become due and payable upon the expiration of 36 months after the Initial Closing date (the "Maturity Date").

   In the event that prior to the Maturity Date, the Company shall issue and sell its shares for at least $ 5,000 (the "Next Equity Round"), the Principal Loan Amount shall automatically be converted into the same class of shares issued by the Company upon the consummation of such equity round, with a discount ranging between 20-30%, depending on the time of the consummation of the Next Equity Round. In the event that prior to the Maturity Date the Company shall consummate an equity investment in the Company which does not qualify as a Next Equity Round, at the decision of the Lenders holding at least 75% of the then outstanding Principal Loan Amount (the "Majority of the Lenders") the Principal Loan Amount shall be converted into shares of the same class as shall be issued by the Company upon the consummation of such transaction, with a discount as mentioned above. In the event that prior to the Maturity Date the Company shall consummate an M&A event (the "M&A Event"), the Principal Loan Amount shall be converted into such number of the most senior class of equity securities of the Company then outstanding, at the lower of (i) $ 15.00 per share; or (ii) price per share representing 75% of the per-share value at such M&A Event.

   In the event that the Company shall not consummate a Next Equity Round prior to the Maturity Date, then Majority of the Lenders shall have the option to require the Company to either: (i) repay to the Lenders the entire outstanding Principal Loan Amount and any accrued Interest; (ii) convert the Principal Loan Amount into the most senior class of equity securities of the Company then outstanding, at price per share equal to the most recent per share price paid for such most senior securities.; or (iii) extend the Maturity Date.

b. In March and July 2014, the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the Second Loan") with aggregate principal amount of $ 1,500 and $3,000, respectively ("Principal Loan Amount"). The Second Loan were denominated in USD and bear accumulated interest at the rate of 8% per annum. The Second Loan shall become due and payable upon the expiration of 24 months after the Initial Closing date (the "Maturity Date"). The Second Loan bear the same terms and conditions as the First Loan.

c. On March 23, 2017 (the "Effective Date"), the Company signed an agreement with its existing lenders ("the Lenders"), according to which July 2013, March and July 2014, convertible promissory notes will be consolidated and extended into a new convertible loan ("the First Consolidated Loan"), with an aggregate principal amount of $ 7,750 ("Principal Amount"). The First Consolidated Loan shall become due and payable upon the expiration of 18 months after the Effective Date ("Maturity Date") and bear accumulated interest of 8% per annum.

   According to the First Consolidated Loan agreement, the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) the consummation of an IPO or M&A event; (ii) upon event of default as define in the agreement; or (iii) Maturity Date.

NOTE 7- Convertible Notes (continued):

In the event that prior to the Maturity Date, the Company consummates a transaction on which the Company issues and sells its shares for at least $ 3,000, the Principal Amount then outstanding, shall be automatically converted into the same class of shares as shall be issued by the Company in the transaction with a discount of 30% of the price per share.

In the event of consummation of a transaction on which the Company issues and sells its shares for less than $ 3,000, then each lender at his sole discretion shall be entitled to convert its portion of the aggregate principle amount into the same class of shares issued by the Company upon the consummation of such equity round, with a discount of 30%.

d. In addition, during July and October 2013, and February 2014, the Company assigned notes to two of the Company's advisors, on behalf of services given, in an amount of $ 310. These notes bear the same terms and conditions as the First Consolidated Loan.

e. In October 2015, the majority of the Company's shareholders signed an option agreement with Asiv Holdings, a Company holding 30% of a public Company 'Direct Capital' ("PPM"), according to which Asiv Holding will receive an option for a period of 4 months (“the Option Period”) to purchase all the Company's shares in consideration of 90% of the shares of 'Direct Capital' (“the Merger Transaction”). In consideration for the option, the Company will receive from Asiv Holding a convertible loan in the amount of $ 500. During the Option Period, the majority of the Company's shareholders are obligated to fund the Company through a convertible loan in the amount of $ 700, which will be converted to common shares upon the completion of the Merger Transaction. Additionally, upon the completion of the Merger Transaction, all the Company's convertible loans will be converted into shares and the loan from Asiv Holding will be returned. In the case the option is not exercised, the loan will be converted to 1% of the Company's shares.
In the beginning of 2016, and since the Merger Transaction was not consummated, the agreement with Asiv Holdings was amended, following which the loan was repaid.

f. In October 2015, the Company signed an agreement ("the Agreement") with some of its shareholders ("the Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the Third Loan") with aggregate principal amount of $ 96 ("Principal Loan Amount").

In the event that prior to the Maturity Date, the Company shall consummate a transaction in which the Company will issue and sell its shares for equity financing purposes ("the Transaction") the Lenders are entitled to covert the Principal Loan Amount into shares of the same class as shall be issued by the Company upon the consummation of such Transaction, at the same price per share and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the shares issued in the Transaction.

In the event that prior to the Maturity Date, the Company shall consummate a transaction by and between the Company and/or its shareholders and Direct Capital (“Direct Capital”), pursuant to which, among other things, Direct Capital shall issue its shares to the shareholders of the Company immediately prior to such transaction, in exchange for their outstanding shares of the Company, whether such transaction will be structured as a merger, share purchase, share exchange or any similar transaction , the Principal Amount shall, automatically be converted into Units, at the same price per Unit and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the Units issued by the Company under the PPM.

NOTE 7- Convertible Notes (continued):

g. In November 2015, the Company signed an agreement ("the Agreement") with some of its shareholders ("the Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the Fourth Loan") with aggregate principal amount of $ 700 ("Principal Loan Amount").
The loans were denominated in USD and bear accumulated interest at the rate of 8% per annum. The loans shall become due and payable upon the expiration of 12 months after the Initial Closing date (the "Maturity Date").

In the event that prior to the Maturity Date, the Company shall issue and sell its shares for at least $ 5,000 (the "Next Equity Round"), or In the event that prior to the Maturity Date the Company shall consummate an M&A event (the "M&A Event"), the Lenders have the option to convert the Principal Loan Amount into units comprised of: (a) one Ordinary Share of the Company NIS 0.01 par value each and (b) one warrant to purchase one Ordinary Share of the Company at an exercise price of US$ 4.00 per share (together, the "Units"), at the same price per Unit and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the Units issued by the Company under the PPM.

In the event that prior to the Maturity Date, the Company shall consummate a transaction by and between the Company and/or its shareholders and Direct Capital ("Direct Capital"), pursuant to which, among other things, Direct Capital shall issue its shares to the shareholders of the Company immediately prior to such transaction, in exchange for their outstanding shares of the Company, whether such transaction will be structured as a merger, share purchase, share exchange or any similar transaction , the Principal Amount shall automatically be converted into Units, at the same price per Unit and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the Units issued by the Company under the PPM.
In the event that the Company shall not consummate a Next Equity Round prior to the Maturity Date, then Majority of the Lenders shall have the option to require the Company to either: (i) repay to the Lenders the entire outstanding Principal Loan Amount and any accrued Interest; (ii) convert the Principal Loan Amount into the most senior class of equity securities of the Company then outstanding, at price per share equal to the most recent per share price paid for such most senior securities; or (iii) extend the Maturity Date.

h. On November 16, 2017 ("Effective Date"), the Company signed an agreement with its existing lenders ("the Lenders"), according to which October and November 2015 convertible promissory notes will be consolidated and extended into a new convertible loan ("the Second Consolidated Loan"), with an aggregate principal amount of $ 2,500 ("Principal Amount").

The Second Consolidated Loan shall become due and payable upon the expiration of 18 months after the Effective Date ("Maturity Date") and bear accumulated interest of 8% per annum. According to the Second Consolidated Loan agreement the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) consummation of a transaction on which the Company issues and sells its shares for at least $ 3,000 ("the Transaction") (ii) the consummation of an IPO or M&A event, (iii) upon event of default as defined in the agreement; or (iv) Maturity Date.

In the event that prior to the Maturity Date the Company consummates a Transaction the Lenders are entitled to convert the loan into the same class of shares issued by the Company upon the consummation of the Transaction, with a discount of 30% of the price per share.

NOTE 7- Convertible Notes (continued):

Moreover, according to the Second Consolidated Loan agreement, each lender extending his portion of the Principal Amount by January 30, 2018, will be granted by the Company warrants to purchase Ordinary Shares of the Company at an exercise price ("Exercise Price") equal to $ 1.34708 per

share. The number of warrants that will be issued equals to the particular Principal Loan Amount divided by the Exercise Price, multiplied by four. The warrants are exercisable until August 2020, regardless on whether the lender has converted his portion of the Principal Amount or not.

i. In February 2016, the Company signed a bridge loan agreement with some of its shareholders (the "Lenders"), according to which the Company will issue the Lenders a convertible promissory note up to an aggregate principal amount of $ 1,500. According to the Third Consolidated Loan agreement, the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) consummation of a transaction on which the Company issues and sells its shares for at least $ 3,000 ("the Transaction") (ii) the consummation of an IPO or M&A event, (iii) upon event of default as defined in the agreement; or (iv) Maturity Date.

   In the event that prior to the Maturity Date the Company consummates a Transaction, the Lenders are entitled to convert the loan into the same class of shares issued by the Company upon the consummation of the Transaction, with a discount of 30% of the price per share.

j. On March 23, 2017 ("Effective Date"), the Company signed an agreement with its existing lenders ("the Lenders"), according to which February 2016, convertible promissory notes will be consolidated and extended into a new convertible loan ("the Third Consolidated Loan"), with an aggregate principal amount of $ 2,500 ("Principal Amount"). The Third Consolidated Loan shall become due and payable upon the expiration of 18 months after the Effective Date ("Maturity Date") and bear accumulated interest of 8% per annum.

   According to the Third Consolidated Loan agreement, the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) consummation of a transaction on which the Company issues and sells its shares for at least $ 3,000 ("the Transaction") (ii) the consummation of an IPO or M&A event, (iii) upon event of default as defined in the agreement; or (iv) Maturity Date.

   In the event that prior to the Maturity Date the Company consummates a Transaction, the Lenders are entitled to convert the loan into the same class of shares issued by the Company upon the consummation of the Transaction, with a discount of 30% of the price per share.

k. In May 2018, the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible loan (the "Loan") with aggregate principal amount of $ 2,500 ("Principal Loan Amount"). The Loan was denominated in USD and bears accumulated interest at the rate of 12% per annum. The Loan shall become due and payable upon the expiration of 18 months after the Initial Closing date (the "Maturity Date").

   In the event that prior to the Maturity Date, the Company shall: (i) issue and sell its shares for at least $ 3,000 (the "Next Equity Round") or (ii) consummate an IPO or M&A, the Principal Loan Amount shall automatically be converted into the same class of shares issued by the Company upon the consummation event, with a discount of 30% from the price share paid for the shares issued in such event.

NOTE 7- Convertible Notes (continued):

Moreover, according to the Loan agreement, each lender will be granted by the Company warrants to purchase Ordinary Shares of the Company at an exercise price ("Exercise Price") equal to $1.34708 per share. The number of warrants that will be issued equals to the particular Principal Loan Amount divided by the Exercise Price. The warrants are exercisable until August 2020, regardless on whether the lender has converted his portion of the Principal Amount or not

The Convertible Notes are denominated in USD and bear accumulated interest at the rate of between 8%-12% per annum. $10, 332 were due and payable as of September 23, 2018, $2,467 are due and payable as of May 16, 2019 and $1,308 is due and payable as of November 22, 2019 (the "Maturity Dates"). However, none of the above-mentioned Convertible Notes were repaid. See note 18 for changes to the repayment terms of the Convertible Notes.

As of December 31, 2018, the Convertible Notes owing, including accrued interest amounted to $18,622.

The Convertible Loans are denominated in US dollars and convertible into common shares and warrants based on the principal and interest balance. The conversion rate to common shares is variable as it depends both on the share price prevailing at the specific date of the equity round and the related discount on the share price.

Therefore, the convertible loans are hybrid instruments that include a debt host contract and an embedded derivative liability. The Company has bifurcated the embedded derivative and accounted for it at fair value through profit or loss. The debt host contract was initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Company has evaluated the modified terms of the loans following their modification on 23, March 2017, and concluded that they are substantially different from a qualitative standpoint. Therefore, the modification was accounted for as derecognition of the original liability and the recognition of a new liability at fair value, with differences recognized in profit or loss. According to the modified terms of the loans, the conversion rate is fixed, and therefore the modified convertible loans do not include an embedded derivative.

(U.S. dollars in thousands, except per share data)

NOTE 7- Convertible Notes (continued):

The fair value of the Convertible Notes, including the increase thereto, has been determined using a combination of the Black-Scholes option pricing model for the equity conversion portion and the discounted cash flow method for the loan portion. The following assumptions were used to determine the fair value of the Convertible Notes:

	May 22, 2018	November 16, 2017
Risk-free interest rate	2.34%	1.65%
Expected volatility	50%	55%

NOTE 8- Derivative liability - Warrants:

Following the Transaction, on September 27, 2018, CannaVCell issued 20,890,148 warrants to third party shareholders and brokers ("CNVC Warrants"). The CNVC Warrants entitles the holder to purchase one common share of the Company at an exercise price of CAD$0.17 per share and expire on September 26, 2020. As the CNVC warrants have an exercise price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These CNVC Warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period. The following assumptions were used to estimate the fair value of the derivative warrant liability on:

	December 31, 2018	September 27, 2018
Expected life of warrants	1.74 years	2 years
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Risk-free interest rate	1.85%	1.8%
Market price of Common share	CAD 0.185	CAD 0.11
Exercise price	CAD 0.23	CAD 0.23

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

NOTE 9- Share Capital:

	Number of shares		
	December 31, 2018 Issued and outstanding	December 31, 2017 Issued and outstanding	December 31, 2016 Issued and outstanding
Ordinary shares of NIS 0.01 par value	9,431,638	9,431,638	9,431,638
Ordinary A share of NIS 0.01 par value	1	1	1
Ordinary A-1 share of NIS 0.01 par value	4,006,542	4,006,542	4,006,542
Ordinary A-2 share of NIS 0.01 par value	2,227,043	2,227,043	2,227,043

NOTE 9- Share Capital (continued):

Ordinary Shares:

Ordinary Shares confer upon their holders, the right to receive notice of, and to participate in, all general meetings of the Company, to vote in such meetings, to receive dividends, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company. Ordinary A share shall have no voting rights in the Company. The Ordinary A share confers upon its holder the right to receive the Ordinary A Share Amount plus 8% per annum in the event of liquidation of the Company (the "Ordinary A share Payment").

Preferred Shares:

The Preferred shareholders (A-1, A-2) are entitled to the same rights conferred by the Ordinary Shares in addition to the following rights:

Liquidation preference - In the event (i) of any dissolution, liquidation or winding-up of the Company; (ii) of any bankruptcy, insolvency or reorganization proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, is properly commenced against the Company and is not annulled or revoked within 90 days or is commenced by the Company, or (iii) a receiver or liquidator is appointed to all or substantially all of the Company's assets and such appointment is not withdrawn or vacated within 90 days, then the assets or proceeds available for distribution to the Shareholders shall be distributed among the Shareholders according to the order of preference.

The holders of the Preferred A-1 and A-2 shares shall be entitled to receive prior to and in preference to any payment to any of the holders of any other classes of shares of the Company, an amount of $ 1.23335 per share with respect to Preferred A-1 and an amount of $ 1.49497 per share with respect to Preferred A-2, plus 8% per annum of such amount from the date of issuance compounded annually.

After full payment to the holders of the Preferred and Ordinary A shares, the entire remaining assets and funds of the Company legally available for distribution (the "Remaining Distributable Proceeds"), if any, shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

In the event of that the Remaining Distributable Proceeds fall below twice the Ordinary A Payment, then 50% of such Remaining Distributable Proceeds shall be distributed to the Ordinary A Share as described above and 50% shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

Conversion rights **-** the holders of the Preferred A-1 and A-2 are entitled, at their option, to convert the Preferred A-1 and A-2 shares into ordinary shares by dividing the applicable original issue price for such series of preferred shares by the conversion price. The initial conversion price shall be the respective original issue price for such share. The conversion price shall be subject to adjustment in accordance with any Recapitalization Event and pursuant to the other adjustment provisions defined in the Articles of Association. The preferred shares also include a down-round feature, which reduces the conversion price if the Company issues any equity securities at a price lower than the applicable conversion price, as defined in the Articles. The Company classified the convertible preferred shares as equity because the issuance of new shares, which is the trigger for the down-round feature, is within the Company's control. The shares shall be automatically converted upon an initial public offering or a written resolution of at least 51% of the preferred A-1 and A-2 shares holders.

During the year ended December 31, 2018 and 2017 there were no issuance of ordinary or preferred shares.

(U.S. dollars in thousands, except per share data)

NOTE 10: Share based compensation

a. Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable in accordance with the terms of the Plan, within 10 years from the date of grant, against payment of an exercise price.

b. At September 27, 2018, CannaVCell granted 9,655,105 options to the CEO and to the employees of CannaVCell, the options exercisable to ordinary shares on 1:1 basis and with a vesting schedule of 12.5% in each quarter over the period of two years.

The options are valued using the Black Scholes option valuation methodology based on the following data and assumptions: Share price - CAD 0.11 (representing approximately $0.09), Exercise price - CAD 0.20 (representing approximately $0.15), Expected volatility - 100%, Risk-free interest rate – 2.3%, and expected average life of options 5.6 year.

c. A summary of activity of options granted to purchase the Company's Shares under the Company's share option is as follows:

	For the year ended December 31,					
	2018		2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	731,348	0.99	731,348	0.99	731,348	0.99
Changes during the period:						
Granted	9,655,105	0.15	-	-	-	-
Options outstanding at end of year (*)	10,386,453	0.21	731,348	0.99	731,348	0.99
Options exercisable at year-end	4,011,498		731,348	0.99	651,442	0.99
Weighted-average fair value of options Granted during the year	$ 710		-		-	

(*) The options outstanding at December 31, 2018 had a weighted-average contractual life of 5.3 years.

(U.S. dollars in thousands, except per share data)

NOTE 11- Income tax:

a. Tax rates:

i) The Company received final tax assessments in Israel through tax year 2016.

ii) The corporate tax rate in Israel is 25%, 24% and 23% for 2016, 2017 and 2018, respectively.

iii) The Law for the Amendment to the Income Tax Ordinance, New Version, 1961 (hereafter – "the Ordinance") (Amendment 216 to the Ordinance) (hereafter – "the amendment") was published in the official gazette in January 2016; the said law stipulated the reduction of the rate of corporate tax from 26.5% to 25% commencing January 1, 2016. On December 2016, the Israeli government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards.

b. Net operating losses carry forward:

As of December 31, 2018, the Company has estimated carry forward tax losses of approximately $37 million, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax asset on the Company's losses was not recognized since it is not probable that taxable profit will be available in the foreseen future.

c. Reconciliation of effective tax rate:

The adjustments for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

For the Year ended December 31,	**2018**	**2017**	**2016**
Loss before income tax	)7,526(	)1,846(	)3,499(
Tax computed at the corporate rate in Israel – 23% (2017 - 24% 2016- 25%)	)1,731(	)443(	(875)
losses for which no deferred tax asset is recognized	1,731	443	875
Total income tax expense	-	-	-

NOTE 12- Financial instruments and risk management

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

a. 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.

(U.S. dollars in thousands, except per share data)

NOTE 12- Financial instruments and risk management (continued):

a. Foreign currency risk (continued):

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. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	As of December 31, 2018			
Assets	**US dollar**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	92	822	282	1,196
	92	**822**	**282**	**1,196**
Liabilities				
Accounts payable and accrued liabilities	873	18	247	1,138
Liability to Agricultural Research Organization	2,529			2,529
	3,402	**18**	**247**	**3,667**

	As of December 31, 2017			
Assets	**US dollar**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	7	-	-	7
	7	**-**	**-**	**7**
Liabilities				
Accounts payable and accrued liabilities	681	-	280	961
Liability to Agricultural Research Organization	2,869	-	-	2,869
	3,550	**-**	**280**	**3,830**

Analysis:

A 5% appreciation of the USD against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

For a 5% depreciation of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	December 31, 2018	**December 31, 2017**
Linked to CAD	7	-
	5%	5%
Linked to NIS	99	49
	5%	5%

* Represents an amount lower than 1 thousand.

b. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Company has

(U.S. dollars in thousands, except per share data)

NOTE 12- Financial instruments and risk management (continued)

b. Liquidity risks (continued):

no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a positive working capital and cash in bank to finance its working capital in the near future. The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the repayment forecast of the management of the company.

December 31, 2018 :			**Amortized cost**				
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Other receivables	201	201	-	-	-	-	201
Liability to Agricultural Research Organization	(2,529)	(34)	(265)	(526)	(881)	(4,764)	(6,471)
Bank Loans	(159)	(102)	(57)	-	-	-	(159)
Accounts payable and accrued liabilities	(1,053)	(1,053)					(1,053)
Total	**(3,540)**	**(988)**	**(322)**	**(526)**	**(881)**	**(4,763)**	**(7,481)**

December 31, 2017 :			**Amortized cost**				
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Other receivables	263	263	-	-	-	-	263
Liability to Agricultural Research Organization	(2,869)	(34)	(265)	(526)	(881)	(6,267)	(7,973)
Bank Loans	(242)	(105)	(137)	-	-	-	(242)
Accounts payable and accrued liabilities	(1,138)	(1,138)					(1,138)
Total	**(3,986)**	**(1,014)**	**(402)**	**(526)**	**(881)**	**(6,267)**	**(9,090)**

c. Fair value of financial assets and liabilities:

The fair value of the Company's current financial assets and liabilities approximates their carrying amounts as their maturity date is less than 1 year and they do not bear a fixed interest rate.
The following table summarizes the information about the level 3 fair value measurements:

(U.S. dollars in thousands, except per share data)

NOTE 12- Financial instruments and risk management (continued)

c. Fair value of financial assets and liabilities (continued):

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	1,254	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $63 of the fair value

Set out below is a comparison, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Convertible loans	19,082	19,082	16,094	16,094
Total	19,082	19,082	16,094	16,094

The Company recognized Liability to Agricultural Research Organization initially at fair value, and are subsequently carried at amortized cost using the effective interest rate method.
The fair value for December 31, 2018 and December 31, 2017 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	2018	2017
Balance as of January 31	-	-
Issuance of Warrants	629	-
Loss recognized in Profit or loss:	625	-
Balance as of December 31	1,254	-

d. Capital management:

Company's objective is to maintain, as much as possible, a stable capital structure. In the opinion of Company's management its current capital structure is stable. Consistent with others in the industry, the Company monitors capital, including others also, on the basis of the gearing ratio.
This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

(U.S. dollars in thousands, except per share data)

NOTE 13 - Related Party Transactions:

a. Related parties including the Company's CEO and the Chairman of the BOD, Directors and the Company's CTO.

b. The Company's CEO, is entitled to receive $12.5 per month.

Related party transactions:

For the year and period ended December,	2018	2017	2016
Compensation of key management personnel of the Company:			
Management fees for the CEO (b)	170	144	150
Share base payment to CEO (note 10)	108	-	-
Other related party transactions:			
Share base payment (note 10)	133	-	-
Investment in Convertibles loans	562	989	1,076
Loan from related party	22	-	-

Balance with related parties:

For the year and period ended December,	2018	2017
Convertible loans	9,979	8,136
Unpaid salary to the Company's CTO	-	42
Loan from related party	22	-

NOTE 14 - Revenues:

Geographic Areas Information:

	For the year ended December 31,		
	2018	2017	2016
Israel	435	325	32
Others	14	-	8
	449	325	40

NOTE 15 – Research and development expenses:

	For the year ended December 31,		
	2018	2017	2016
Wage and salaries	**490**	385	309
Professional fees	**14**	28	75
Patents	**28**	16	1
Others	**21**	-	1
	553	429	388

(U.S. dollars in thousands, except per share data)

NOTE 16- General and administration expenses:

	For the year ended December 31,		
	2018	**2017**	**2016**
Wages and salaries	**456**	344	167
Related party (Note 13)	**170**	144	150
Professional fees and legal	**308**	165	101
Office maintenance, communication and Travel	**343**	292	251
Re-assessment Liability to Agricultural Research Organization (Note 2o)	**(340)**	(636)	560
Write- off Intangible assets	**13**	-	-
Rent	**195**	159	135
Share based compensation	**268**	28	39
Depreciation	**68**	76	31
Warrants	**3**	95	-
Other	**63**	52	2
	1,547	719	1,436

NOTE 17 - Financial expenses, Net

	For the year ended December 31,		
	2018	**2017**	**2016**
Interest on convertible loans	**1,408**	1,224	1,080
Fair value adjustments of convertible loans	**-**	(1,274)	-
Loss recognized from Derivative liability - Warrants	**653**	-	-
Exchange rate differences	**(66)**	44	(314)
PPM- penalty	**58**	90	537
Bank commission	**32**	15	10
Interest and others	**5**	9	-
	2,090	108	1,313

(U.S. dollars in thousands, except per share data)

NOTE 18 - Commitments and Contingencies:

a. The Company's lease arrangement for office space in Rehovot, Israel ends in April 2020 and extension option for two more years. The annual lease commitment is approximately $ 246,336 plus common area maintenance charges.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2018	2017
Within one year	246	246
After one year but not more than five years	536	782
More than five years	-	-
	782	**1,028**

b. In March 2007, the Company entered into a Research and Exclusive License Agreement with the Volcany Center (ARO). According to the agreement, the Company received the right to develop, market and sell the product "Vinia™". The Volcany center is entitled to royalties at the amount of 3% of the Vinia sales. Future products are not included in this agreement. Furthermore, if the Company sells the license or grants a sub-license to a third party, the Volcany Center will be entitled to 5% of the total amount of the consideration received by the Company.

c. In May 2015 signed a private placement with investors (the "PPM Agreement"). According to the PPM agreement, in the occurrence of Registration Default Event (as define in the private placement agreement), each investor is entitled to liquidation damage of 1.5% of the purchase price per unit paid by him, for each full 30-day period during which the Registration Default Event continues. As of December 31, 2018, and 2017 the Company recorded a provision in a total amount of $ 650 and $ 602, respectively.

(U.S. dollars in thousands, except per share data)

NOTE 19 - Operating segments:

The Company and its subsidiaries are engaged in the following segments:

- Vinia: development, design, manufacture and marketing of "Vinia" for the privet sectors.
- Cannabis: development, design, manufacture and marketing of medical Cannabis.

1) Segment information

	For the year ended December 31, 2018			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Revenues				
External	449	-	-	449
Inter-segment	-	-	-	-
Total	449	-	-	449
Segment loss	1,680	3,702	-	5,382
Finance expense, net	1,456	634	-	2,090
Tax expenses	-	-	-	-
Loss	6,673	4,336	(4,336)	6,673

	As of December 31, 2018			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Segment assets	160	6,850	(5,921)	1,089
Segment liabilities	23,806	2,548	(1,719)	24,635

2) Entity wide disclosures External revenue by location of customers.

	For the year ended December 31,		
	2018	**2017**	**2016**
Israel	435	325	32
Other	14	-	8
	449	325	40

NOTE 19 - Operating segments (continued):

3) Additional information about revenues:

There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements.

NOTE 20- Subsequent events:

a. On April 30, 2019, the Company signed certain amendments to the Convertible Loans Agreement as follows:

   i. The Maturity Date for repayment of all the Convertible Notes has been revised to November 22, 2019.

   ii. The Next Equity Round was reduced to $2,000.

   iii. In the event of the Next Equity Round prior to the Maturity Date, the principle amount owing, without taking into account any accrued interest, shall automatically be converted into shares of the Company upon at a discount to the share price of the Next Equity round, ranging between 39%-58%, depending on the time of the issuance of the particular Convertible Loan.

   iv. Upon conversion of the Convertible Notes, the Lenders will receive a total of 23,368,009 warrants, to purchase 23,368,009 shares at an exercisable price of $1.347 per share. The warrants expire on August 23, 2020.

b. On September 23, 2019 CannaVCell has closed its 6,666,667 units private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of $0.15 per unit for gross proceeds of $1,000,000. Net $985,074 after payment of commissions and finder's fees totaling $ 14,925 The securities issued under the private placement will be subject to a hold period expiring four months and one day from the date of issuance pursuant to applicable Canadian securities laws. 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 $0.30 per share for a period of two years from closing of the private placement.

BioHarvest Ltd.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019

Expressed in U.S. dollars in thousands

BioHarvest Ltd.

Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019
Expressed in U.S. dollars in thousands

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BioHarvest Ltd.

Interim Condensed Consolidated Statement of Financial Position
U.S. dollars in thousands, except per share data

	Note		September 30, 2019		December 31, 2018
			Unaudited		
Assets					
Current					
Cash and cash equivalents		$	**492**	$	1,199
Trade accounts receivable			**51**		44
Other accounts receivable			**114**		201
Inventory			**152**		131
Total current assets			**809**		1,575
Non-current					
Restricted cash			**128**		118
Property and equipment, net			**772**		201
Total non-current assets			**900**		319
Total assets		$	**1,709**	$	1,894
Liabilities					
Current liabilities					
Current maturities and short term bank credit and loans		$	**76**	$	102
Trade accounts payable			**341**		284
Other accounts payable			**445**		387
Related parties			**42**		42
Convertible loans	4		**21,597**		19,082
Derivative liability - Warrants	5		**743**		1,254
Accrued liabilities			**876**		824
Total current liabilities			**24,120**		21,975
Non-current liabilities					
Long term debt			**1**		57
Related parties			**11**		22
Lease liability			**478**		-
Liability to Agricultural Research Organization			**2,023**		2,529
Total non-current liabilities			**2,513**		2,608
Shareholders' equity					
Share capital	6		**39**		39
Additional paid-in capital			**10,838**		10,821
Non-controlling interest			**3,850**		3,636
Accumulated deficit			**(39,651)**		(37,185)
Total Shareholders' equity			**(24,924)**		(22,689)
Total Liabilities and Shareholders' equity		$	**1,709**	$	1,894

Subsequent events *(Note 12)*
Going concern *(Note 1b)*

December 10, 2019	Zaki Rakib	Vivien Rakib
Date of approval of the financial statements	Director	Director

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.
Interim Condensed Consolidated Statement of Comprehensive Income (Loss)
U.S. dollars in thousands, except per share data

		Three-month period ended September 30,		Nine-month period ended September 30,	
		2019	**2018**	**2019**	**2018**
	Note	**Unaudited**		**Unaudited**	
Revenues		**$** 46	$ 73	**$** 173	$ 387
Cost of revenues		27	95	62	331
Gross loss		19	)22(	111	56
Operating expenses					
Research and development		307	120	981	376
Selling and marketing		31	66	94	437
Listing expenses		-	2,732	-	2,732
General and administrative		543	372	769	463
Total operating expenses		)881(	)3,290(	(1,844)	)4,008(
Loss from operations		)862(	)3,312(	(1,733)	)3,952(
Finance expenses		265	402	1,465	1,051
Net loss before tax		(1,127)	)3,714(	(3,198)	)5,003(
Tax expenses		-	-	-	-
Net loss and comprehensive loss		**$** (1,127)	$)3,714(	**$** (3,198)	$)5,003(
Attributable to:					
Owners of the Company		**$** (943)	$)3,714(	**$** (2,466)	$)5,003(
Non-controlling interests		**$** (184)	$ -	**$**)732(	$ -

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.

Interim Condensed Consolidated Interim Statements in Shareholders' Equity (Deficit)
U.S. dollars in thousands, except per share data

For the Nine-month period ended September 30, 2019 (Unaudited):

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2019		9,431,638	$ 25	1	$ -*)	4,006,542	$ 9	2,227,043	$ 5	$ 10,821	$ (37,185)	$ 3,636	$ (22,689)
Share based compensation in subsidiary		-	-	-	-	-	-	-	-	-	-	376	376
issuance of a unit of securities in subsidiary	**8**	-	-	-	-	-	-	-	-	-	-	570	570
Share based compensation		-	-	-	-	-	-	-	-	15	-	-	15
Issuance of warrants		-	-	-	-	-	-	-	-	2	-	-	2
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(2,466)	)732(	)3,198(
Balance, September 30, 2019		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,838**	**$ (39,651)**	**$ 3,850**	**$)24,924(**

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.
Interim Condensed Consolidated Interim Statements in Shareholders' Equity (Deficit)
U.S. dollars in thousands, except per share data

<u>For the Nine-month period ended September 30, 2018 (Unaudited):</u>

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2018		9,431,638	$ 25	1	$ -*)	4,006,542	$ 9	2,227,043	$ 5	$ 10,791	$ (30,512)	$ -	$ (19,682)
Transaction with Non-controlling interest	**1a**	-	-	-	-	-	-	-	-	-	-	4,193	4,193
Share based compensation		-	-	-	-	-	-	-	-	21	-	-	21
Issuance of warrants		-	-	-	-	-	-	-	-	3	-	-	3
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(5,003)		(5,003)
Balance, September 30, 2018		9,431,638	**$** 25	1	**$** -*)	4,006,542	**$** 9	2,227,043	**$** 5	**$** 10,815	**$** (35,515)	**$** 4,193	**$**)20,468(

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.
Interim Condensed Consolidated Interim Statements in Shareholders' Equity (Deficit)
U.S. dollars in thousands, except per share data

For year ended December 31, 2018:

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2018		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,791**	**$ (30,512)**	**$ -**	**$ (19,682)**
Transaction with Non-controlling interest	**1a**	-	-	-	-	-	-	-	-	-	-	4,193	4,193
Share based compensation in subsidiary										-	-	242	242
Share based compensation		-	-	-	-	-	-	-	-	27	-	-	27
Issuance warrants		-	-	-	-	-	-	-	-	3	-	-	3
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(6,673)	(799)	(7,472)
Balance, December 31, 2018		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,821**	**$ (37,185)**	**$ 3,636**	**$ (22,689)**

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.

Interim Condensed Consolidated Interim Statements of Cash Flows
U.S. dollars in thousands, except per share data

		Nine-month period ended September 30,	
	Note	2019	2018
		Unaudited	
Cash flows from operating activities:			
Net loss for the period		$ (3,198)	$ (5,003)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		254	51
Finance expenses, net		28	
Listing expenses		-	2,732
Accrued interest on convertible loans		1,242	1,016
Change in convertible loans conditions		767	-
Fair value adjustments of derivative liability - warrants		(683)	-
Re-assessment of Agricultural Research Organization liability		(506)	(453)
Share based compensation		391	21
Changes in operations assets and liabilities:			
Change in Inventory		(21)	21
Change in trade receivables		(7)	13
Change in other receivables		87	(343)
Changes in trade payables and accrued expenses		25	118
Cash from operations		)1,621(	(1,827)
Interest paid		)28(	-
Net cash used in operating activities		)1,649(	(1,827)
Cash flow from investing activities:			
Restricted cash		(10)	5
Purchase of property & equipment		(28)	(6)
Net cash used in financing activities		(38)	(1)
Cash flow from financing activities			
Repayment of long term loan		(75)	(38)
Repayment of short term loan and short term credit		(33)	)117(
Payments of lease liabilities		(188)	-
Short term loan from bank		-	23
Net proceeds from issuance of a unit of securities in subsidiary		742	-
Transaction with Non- controlling interest		-	2,227
Issuance of warrants		2	3
Convertibles loans received		506	1,973
Net cash provided by financing activities		954	4,071
Exchange rate differences on cash and cash equivalents		26	(21)
Increase (decrease) in cash and cash equivalents		(707)	2,222
Cash and cash equivalents at the beginning of the year		1,199	7
Cash at the end of the year		$ 492	$ 2,229

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

U.S. dollars in thousands, except per share data

NOTE 1- GENERAL:

a. Description of business and formation of the Company:

BioHarvest Ltd. (the "Company" or “BioHarvest"), an Israeli company, incorporated in January 2007 and commenced its activity in July 2007. In July 2014, the Company established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

The Company is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. The Company has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

On February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On September 27, 2018 the Company completed a transaction with CannaVCell Sciences Inc. (“CannaVCell”) (the “Transaction”). CannaVCell issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of CannaVCell. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of CannaVCell. Completion of the Transaction resulted in a Reverse Takeover and change of business for CannaVCell (the “RTO”) and BioHarvest became the ultimate parent of CannaVCell and Dolarin.

The Transaction does not qualify as a business combination under IFRS 3, as CannaVCell does not meet the definition of a business. Therefore, The Company accounted for the transaction as an equity transaction with the Non-controlling interest without loss of control, in which it sold ownership interests in Dolarin in exchange for CannaVcell's net assets. The Company recorded listing expenses of the shares of Dolarin in an amount of $2,732

Cash acquired	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Non-controlling interest		(4,193)
Listing expenses	$	**(2,732)**

CannaVCell’s principal business is to develop and produce cannabis active ingredients based on BioHarvest’s biopharming technology.

CannaVCell obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol “CNVC”.

As of September 30, 2019 BioHarvest held 46.82% of the issued share capital of CannaVCell.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 10, 2019.

NOTE 1- GENERAL (Continued):

b. Going concern:

Since inception through September 30, 2019, the Company has generated a cumulative loss of $ 39,651. In addition, the Company generated negative cash flows from operating activities of $ 1,649, and loss in the amount of $ 3,198 for the year ended September 30, 2019. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

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

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

NOTE 2 – BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information set out above does not constitute full year-end accounts within the meaning of Israeli Companies Law. It has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2018 was approved by the board on December 10, 2019. The report of the auditors on those financial statements was unqualified.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2018 and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2018 are applied consistently in these interim consolidated financial statements. Except for the adoption of new standards effective as of 1 January 2019.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New IFRSs adopted in the period

IFRS 16 Leases

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

The main impact of adopting the standard early is the elimination of existing requirement on lessees to classify leases as operating lease (off-balance sheet) or finance lease, and they are now required to use a single accounting model for all leases, similarly to how finance leases are currently accounted for. In agreements where the Group is the Lessee, it applies IFRS 16 using a single accounting model under which it recognizes a right-of-use asset and a lease liability upon inception of the lease contract. It does so for all leases in which

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued):

the Group has right to control the use of identified assets for a period of time in exchange for consideration. Accordingly, the Group recognizes depreciation and depreciation charges on the right-of-use asset and tests the need for recognizing impairment of the right-of-use asset in compliance with IAS 36 "Impairment of

Assets", and also recognizes finance expenses in relation to a lease liability. Therefore, beginning on first-time adoption, rent expenses relating to properties rented under operating leases, are now presented as assets that are depreciated through depreciation and depreciation assets.

For all leases, the Group applied the transitional provisions such that it initially recognized a liability at the commencement day at an amount equal to the present value of the lease payments during the lease, discounted using the effective interest rate as of that date, and concurrently recognized a right-of-use asset at an amount identical to the liability. As a result, the standard had no impact on equity and the retained earnings of the Group as at initial application.

As part of the initial application, the Group elected to adopt the following practical expedients, as permitted by the standard:

a. The use of a single discount rate for a portfolio of leases with similar characteristics;

b. Not separating lease and non-lease components of a contract, and instead accounting for all components as a single lease;

c. Excluding initial direct costs from the measurement of the right-of-use asset as at initial application;

d. Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

The following new significant accounting policy for agreements in which the Group is the lessee was applied beginning on January 1, 2019 following initial application of the standard:

Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets comprises the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date less any lease incentives received; and initial direct costs incurred. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are presented within property, plant and equipment.

Lease liabilities:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued):

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease term:

The term of a lease is determined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Depreciation of a right-of-use asset:

Subsequent to the inception of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accumulated impairment losses, and is adjusted for re-measurements of the lease liability. Depreciation is measured using the straight-line method over the useful life or contractual lease term, whichever ends earlier.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero.

The following table presents a summary of the impact on the interim consolidated statement of financial position as of January 1, 2019, assuming that the previous accounting policy of the Group for leases would have continued in that period.

The impact on the interim consolidated statement of financial position as of January 1, 2019 (Unaudited):

	Under previous policy	The change	Under IFRS 16
	U.S. $ in thousands		
Non-current assets:			
Property, plant and equipment	201	796	997
Current liabilities:			
Other accounts payable	387	249	636
Non-current liabilities:			
Lease liabilities	-	547	547

Upon initial adoption, the Group measured the right-of-use assets in an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. There was no impact on retained earnings upon initial adoption of the standard.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued):

The following is a reconciliation of the Company's liabilities in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental interest rate on the initial implementation date and lease commitments recognized on January 1, 2019 (Unaudited):

	U.S. $ in thousands
Operating lease commitments as of December 31, 2018	860
Weighted average incremental borrowing rate as of January 1, 2019	5.4%
Discounted operating lease commitments	796
Lease liabilities as of January 1, 2019	796

NOTE 4 - CONVERTIBLE LOANS:

In July 2013, the Company entered into an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("Convertible Notes"). Between July 2013 and December 31, 2018, the Company signed certain amendments to the Agreement and the Convertible Notes were increased by way of the receipt of additional loans.

The Convertible Notes are denominated in USD and bear accumulated interest at the rate of between 8%-12% per annum.

On April 30, 2019, the Company signed certain amendments to the Agreement as follows:

i. The Maturity Date for repayment of all the Convertible Notes has been revised to November 22, 2019.

ii. The Next Equity Round was reduced to $2,000.

iii. In the event of the Next Equity Round prior to the Maturity Date, the principle amount owing, without taking into account any accrued interest, shall automatically be converted into shares of the Company upon at a discount to the share price of the Next Equity round, ranging between 39%-58%, depending on the time of the issuance of the particular Convertible Loan.

iv. Upon conversion of the Convertible Notes, the Lenders will receive a total of 23,368,009 warrants, to purchase 23,368,009 shares at an exercisable price of $1.347 per share. The warrants expire on August 23, 2020.

During the nine-month period ended September 30, 2019, the Company received additional Convertible Notes in the amount of $506.

The Company has evaluated the modified terms of the loans following their modification on 30, April 2019, and concluded that they are not substantially different. Therefore, the Company recalculated the amortized cost of convertible loans as the present value of the estimated future contractual cash flows that are discounted at the convertible loans original effective interest rate, with differences recognized in profit or loss.

U.S. dollars in thousands, except per share data

NOTE 5 - DERIVIATE LIABILITY- WARRANTS:

(i) A summary of movements in warrants issued by CannaVCell during the nine months ended September 30, 2019 and for the year ended December 31, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2017		
Issuance of warrants ("CNVC 2017 Warrants")	20,890,148	0.17
Balance, December 31, 2018	20,890,148	0.17
Issuance of warrants (Note 8)	6,666,666	0.23
Balance, September 30, 2019	**27,556,814**	**0.18**

As the CNVC warrants issued by CannaVCell have an exercise price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

(ii) The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period. The following assumptions were used to estimate the fair value of the derivative warrant liability on:

	September 30, 2019	December 31, 2018
Expected life of warrants	1 years	1.74 years
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Risk-free interest rate	1.6%	1.85%
Market price of Common share	CAD 0.145	CAD 0.185
Exercise price	CAD 0.23	CAD 0.23

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

U.S. dollars in thousands, except per share data

NOTE 6- SHARE CAPITAL:

	Number of shares	
	September 30, 2019 Issued and outstanding	**December 31, 2018 Issued and outstanding**
Ordinary shares of NIS 0.01 par value	9,431,638	9,431,638
Ordinary A share of NIS 0.01 par value	1	1
Ordinary A-1 share of NIS 0.01 par value	4,006,542	4,006,542
Ordinary A-2 share of NIS 0.01 par value	2,227,043	2,227,043

Ordinary Shares:

Ordinary Shares confer upon their holders, the right to receive notice of, and to participate in, all general meetings of the Company, to vote in such meetings, to receive dividends, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company. Ordinary A share shall have no voting rights in the Company. The Ordinary A share confers upon its holder the right to receive the Ordinary A Share Amount plus 8% per annum in the event of liquidation of the Company (the " Ordinary A share Payment).

Preferred Shares:

The Preferred shareholders (A-1, A-2) are entitled to the same rights conferred by the Ordinary Shares in addition to the following rights:

Liquidation preference - In the event (i) of any dissolution, liquidation or winding-up of the Company; (ii) of any bankruptcy, insolvency or reorganization proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, is properly commenced against the Company and is not annulled or revoked within 90 days or is commenced by the Company, or (iii) a receiver or liquidator is appointed to all or substantially all of the Company's assets and such appointment is not withdrawn or vacated within 90 days, then the assets or proceeds available for distribution to the Shareholders shall be distributed among the Shareholders according to the order of preference.

The holders of the Preferred A-1 and A-2 shares shall be entitled to receive prior to and in preference to any payment to any of the holders of any other classes of shares of the Company, an amount of $ 1.23335 per share with respect to Preferred A-1 and an amount of $ 1.49497 per share with respect to Preferred A-2, plus 8% per annum of such amount from the date of issuance compounded annually.

After full payment to the holders of the Preferred and Ordinary A shares, the entire remaining assets and funds of the Company legally available for distribution (the "Remaining Distributable Proceeds"), if any, shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

In the event of that the Remaining Distributable Proceeds fall below twice the Ordinary A Payment, then 50% of such Remaining Distributable Proceeds shall be distributed to the Ordinary A Share as described above and 50% shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

U.S. dollars in thousands, except per share data

NOTE 6 - SHARE CAPITAL (Continued):

Conversion rights - the holders of the Preferred A-1 and A-2 are entitled, at their option, to convert the Preferred A-1 and A-2 shares into ordinary shares by dividing the applicable original issue price for such series of preferred shares by the conversion price. The initial conversion price shall be the respective original issue price for such share. The conversion price shall be subject to adjustment in accordance with any Recapitalization Event and pursuant to the other adjustment provisions defined in the Articles of Association. The preferred shares also include a down-round feature, which reduces the conversion price if the Company issues any equity securities at a price lower than the applicable conversion price, as defined in the Articles. The Company classified the convertible preferred shares as equity because the issuance of new shares, which is the trigger for the down-round feature, is within the Company's control. The shares shall be automatically converted upon an initial public offering or a written resolution of at least 51% of the preferred A-1 and A-2 shares holders.

During the nine-months period ended September 30, 2019 and 2018 there were no issuance of ordinary or preferred shares.

NOTE 7- SHARE BASED COMPENSATION:

a. Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable in accordance with the terms of the Plan, within 10 years from the date of grant, against payment of an exercise price.

b. A summary of activity of options granted to purchase the Company's Shares under the Company's share option is as follows:

	September 30, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	10,386,453	0.21	731,348	0.99
Changes during the period:				
Granted	750,000	0.15	9,655,105	0.15
Options outstanding at end of period (*)	11,136,453	0.20	10,386,453	0.21
Options exercisable at period end	9,026,187	0.20	4,011,498	0.21
Weighted-average fair value of options Granted during the year	$ 65		$ 710	

(*) The options outstanding at September 30, 2019 had a weighted-average contractual life of 4.6 years (December 31, 2018: 5.3 years).

U.S. dollars in thousands, except per share data

NOTE 8 - ISSUE OF A UNIT OF SECURITIES IN SUBSIDIARY

On September 23, 2019, CannaVCell completed a private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of CAD 0.15 (approximately USD 0.11) per unit for gross proceeds of CAD 1,000 (approximately USD 755) (CAD 985 after payment of commissions and finder's fees). Each unit consists of one common share of CannaVCell and one non-transferable share purchase warrant. Each warrant will be exercisable to purchase an additional common share at a price of CAD 0.30 (approximately USD 0.23) share for a period of two years from closing of the Private Placement Financing ("CNVC Warrants").

Following the private placement, BioHarvest holds 46.82% (including vested warrants - 49.05%) of the issued share capital of CannaVcell. However, the Company has concluded that it retained control over CannaVcell, as it has the right to appoint the majority of the board members. Appointment of board members Is carried out at the general meeting, in which the Company has a clear majority, considering the wide dispersion of holdings of the other vote holders.

NOTE 9 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT:

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

The following table summarizes the information about the level 3 fair value measurements:

Item	**Fair value**	**Valuation technique**	**Fair value hierarchy level**	**Significant unobservable inputs**
Derivative liability - Warrants	743	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $61 of the fair value

Set out below is a comparison, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	September 30, 2019		**December 31, 2018**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Convertible loans	21,468	21,468	19,082	19,082
Total	21,468	21,468	19,082	19,082

The Company recognized Liability to Agricultural Research Organization initially at fair value, and are subsequently carried at amortized cost using the effective interest rate method.
The fair value for September 30, 2019 and December 31, 2018 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

U.S. dollars in thousands, except per share data

NOTE 9 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Continued):

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	**2018**
Balance as of January 1	-
Issuance of Warrants	629
Loss recognized in Profit or loss:	-
Balance as of September 30	629

Derivative liability - Warrants	**2019**
Balance as of January 1	1,254
Issuance of Warrants	172
Profit recognized in Profit or loss:	)683(
Balance as of September 30	743

NOTE 10 – RELATED PARTIES TRANSACTIONS:

a. Related parties including the Company's CEO and the Chairman of the BOD, Directors and the Company's CTO.

b. The Company's CEO is entitled to receive $ 12.5 per month.

Related party transactions:

	Nine months ended September 30, 2019	**Three months ended September 30, 2019**	**Nine months ended September 30, 2018**	**Three months ended September 30, 2019**
Compensation of key management personnel of the Company:				
Management fees for the CEO	113	38	113	38
Share base payment to CEO	153	35	-	-
Other related party transactions:				
Share base payments	223	54	-	-
Investment in Convertibles loans	-	-	304	304
Loan from related party	-	-	-	-

Balance with related parties:

Nine months ended September 30	**2019**	**2018**
Convertible loans	11,083	9,761
Loan from related party	11	23

U.S. dollars in thousands, except per share data

NOTE 11 –OPERATING SEGMENTS:

The Company and its subsidiaries are engaged in the following segments:

- Vinia: development, design, manufacture and marketing of "Vinia" for the retail.
- Cannabis: development, design, manufacture and marketing of medical Cannabis.

1) Segment information

	Nine months ended September 30, 2019			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Revenues				
External	173	-	-	173
Inter-segment	-	-	-	-
Total	173	-	-	173
Segment loss (revenue)	(338)	2,138	(67)	1,733
Finance expense, net	2,136	(671)	-	1,465
Tax expenses	-	-	-	-
Loss	1,798	1,467	(67)	3,198

	Three months ended September 30, 2019			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Revenues				
External	46	-	-	46
Inter-segment	-	-	-	-
Total	46	-	-	46
Segment loss (revenue)	345	517	-	862
Finance expense, net	420	(155)	-	265
Tax expenses	-	-	-	-
Loss	765	362	-	1,127

	As of September 30, 2019			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Segment assets	-	6,995	(5,286)	1,709
Segment liabilities	22,786	3,183	664	26,633

U.S. dollars in thousands, except per share data

NOTE 11 –OPERATING SEGMENTS (Continued):

	Nine months ended September 30, 2018			
	Vinia	**Cannabis***	**Adjustment & Elimination**	**Total**
Revenues				
External	387	-	-	387
Inter-segment	-	-	-	-
Total	387	-	-	387
Segment loss (revenue)	3,952	-	-	3,952
Finance expense, net	1,051	-	-	1,051
Tax expenses	-	-	-	-
Loss	5,003	-	-	5,003

	Three months ended September 30, 2018			
	Vinia	**Cannabis***	**Adjustment & Elimination**	**Total**
Revenues				
External	73	-	-	73
Inter-segment	-	-	-	-
Total	73	-	-	73
Segment loss (revenue)	3,312	-	-	3,312
Finance expense, net	402	-	-	402
Tax expenses	-	-	-	-
Loss	3,714	-	-	3,714

	As of September 30, 2018			
	Vinia	**Cannabis***	**Adjustment & Elimination**	**Total**
Segment assets	3,486	-	-	3,486
Segment liabilities	23,954	-	-	23,954

* The Cannabis segment started its operation on October 30, 2018

U.S. dollars in thousands, except per share data

NOTE 11 –OPERATING SEGMENTS (Continued):

2) Entity wide disclosures External revenue by location of customers.

	Nine months ended September 30,	
	2019	**2018**
Israel	169	376
Other	4	11
	173	387

	Three months ended September 30,	
	2019	**2018**
Israel	46	69
Other	-	4
	46	73

3) Additional information about revenues:

There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements.

NOTE 12 -SUBSEQUENT EVENTS:

1. During November 2019 the Company has received $300 into convertible loan 8.
2. On November 23rd, 2019 the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible loan (the "Loan") with aggregate principal amount of $ 3,000 ("Principal Loan Amount"). The Loan was denominated in USD and bears accumulated interest at the rate of 8% per annum. The Loan shall become due and payable upon the expiration of 12 months after the Initial Closing date (the "Maturity Date").
   In the event that prior to the Maturity Date, the Company shall: (i) issue and sell its shares or (ii) consummate an IPO or M&A, the Principal Loan Amount shall automatically be converted into the same class of shares issued by the Company upon the consummation event, with a discount of 10% from the price share paid for the shares issued in such event.
   During November and December 2019 the Company has received $1,742 into convertible loan 9
3. On December 2, 2019 CannaVCell established a wholly owned subsidiary in the Israel, Biofarming Ltd (“Acquisition Sub”). Acquisition Sub agreed to merge with BioHarvest Ltd. with the merger consideration being the issuance of securities of the CannaVCell to the shareholders of BioHarvest. The merger consideration will be 299,200,000 common shares of CannaVCell at a deemed price of $0.15 CAD per share (approximately $0.11 USD).
   BioHarvest's intercorporate shareholding of 48,337,496 common shares will be returned to CannaVCell treasury.
   The merger will be completed under the Israel Companies Law and is subject to a number of conditions including:
   a) Shareholder approval at meetings called for that purpose;
   b) Approval of the Israeli Securities Authority;

NOTE 12 -SUBSEQUENT EVENTS (Continued):

c) The indebtedness of BioHarvest at closing not exceeding $500,000 US;
d) Approval of the Canadian Securities Exchange;
e) The Agreement of Convertible Debt holders of BioHarvest to accept warrants of the Issuer to replace their warrants in BioHarvest; and
f) Termination of BioHarvest director, officer, employee or consultant options outstanding.

SCHEDULE "E" FINANCIAL STATEMENTS OF BIOHARVEST

BioHarvest Ltd.

Consolidated Financial Statements

December 31, 2018, and 2017

Expressed in U.S. dollars in thousands

BIOHARVEST LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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Independent Auditors' Report
To the Shareholders of BioHarvest Ltd.

Opinion

We have audited the accompanying consolidated financial statements of BioHarvest Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and 2017 and its related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and 2017 of its consolidated financial performance and its consolidated cash for each of the three years in the period ended December 31, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Company Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1B in the consolidated financial statements, which indicates that the Company incurred losses from operations since its inception, and as of December 31, 2018, the Company has an accumulated deficit of approximately $37,185 thousand. In addition, the Company generated negative cash flows from operating activities of $2,766 thousand and loss in the amount of $7,526 thousand for the year ended December 31, 2018, As stated in Note 1B, these events or conditions, along with other matters as set forth in Note 1B, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management and directors are responsible for the other information. The other information comprises the information contained in the Management’s Discussion and Analysis and financial statements for the years ended December 31, 2018, 2017 and 2016 but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and directors for the Financial Statement

Management and directors of the Company are responsible for the preparation and fair presentation of these financial report in accordance with IFRSs, and for such internal control as management and the directors determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the Audit of the Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Tel-Aviv, Israel

December 9, 2019

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

BioHarvest Ltd.

Consolidated Statements of Financial Position
U.S. dollars in thousands

	Notes	December 31, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		$ **1,199**	$ 7
Trade accounts receivable		**44**	78
Other accounts receivable		**201**	1,096
Inventory	4	**131**	171
Total current assets		**1,575**	1,352
Non-current			
Restricted cash		**118**	124
Property and equipment, net	5	**201**	218
Total non-current assets		**319**	342
Total assets		$ **1,894**	$ 1,694
Liabilities			
Current liabilities			
Current portion of long term debt		$ **102**	$ 105
Bank Credit		-	135
Trade accounts payable		**284**	343
Other accounts payables		**387**	519
Related parties		**42**	336
Convertible loans	7	**19,082**	-
Derivative liability - Warrants	8	**1,254**	-
Accrued liabilities		**824**	236
Total current liabilities		**21,975**	1,673
Non-current liabilities			
Long term debt	6	**57**	137
Convertible loans	7	-	16,094
Related parties	13	**22**	-
Accrued liabilities		-	602
Liability to Agricultural Research Organization	2o	**2,529**	2,869
Total non-current liabilities		**2,608**	19,702
Shareholders' equity			
Share capital	9	**39**	39
Additional paid-in capital		**10,821**	10,791
Non controlling interest		**3,636**	-
Accumulated deficit		**(37,185)**	(30,512)
Total Shareholders' deficit		**(22,689)**	(19,682)
Total Liabilities and Shareholders' deficit		$ **1,894**	$ 1,694

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 18)
Subsequent events (Note 20)

December 9, 2019	Zaki Rakib
Date of approval of the financial statements	Director

The accompanying notes are an integral part of the consolidated financial statements.

BioHarvest Ltd.
Consolidated Statement of Comprehensive Loss
U.S. dollars in thousands

	Notes		2018		2017		2016
			Year ended December 31,				
Revenues	14	$	**449**	$	325	$	40
Cost of revenues			**463**		493		240
Gross loss			**(14)**		(168)		(200)
Operating expenses							
Research and development expenses	15		**553**		429		388
Selling and marketing expenses			**484**		422		162
Listing expenses	1a		**2,784**		-		-
General and administrative expenses	16		**1,547**		719		1,436
Total operating expenses			**(5,368)**		(1,570)		(1,986)
Loss from operations			**(5,382)**		(1,738)		(2,186)
Finance expenses	17		**2,090**		108		1,313
Net loss before tax			**(7,472)**		(1,846)		(3,499)
Tax expenses			**-**		-		
Net loss and comprehensive loss		$	**(7,472)**	$	(1,846)	$	(3,499)
Attributable to:							
Owners of the Company		$	**(6,673)**	$	(1,846)	$	(3,499)
Non-controlling interests		$	**(799)**	$	-	$	-

The accompanying notes are an integral part of the consolidated financial statements.

BioHarvest Ltd.

Consolidated Statements of Changes in shareholders' deficit

U.S. dollars in thousands, except per share data

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2016		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,629**	**$ (25,167)**	**$ -**	**$ (14,499)**
Share based compensation	**10**	-	-	-	-	-	-	-	-	39	-	-	39
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(3,499)	-	(3,499)
Balance, December 31, 2016		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,668**	**$ (28,666)**	**$ -**	**$ (17,959)**
Share based compensation	**10**	-	-	-	-	-	-	-	-	28	-	-	28
Issuance warrants		-	-	-	-	-	-	-	-	95	-	-	95
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(1,846)	-	(1,846)
Balance, December 31, 2017		**9,431,638**	**25**	**1**	**-*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,791**	**$ (30,512)**	**$ -**	**$ (19,682)**
Transaction with Non-controlling interest	**1a**	-	-	-	-	-	-	-	-	-	-	4,193	4,193
Share based compensation in subsidiary	10	-	-	-	-	-	-	-	-	-	-	242	242
Share based compensation	**10**	-	-	-	-	-	-	-	-	27	-	-	27
Issuance warrants		-	-	-	-	-	-	-	-	3	-	-	3
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(6,673)	(799)	(7,472)
Balance, December 31, 2018		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,821**	**$ (37,185)**	**$ 3,636**	**$ (22,689)**

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of the consolidated financial statements.

BioHarvest Ltd.

Consolidated Statement of Cash Flows
U.S. dollars in thousands

	Note	Year ended December 31, 2018	2017	2016
Cash flows from operating activities:				
Net loss for the year		$ **(7,472)**	$ (1,846)	$ (3,499)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization		**70**	84	102
Listing expenses	1a	**2,732**	-	-
Interest on convertible loans		**1,404**	1,224	1,108
Fair value adjustments of convertible loans		**-**	(1,274)	(173)
Fair value adjustments of derivative liability - warrants		**625**	-	-
Re-assessment of Agricultural Research Organization liability		**(340)**	(636)	560
Issuance of warrants		**3**	95	-
Share based compensation		**269**	26	39
Changes in operations assets and liabilities:				
Change in Inventory		**40**	143	(156)
Change in trade receivables		**34**	(78)	(31)
Change in other receivables		**62**	(199)	25
Changes in trade payables and accrued expenses		**(139)**	697	(172)
Net cash used in operating activities		**(2,766)**	(1,764)	(2,197)
Cash flow from investing activities:				
Restricted cash		**7**	(19)	17
Purchase of property & equipment		**(53)**	(37)	(3)
Net cash provided by (used in) financing activities		**(46)**	(56)	14
Cash flow from financing activities				
Repayment of long term loan		**(76)**	(70)	(100)
Receipt of short term loan		**-**	27	-
Loan from related party		**22**	42	150
Short term credit from bank		**(135)**	112	23
Transaction with Non-controlling interest	**1a**	**2,227**	-	-
Convertible loans received		**1,973**	1,643	1,991
Net cash provided by financing activities		**4,011**	1,754	2,064
Exchange rate differences on cash and cash equivalents		**(7)**	31	(23)
Increase (decrease) in cash and cash equivalents		**1,192**	(66)	(119)
Cash and cash equivalents at the beginning of the year		**7**	42	184
Cash at the end of the year		$ **1,199**	$ 7	$ 42

The accompanying notes are an integral part of the consolidated financial statements.

(U.S. dollars in thousands, except per share data)

NOTE 1- General:

a. Description of business and formation of the Company:

BioHarvest Ltd. (the "Company" or “BioHarvest"), an Israeli company, incorporated in January 2007 and commenced its activity in July 2007. In July 2014, the Company established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

The Company is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. The Company has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

On February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On September 27, 2018 the Company completed a transaction with CannaVCell Sciences Inc. (“CannaVCell”) (the “Transaction”). CannaVCell issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of CannaVCell. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of CannaVCell. Completion of the Transaction resulted in a Reverse Takeover and change of business for CannaVCell (the “RTO”) and BioHarvest became the ultimate parent of CannaVCell and Dolarin.

The Transaction does not qualify as a business combination under IFRS 3, as CannaVCell does not meet the definition of a business. Therefore, The Company accounted for the transaction as an equity transaction with the Non-controlling interest without loss of control, in which it sold ownership interests in Dolarin in exchange for CannaVcell's net assets. The company recorded listing expenses of the shares of Dolarin in an amount of $2,732

Cash acquired	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Non-controlling interest		(4,193)
Listing expenses	$	**(2,732)**

CannaVCell’s principal business is to develop and produce cannabis active ingredients based on BioHarvest’s biopharming technology.

CannaVCell obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol “CNVC”.

As December 31, 2018 BioHarvest held 50.5% of the issued share capital of CannaVCell.

These consolidated financial statements were authorized for issue by the Board of Directors on December 9, 2019.

b. Going concern:

Since inception through December 31, 2018, the Company has generated a cumulative loss of $ 37,185. In addition, the Company generated negative cash flows from operating activities of $ 2,766, and loss in the amount of $ 7,472 for the year ended December 31, 2018. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

NOTE 1- General (Continued):

b. Going concern: (continued)

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

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

NOTE 2- Significant accounting policies:

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of preparation:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for the embedded derivative that is measured at fair value through profit or loss.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenue and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 3.

c. Functional and presentation currency:

The functional currency of the Company and its subsidiaries and the presentation currency of the consolidated financial statements is the U.S. dollar.

The Company and its subsidiaries determine the functional currency of each entity, and this currency is used to separately measure each Company entity's financial position and operating results.

d. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

NOTE 2- Significant accounting policies (continued):

e. Basis of consolidation:

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including: the contractual arrangement with the other vote holders of the investee, the Group's potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity. (ii) Recognizes the consideration received at fair value, recognizes any investment retained at fair value of and recognizes any surplus or deficit in profit or loss. (iii) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

All inter–company balances, and transactions, have been eliminated upon consolidation.

f. Cash equivalents:

Cash equivalents are considered by the Company to be highly-liquid investments, including, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

NOTE 2- Significant accounting policies (continued):

g. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials - at cost of purchase using the "first-in, first-out" method.

Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

Purchased merchandise and products - using the weighted average cost method or using the "first-in, first-out" method.

h. Deferred taxation:

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

i. Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years, ended December 31, 2018 and 2017 no impairment charges of non-financial assets were recognized.

NOTE 2- Significant accounting policies (continued):

j. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or

2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

k. Financial instruments:

The accounting policy applied until December 31, 2017 with regards to financial instruments is as follows:

1. Financial assets:

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Receivables: Receivables are investments with fixed or determinable payments that are not quoted in an active market and they are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses.

NOTE 2- Significant accounting policies (continued):

k. Financial instruments (continued):

2. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset as follows. Financial assets carried at amortized cost:

There is objective evidence of impairment of loans and receivables if one or more events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss

recognized in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal recognized in profit or loss.

3. Financial Liabilities:

The Company classifies its financial liabilities as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include the following items:

Trade payables and other short-term monetary liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

<u>The accounting policy applied as from January 1, 2018 in regards of financial instruments is as follows:</u>

1. Financial assets:

The Company classifies its financial assets into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

Amortized cost

These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

NOTE 2- Significant accounting policies (continued):

k. Financial instruments (continued):

2. Financial Liabilities:

The Company classifies its financial liabilities into one of the following categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Amortized cost

These liabilities include Accounts payable and accrued liabilities, initially recognized at fair value plus transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss (Derivative liability – Warrants).

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading.

3. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

4. Derivative liability - Warrants:

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

5. De-recognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

NOTE 2- Significant accounting policies (continued):

k. Financial instruments (continued):

6. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. For December 31, 2018 and 2017, there is no evidence of impairment.

l. Operating Segment:

An operating segment is a component of the Company that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Company's financial income and expenses and income tax.

m. Share-based compensation:

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is based on the share fair price is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting

conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

n. Research and Development:

Research Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years ended December 2018 and 2017 the Company did not meet these criteria, therefore all research and development expenditures were expensed as incurred in the following criteria therefore all research and development recognized as expenses.

NOTE 2- Significant accounting policies (continued):

o. Liability to Agricultural Research Organization:

Grants received from the Agricultural Research Organization - Volcani Center (henceforth "ARO") as support for a research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from ARO, are accounted for as forgivable

loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9. Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate

of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method.

Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of IFRS 9.

At the end of each reporting period, the Company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recorded in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

p. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Computers and others	33
Furniture and office equipment	7
Leasehold improvements	10-30
Laboratory equipment	10-15

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

NOTE 2- Significant accounting policies (continued):

p. Property, plant and equipment (continued):

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

q. Revenue recognition:

The accounting policy applied until December 31, 2017 in regards of revenue recognition is as follows:

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues from the sale of goods are recognized when all of the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which risks and rewards pass.

Customer discounts

Customer discounts given at year end in respect of which the customer is not obligated to comply with certain targets, are recognized in the financial statements as the sales entitling the customer to said discounts are made.

Customer discounts for which the customer is required to meet certain targets, such as a minimum amount of annual purchases (either quantitative or monetary), an increase in purchases compared to previous periods, etc., are recognized in the financial statements in proportion to the purchases made by the customer during the year that qualify for the target, provided that it is expected that the targets will be achieved and the amount of the discount can be reasonably estimated.

The accounting policy applied as from January 1, 2018 in regards of revenue recognition is as follows:

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the equipment.

Volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

To estimate the variable consideration to which it will be entitled, the Company applied the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Company includes in the transaction price amounts of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

NOTE 2- Significant accounting policies (continued):

q. Revenue recognition (continued):

At the end of each reporting period, the Company updates its estimates of variable consideration.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

r. Severance pay:

The Company's liability for its Israeli employees regarding severance pay is pursuant to Section 14 of the Israeli severance pay law ("Section 14"). All the Israeli employees are included under this section, and entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The fund is made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the balance sheet as the severance pay risks have been irrevocably transferred to the severance funds

s. Provisions:

The Company has recognized provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

t. New IFRSs adopted during the period:

1. IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has implemented the requirements of IFRS 9 retrospectively on the basis of the facts and circumstances that existed as of January 1, 2018 by recognizing the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings and other components of equity as of January 1, 2018See note 2 (k) for the accounting policy applied

2. IFRS 15 Revenue from Contracts with Customers:

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Company elected to apply IFRS 15 retrospectively for the first time by recognizing the cumulative effect of the retroactive application as an adjustment to the opening balance of retained earnings as at January 1, 2018.

NOTE 2- Significant accounting policies (continued):

t. New IFRSs adopted during the period (continued):

The adoption of IFRS 15 did not have an impact on the financial statements.

See note 2 (q) for the accounting policy applied

3. IFRS 16 Leases:

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero. Any remaining amount of re-measurements will be recognized in profit or loss. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

According IFRS 16 the lessees will be implemented retrospectively in one of two ways:

- Cumulative effect method, without restatement of comparative information.
- Retrospectively to each prior reporting period presented

The Company plans to apply IFRS 16 initially from its effective adoption date of 1 January 2019, using the modified retrospective approach. Accordingly, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

NOTE 2- Significant accounting policies (continued):

t. New IFRSs adopted during the period: (continued)

1. IFRS 16 Leases (continued):

The following are the Company's estimates regarding the expected effects:

- leases in which the Company is the lessee, which are currently classified as operating leases, the Company is required to recognize on the initial implementation date a right of use and lease liability for all leases in which it is found to have the right to control the use of identified assets for a specified period of time. These changes are expected to result in an increase of approximately $740 thousand in the balance of the right to use assets at the date of initial implementation and an increase of approximately $740 thousand in the balance of the lease liability as at the date of initial implementation.
- At the initial implementation date, the lease liability will be recognized in the present value of the future lease fees. The Company intends to measure the right to use asset at that date in accordance with the amount equal to the lease liability at the initial application date, adjusted for the amount of any prepaid or accrued lease payments relating to this lease, which were recognized in the statement of financial position immediately prior to the initial implementation date.
- The range of nominal discount rates used to measure the liability described above in respect of a lease ranges from 3.9% to 5.4%, which, as at the date of the interim financial statements, constitutes the incremental interest of the lessee. The Company intends to continue examining the range of nominal interest rates.
- In the statement of cash flows, lease payments in respect of leases to be recognized as an asset of a right to use and a lease undertaking will no longer be presented as part of current operations, and therefore an increase in cash flow from operating activities is expected. Instead, the principal repayment component of the lease liability and the interest component on the liability will be presented in the financing activity.
- The Company expects a change in the main financial ratios, such as: an increase in the leverage rate, a decrease in the ratio of capital to the balance sheet and a decrease in working capital.

With respect to all of the above, the principal leases expected to be affected as a result of the implementation of the new standard derive mainly from the leasing of vehicles and office used for the Company's operations.

NOTE 3- 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 Company. Such changes are reflected in the assumptions when they occur.

(U.S. dollars in thousands, except per share data)

NOTE 3- Critical accounting estimates and judgements: (continued)

a. Share based compensation

The Company has a share based compensation plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see also Note 10).

b. 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.

c. Liability to Agricultural Research Organization

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

NOTE 4- Inventories

	December 31,	
	2018	**2017**
Raw materials	**51**	47
Finished goods	**80**	124
	131	171

(U.S. dollars in thousands, except per share data)

NOTE 5– Property, Plant and Equipment, net:

	Laboratory equipment	Furniture and office equipment	Leasehold improvements	Computers	Other	Total
Cost:						
As of January 1, 2017	658	66	159	55	12	950
Additions	22	6	-	5	4	37
As of January 1, 2018	680	72	159	60	16	987
Additions	11	7	30	5	-	53
As of December 31, 2018	**691**	**79**	**189**	**65**	**16**	**1,040**
Accumulated depreciation:						
As of January 1, 2017	451	22	150	51	11	685
Additions	64	6	9	3	2	84
As of January 1, 2018	515	28	159	54	13	769
Additions	61	5	-	3	1	70
As of December 31, 2018	**576**	**33**	**159**	**57**	**14**	**839**
Net Book Value:						
As of December 31, 2018	**115**	**46**	**30**	**8**	**2**	**201**
As of December 31, 2017	**165**	**44**	**30**	**6**	**3**	**218**

(U.S. dollars in thousands, except per share data)

NOTE 6- Bank Loans:

The Company has the following loans outstanding as of December 31, 2018 and 2017:

	Effective interest rate	Maturity date	December 31, 2018	December 31, 2017
	%			
Current interest-bearing loans and borrowings:				
Current portion of Long Term debt			**70**	76
Bank loans			**32**	29
Total current interest-bearing loans and borrowings			**102**	105
Non-current interest-bearing loans and borrowings:				
Other non-current loans:				
$ 125 bank loan	3.7%	August 2020	**20**	52
$ 202 bank loan	3.23%	October 2020	**37**	85
Total non-current interest-bearing loans and borrowings			**57**	137
Total interest-bearing loans and borrowings			**159**	242

NOTE 7- Convertible Notes:

a. In July 2013, the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the First Loan") with aggregate principal amount of $ 3,000 ("Principal Loan Amount"). The First Loan was denominated in USD and bears accumulated interest at the rate of 8% per annum. The First Loan shall become due and payable upon the expiration of 36 months after the Initial Closing date (the "Maturity Date").

In the event that prior to the Maturity Date, the Company shall issue and sell its shares for at least $ 5,000 (the "Next Equity Round"), the Principal Loan Amount shall automatically be converted into the same class of shares issued by the Company upon the consummation of such equity round, with a discount ranging between 20-30%, depending on the time of the consummation of the Next Equity Round. In the event that prior to the Maturity Date the Company shall consummate an equity investment in the Company which does not qualify as a Next Equity Round, at the decision of the Lenders holding at least 75% of the then outstanding Principal Loan Amount (the "Majority of the Lenders") the Principal Loan Amount shall be converted into shares of the same class as shall be issued by the Company upon the consummation of such transaction, with a discount as mentioned above. In the event that prior to the Maturity Date the Company shall consummate an M&A event (the "M&A Event"), the Principal Loan Amount shall be converted into such number of the most senior class of equity securities of the Company then outstanding, at the lower of (i) $ 15.00 per share; or (ii) price per share representing 75% of the per-share value at such M&A Event.

In the event that the Company shall not consummate a Next Equity Round prior to the Maturity Date, then Majority of the Lenders shall have the option to require the Company to either: (i) repay to the Lenders the entire outstanding Principal Loan Amount and any accrued Interest; (ii) convert the Principal Loan Amount into the most senior class of equity securities of the Company then outstanding, at price per share equal to the most recent per share price paid for such most senior securities.; or (iii) extend the Maturity Date.

b. In March and July 2014, the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the Second Loan") with aggregate principal amount of $ 1,500 and $3,000, respectively ("Principal Loan Amount"). The Second Loan were denominated in USD and bear accumulated interest at the rate of 8% per annum. The Second Loan shall become due and payable upon the expiration of 24 months after the Initial Closing date (the "Maturity Date"). The Second Loan bear the same terms and conditions as the First Loan.

c. On March 23, 2017 (the "Effective Date"), the Company signed an agreement with its existing lenders ("the Lenders"), according to which July 2013, March and July 2014, convertible promissory notes will be consolidated and extended into a new convertible loan ("the First Consolidated Loan"), with an aggregate principal amount of $ 7,750 ("Principal Amount"). The First Consolidated Loan shall become due and payable upon the expiration of 18 months after the Effective Date ("Maturity Date") and bear accumulated interest of 8% per annum.

According to the First Consolidated Loan agreement, the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) the consummation of an IPO or M&A event; (ii) upon event of default as define in the agreement; or (iii) Maturity Date.

NOTE 7- Convertible Notes (continued):

In the event that prior to the Maturity Date, the Company consummates a transaction on which the Company issues and sells its shares for at least $ 3,000, the Principal Amount then outstanding, shall be automatically converted into the same class of shares as shall be issued by the Company in the transaction with a discount of 30% of the price per share.

In the event of consummation of a transaction on which the Company issues and sells its shares for less than $ 3,000, then each lender at his sole discretion shall be entitled to convert its portion of the aggregate principle amount into the same class of shares issued by the Company upon the consummation of such equity round, with a discount of 30%.

d. In addition, during July and October 2013, and February 2014, the Company assigned notes to two of the Company's advisors, on behalf of services given, in an amount of $ 310. These notes bear the same terms and conditions as the First Consolidated Loan.

e. In October 2015, the majority of the Company's shareholders signed an option agreement with Asiv Holdings, a Company holding 30% of a public Company 'Direct Capital' ("PPM"), according to which Asiv Holding will receive an option for a period of 4 months ("the Option Period") to purchase all the Company's shares in consideration of 90% of the shares of 'Direct Capital' ("the Merger Transaction"). In consideration for the option, the Company will receive from Asiv Holding a convertible loan in the amount of $ 500. During the Option Period, the majority of the Company's shareholders are obligated to fund the Company through a convertible loan in the amount of $ 700, which will be converted to common shares upon the completion of the Merger Transaction. Additionally, upon the completion of the Merger Transaction, all the Company's convertible loans will be converted into shares and the loan from Asiv Holding will be returned. In the case the option is not exercised, the loan will be converted to 1% of the Company's shares.
In the beginning of 2016, and since the Merger Transaction was not consummated, the agreement with Asiv Holdings was amended, following which the loan was repaid.

f. In October 2015, the Company signed an agreement ("the Agreement") with some of its shareholders ("the Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the Third Loan") with aggregate principal amount of $ 96 ("Principal Loan Amount").

In the event that prior to the Maturity Date, the Company shall consummate a transaction in which the Company will issue and sell its shares for equity financing purposes ("the Transaction") the Lenders are entitled to covert the Principal Loan Amount into shares of the same class as shall be issued by the Company upon the consummation of such Transaction, at the same price per share and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the shares issued in the Transaction.

In the event that prior to the Maturity Date, the Company shall consummate a transaction by and between the Company and/or its shareholders and Direct Capital ("Direct Capital"), pursuant to which, among other things, Direct Capital shall issue its shares to the shareholders of the Company immediately prior to such transaction, in exchange for their outstanding shares of the Company, whether such transaction will be structured as a merger, share purchase, share exchange or any similar transaction , the Principal Amount shall, automatically be converted into Units, at the same price per Unit and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the Units issued by the Company under the PPM.

NOTE 7- Convertible Notes (continued):

g. In November 2015, the Company signed an agreement ("the Agreement") with some of its shareholders ("the Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("the Fourth Loan") with aggregate principal amount of $ 700 ("Principal Loan Amount").
The loans were denominated in USD and bear accumulated interest at the rate of 8% per annum. The loans shall become due and payable upon the expiration of 12 months after the Initial Closing date (the "Maturity Date").

In the event that prior to the Maturity Date, the Company shall issue and sell its shares for at least $ 5,000 (the "Next Equity Round"), or In the event that prior to the Maturity Date the Company shall consummate an M&A event (the "M&A Event"), the Lenders have the option to convert the Principal Loan Amount into units comprised of: (a) one Ordinary Share of the Company NIS 0.01 par value each and (b) one warrant to purchase one Ordinary Share of the Company at an exercise price of US$ 4.00 per share (together, the "Units"), at the same price per Unit and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the Units issued by the Company under the PPM.

In the event that prior to the Maturity Date, the Company shall consummate a transaction by and between the Company and/or its shareholders and Direct Capital ("Direct Capital"), pursuant to which, among other things, Direct Capital shall issue its shares to the shareholders of the Company immediately prior to such transaction, in exchange for their outstanding shares of the Company, whether such transaction will be structured as a merger, share purchase, share exchange or any similar transaction , the Principal Amount shall automatically be converted into Units, at the same price per Unit and on the same terms and conditions and having the same rights, preferences, restrictions, qualifications and limitations as the Units issued by the Company under the PPM.
In the event that the Company shall not consummate a Next Equity Round prior to the Maturity Date, then Majority of the Lenders shall have the option to require the Company to either: (i) repay to the Lenders the entire outstanding Principal Loan Amount and any accrued Interest; (ii) convert the Principal Loan Amount into the most senior class of equity securities of the Company then outstanding, at price per share equal to the most recent per share price paid for such most senior securities; or (iii) extend the Maturity Date.

h. On November 16, 2017 ("Effective Date"), the Company signed an agreement with its existing lenders ("the Lenders"), according to which October and November 2015 convertible promissory notes will be consolidated and extended into a new convertible loan ("the Second Consolidated Loan"), with an aggregate principal amount of $ 2,500 ("Principal Amount").

The Second Consolidated Loan shall become due and payable upon the expiration of 18 months after the Effective Date ("Maturity Date") and bear accumulated interest of 8% per annum. According to the Second Consolidated Loan agreement the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) consummation of a transaction on which the Company issues and sells its shares for at least $ 3,000 ("the Transaction") (ii) the consummation of an IPO or M&A event, (iii) upon event of default as defined in the agreement; or (iv) Maturity Date.

In the event that prior to the Maturity Date the Company consummates a Transaction the Lenders are entitled to convert the loan into the same class of shares issued by the Company upon the consummation of the Transaction, with a discount of 30% of the price per share.

NOTE 7- Convertible Notes (continued):

Moreover, according to the Second Consolidated Loan agreement, each lender extending his portion of the Principal Amount by January 30, 2018, will be granted by the Company warrants to purchase Ordinary Shares of the Company at an exercise price ("Exercise Price") equal to $ 1.34708 per

share. The number of warrants that will be issued equals to the particular Principal Loan Amount divided by the Exercise Price, multiplied by four. The warrants are exercisable until August 2020, regardless on whether the lender has converted his portion of the Principal Amount or not.

i. In February 2016, the Company signed a bridge loan agreement with some of its shareholders (the "Lenders"), according to which the Company will issue the Lenders a convertible promissory note up to an aggregate principal amount of $ 1,500. According to the Third Consolidated Loan agreement, the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) consummation of a transaction on which the Company issues and sells its shares for at least $ 3,000 ("the Transaction") (ii) the consummation of an IPO or M&A event, (iii) upon event of default as defined in the agreement; or (iv) Maturity Date.

   In the event that prior to the Maturity Date the Company consummates a Transaction, the Lenders are entitled to convert the loan into the same class of shares issued by the Company upon the consummation of the Transaction, with a discount of 30% of the price per share.

j. On March 23, 2017 ("Effective Date"), the Company signed an agreement with its existing lenders ("the Lenders"), according to which February 2016, convertible promissory notes will be consolidated and extended into a new convertible loan ("the Third Consolidated Loan"), with an aggregate principal amount of $ 2,500 ("Principal Amount"). The Third Consolidated Loan shall become due and payable upon the expiration of 18 months after the Effective Date ("Maturity Date") and bear accumulated interest of 8% per annum.

   According to the Third Consolidated Loan agreement, the Company shall immediately repay the entire loan amount upon the earlier to occur of (i) consummation of a transaction on which the Company issues and sells its shares for at least $ 3,000 ("the Transaction") (ii) the consummation of an IPO or M&A event, (iii) upon event of default as defined in the agreement; or (iv) Maturity Date.

   In the event that prior to the Maturity Date the Company consummates a Transaction, the Lenders are entitled to convert the loan into the same class of shares issued by the Company upon the consummation of the Transaction, with a discount of 30% of the price per share.

k. In May 2018, the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible loan (the "Loan") with aggregate principal amount of $ 2,500 ("Principal Loan Amount"). The Loan was denominated in USD and bears accumulated interest at the rate of 12% per annum. The Loan shall become due and payable upon the expiration of 18 months after the Initial Closing date (the "Maturity Date").

   In the event that prior to the Maturity Date, the Company shall: (i) issue and sell its shares for at least $ 3,000 (the "Next Equity Round") or (ii) consummate an IPO or M&A, the Principal Loan Amount shall automatically be converted into the same class of shares issued by the Company upon the consummation event, with a discount of 30% from the price share paid for the shares issued in such event.

NOTE 7- Convertible Notes (continued):

Moreover, according to the Loan agreement, each lender will be granted by the Company warrants to purchase Ordinary Shares of the Company at an exercise price ("Exercise Price") equal to $1.34708 per share. The number of warrants that will be issued equals to the particular Principal Loan Amount divided by the Exercise Price. The warrants are exercisable until August 2020, regardless on whether the lender has converted his portion of the Principal Amount or not

The Convertible Notes are denominated in USD and bear accumulated interest at the rate of between 8%-12% per annum. $10, 332 were due and payable as of September 23, 2018, $2,467 are due and payable as of May 16, 2019 and $1,308 is due and payable as of November 22, 2019 (the "Maturity Dates"). However, none of the above-mentioned Convertible Notes were repaid. See note 18 for changes to the repayment terms of the Convertible Notes.

As of December 31, 2018, the Convertible Notes owing, including accrued interest amounted to $18,622.

The Convertible Loans are denominated in US dollars and convertible into common shares and warrants based on the principal and interest balance. The conversion rate to common shares is variable as it depends both on the share price prevailing at the specific date of the equity round and the related discount on the share price.

Therefore, the convertible loans are hybrid instruments that include a debt host contract and an embedded derivative liability. The Company has bifurcated the embedded derivative and accounted for it at fair value through profit or loss. The debt host contract was initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Company has evaluated the modified terms of the loans following their modification on 23, March 2017, and concluded that they are substantially different from a qualitative standpoint. Therefore, the modification was accounted for as derecognition of the original liability and the recognition of a new liability at fair value, with differences recognized in profit or loss. According to the modified terms of the loans, the conversion rate is fixed, and therefore the modified convertible loans do not include an embedded derivative.

(U.S. dollars in thousands, except per share data)

NOTE 7- Convertible Notes (continued):

The fair value of the Convertible Notes, including the increase thereto, has been determined using a combination of the Black-Scholes option pricing model for the equity conversion portion and the discounted cash flow method for the loan portion. The following assumptions were used to determine the fair value of the Convertible Notes:

	May 22, 2018	November 16, 2017
Risk-free interest rate	2.34%	1.65%
Expected volatility	50%	55%

NOTE 8- Derivative liability - Warrants:

Following the Transaction, on September 27, 2018, CannaVCell issued 20,890,148 warrants to third party shareholders and brokers ("CNVC Warrants"). The CNVC Warrants entitles the holder to purchase one common share of the Company at an exercise price of CAD$0.17 per share and expire on September 26, 2020. As the CNVC warrants have an exercise price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These CNVC Warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period. The following assumptions were used to estimate the fair value of the derivative warrant liability on:

	December 31, 2018	September 27, 2018
Expected life of warrants	1.74 years	2 years
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Risk-free interest rate	1.85%	1.8%
Market price of Common share	CAD 0.185	CAD 0.11
Exercise price	CAD 0.23	CAD 0.23

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

NOTE 9- Share Capital:

	Number of shares		
	December 31, 2018 Issued and outstanding	December 31, 2017 Issued and outstanding	December 31, 2016 Issued and outstanding
Ordinary shares of NIS 0.01 par value	9,431,638	9,431,638	9,431,638
Ordinary A share of NIS 0.01 par value	1	1	1
Ordinary A-1 share of NIS 0.01 par value	4,006,542	4,006,542	4,006,542
Ordinary A-2 share of NIS 0.01 par value	2,227,043	2,227,043	2,227,043

NOTE 9- Share Capital (continued):

Ordinary Shares:

Ordinary Shares confer upon their holders, the right to receive notice of, and to participate in, all general meetings of the Company, to vote in such meetings, to receive dividends, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company. Ordinary A share shall have no voting rights in the Company. The Ordinary A share confers upon its holder the right to receive the Ordinary A Share Amount plus 8% per annum in the event of liquidation of the Company (the "Ordinary A share Payment").

Preferred Shares:

The Preferred shareholders (A-1, A-2) are entitled to the same rights conferred by the Ordinary Shares in addition to the following rights:

Liquidation preference - In the event (i) of any dissolution, liquidation or winding-up of the Company; (ii) of any bankruptcy, insolvency or reorganization proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, is properly commenced against the Company and is not annulled or revoked within 90 days or is commenced by the Company, or (iii) a receiver or liquidator is appointed to all or substantially all of the Company's assets and such appointment is not withdrawn or vacated within 90 days, then the assets or proceeds available for distribution to the Shareholders shall be distributed among the Shareholders according to the order of preference.

The holders of the Preferred A-1 and A-2 shares shall be entitled to receive prior to and in preference to any payment to any of the holders of any other classes of shares of the Company, an amount of $ 1.23335 per share with respect to Preferred A-1 and an amount of $ 1.49497 per share with respect to Preferred A-2, plus 8% per annum of such amount from the date of issuance compounded annually.

After full payment to the holders of the Preferred and Ordinary A shares, the entire remaining assets and funds of the Company legally available for distribution (the "Remaining Distributable Proceeds"), if any, shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

In the event of that the Remaining Distributable Proceeds fall below twice the Ordinary A Payment, then 50% of such Remaining Distributable Proceeds shall be distributed to the Ordinary A Share as described above and 50% shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

Conversion rights **-** the holders of the Preferred A-1 and A-2 are entitled, at their option, to convert the Preferred A-1 and A-2 shares into ordinary shares by dividing the applicable original issue price for such series of preferred shares by the conversion price. The initial conversion price shall be the respective original issue price for such share. The conversion price shall be subject to adjustment in accordance with any Recapitalization Event and pursuant to the other adjustment provisions defined in the Articles of Association. The preferred shares also include a down-round feature, which reduces the conversion price if the Company issues any equity securities at a price lower than the applicable conversion price, as defined in the Articles. The Company classified the convertible preferred shares as equity because the issuance of new shares, which is the trigger for the down-round feature, is within the Company's control. The shares shall be automatically converted upon an initial public offering or a written resolution of at least 51% of the preferred A-1 and A-2 shares holders.

During the year ended December 31, 2018 and 2017 there were no issuance of ordinary or preferred shares.

(U.S. dollars in thousands, except per share data)

NOTE 10: Share based compensation

a. Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable in accordance with the terms of the Plan, within 10 years from the date of grant, against payment of an exercise price.

b. At September 27, 2018, CannaVCell granted 9,655,105 options to the CEO and to the employees of CannaVCell, the options exercisable to ordinary shares on 1:1 basis and with a vesting schedule of 12.5% in each quarter over the period of two years.

The options are valued using the Black Scholes option valuation methodology based on the following data and assumptions: Share price - CAD 0.11 (representing approximately $0.09), Exercise price - CAD 0.20 (representing approximately $0.15), Expected volatility - 100%, Risk-free interest rate – 2.3%, and expected average life of options 5.6 year.

c. A summary of activity of options granted to purchase the Company's Shares under the Company's share option is as follows:

	For the year ended December 31,					
	2018		2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	731,348	0.99	731,348	0.99	731,348	0.99
Changes during the period:						
Granted	9,655,105	0.15	-	-	-	-
Options outstanding at end of year (*)	10,386,453	0.21	731,348	0.99	731,348	0.99
Options exercisable at year-end	4,011,498		731,348	0.99	651,442	0.99
Weighted-average fair value of options Granted during the year	$ 710		-		-	

(*) The options outstanding at December 31, 2018 had a weighted-average contractual life of 5.3 years.

(U.S. dollars in thousands, except per share data)

NOTE 11- Income tax:

a. Tax rates:

i) The Company received final tax assessments in Israel through tax year 2016.

ii) The corporate tax rate in Israel is 25%, 24% and 23% for 2016, 2017 and 2018, respectively.

iii) The Law for the Amendment to the Income Tax Ordinance, New Version, 1961 (hereafter – "the Ordinance") (Amendment 216 to the Ordinance) (hereafter – "the amendment") was published in the official gazette in January 2016; the said law stipulated the reduction of the rate of corporate tax from 26.5% to 25% commencing January 1, 2016. On December 2016, the Israeli government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards.

b. Net operating losses carry forward:

As of December 31, 2018, the Company has estimated carry forward tax losses of approximately $37 million, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax asset on the Company's losses was not recognized since it is not probable that taxable profit will be available in the foreseen future.

c. Reconciliation of effective tax rate:

The adjustments for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

For the Year ended December 31,	2018	2017	2016
Loss before income tax	)7,526(	)1,846(	)3,499(
Tax computed at the corporate rate in Israel – 23% (2017 - 24% 2016- 25%)	)1,731(	)443(	(875)
losses for which no deferred tax asset is recognized	1,731	443	875
Total income tax expense	-	-	-

NOTE 12- Financial instruments and risk management

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

a. 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.

(U.S. dollars in thousands, except per share data)

NOTE 12- Financial instruments and risk management (continued):

a. Foreign currency risk (continued):

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. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	As of December 31, 2018			
Assets	**US dollar**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	92	822	282	1,196
	92	**822**	**282**	**1,196**
Liabilities				
Accounts payable and accrued liabilities	873	18	247	1,138
Liability to Agricultural Research Organization	2,529			2,529
	3,402	**18**	**247**	**3,667**

	As of December 31, 2017			
Assets	**US dollar**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	7	-	-	7
	7	**-**	**-**	**7**
Liabilities				
Accounts payable and accrued liabilities	681	-	280	961
Liability to Agricultural Research Organization	2,869	-	-	2,869
	3,550	**-**	**280**	**3,830**

Analysis:

A 5% appreciation of the USD against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

For a 5% depreciation of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	December 31, 2018	**December 31, 2017**
Linked to CAD	7	-
	5%	5%
Linked to NIS	99	49
	5%	5%

* Represents an amount lower than 1 thousand.

b. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Company has

(U.S. dollars in thousands, except per share data)

NOTE 12- Financial instruments and risk management (continued)

b. Liquidity risks (continued):

no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a positive working capital and cash in bank to finance its working capital in the near future. The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the repayment forecast of the management of the company.

December 31, 2018 :			Amortized cost				
	Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	Total
Other receivables	201	201	-	-	-	-	201
Liability to Agricultural Research Organization	(2,529)	(34)	(265)	(526)	(881)	(4,764)	(6,471)
Bank Loans	(159)	(102)	(57)	-	-	-	(159)
Accounts payable and accrued liabilities	(1,053)	(1,053)					(1,053)
Total	**(3,540)**	**(988)**	**(322)**	**(526)**	**(881)**	**(4,763)**	**(7,481)**

December 31, 2017 :			Amortized cost				
	Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	Total
Other receivables	263	263	-	-	-	-	263
Liability to Agricultural Research Organization	(2,869)	(34)	(265)	(526)	(881)	(6,267)	(7,973)
Bank Loans	(242)	(105)	(137)	-	-	-	(242)
Accounts payable and accrued liabilities	(1,138)	(1,138)					(1,138)
Total	**(3,986)**	**(1,014)**	**(402)**	**(526)**	**(881)**	**(6,267)**	**(9,090)**

c. Fair value of financial assets and liabilities:

The fair value of the Company's current financial assets and liabilities approximates their carrying amounts as their maturity date is less than 1 year and they do not bear a fixed interest rate.
The following table summarizes the information about the level 3 fair value measurements:

(U.S. dollars in thousands, except per share data)

NOTE 12- Financial instruments and risk management (continued)

c. Fair value of financial assets and liabilities (continued):

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	1,254	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $63 of the fair value

Set out below is a comparison, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Convertible loans	19,082	19,082	16,094	16,094
Total	19,082	19,082	16,094	16,094

The Company recognized Liability to Agricultural Research Organization initially at fair value, and are subsequently carried at amortized cost using the effective interest rate method.
The fair value for December 31, 2018 and December 31, 2017 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	**2018**	**2017**
Balance as of January 31	-	-
Issuance of Warrants	629	-
Loss recognized in Profit or loss:	625	-
Balance as of December 31	1,254	-

d. Capital management:

Company's objective is to maintain, as much as possible, a stable capital structure. In the opinion of Company's management its current capital structure is stable. Consistent with others in the industry, the Company monitors capital, including others also, on the basis of the gearing ratio.
This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

(U.S. dollars in thousands, except per share data)

NOTE 13 - Related Party Transactions:

a. Related parties including the Company's CEO and the Chairman of the BOD, Directors and the Company's CTO.

b. The Company's CEO, is entitled to receive $12.5 per month.

Related party transactions:

For the year and period ended December,	2018	2017	2016
Compensation of key management personnel of the Company:			
Management fees for the CEO (b)	170	144	150
Share base payment to CEO (note 10)	108	-	-
Other related party transactions:			
Share base payment (note 10)	133	-	-
Investment in Convertibles loans	562	989	1,076
Loan from related party	22	-	-

Balance with related parties:

For the year and period ended December,	2018	2017
Convertible loans	9,979	8,136
Unpaid salary to the Company's CTO	-	42
Loan from related party	22	-

NOTE 14 - Revenues:

Geographic Areas Information:

	For the year ended December 31,		
	2018	2017	2016
Israel	435	325	32
Others	14	-	8
	449	325	40

NOTE 15 – Research and development expenses:

	For the year ended December 31,		
	2018	2017	2016
Wage and salaries	**490**	385	309
Professional fees	**14**	28	75
Patents	**28**	16	1
Others	**21**	-	1
	553	429	388

(U.S. dollars in thousands, except per share data)

NOTE 16- General and administration expenses:

	For the year ended December 31,		
	2018	**2017**	**2016**
Wages and salaries	**456**	344	167
Related party (Note 13)	**170**	144	150
Professional fees and legal	**308**	165	101
Office maintenance, communication and Travel	**343**	292	251
Re-assessment Liability to Agricultural Research Organization (Note 2o)	**(340)**	(636)	560
Write- off Intangible assets	**13**	-	-
Rent	**195**	159	135
Share based compensation	**268**	28	39
Depreciation	**68**	76	31
Warrants	**3**	95	-
Other	**63**	52	2
	1,547	719	1,436

NOTE 17 - Financial expenses, Net

	For the year ended December 31,		
	2018	**2017**	**2016**
Interest on convertible loans	**1,408**	1,224	1,080
Fair value adjustments of convertible loans	**-**	(1,274)	-
Loss recognized from Derivative liability - Warrants	**653**	-	-
Exchange rate differences	**(66)**	44	(314)
PPM- penalty	**58**	90	537
Bank commission	**32**	15	10
Interest and others	**5**	9	-
	2,090	108	1,313

(U.S. dollars in thousands, except per share data)

NOTE 18 - Commitments and Contingencies:

a. The Company’s lease arrangement for office space in Rehovot, Israel ends in April 2020 and extension option for two more years. The annual lease commitment is approximately $ 246,336 plus common area maintenance charges.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2018	2017
Within one year	246	246
After one year but not more than five years	536	782
More than five years	-	-
	782	**1,028**

b. In March 2007, the Company entered into a Research and Exclusive License Agreement with the Volcany Center (ARO). According to the agreement, the Company received the right to develop, market and sell the product "Vinia™". The Volcany center is entitled to royalties at the amount of 3% of the Vinia sales. Future products are not included in this agreement. Furthermore, if the Company sells the license or grants a sub-license to a third party, the Volcany Center will be entitled to 5% of the total amount of the consideration received by the Company.

c. In May 2015 signed a private placement with investors (the "PPM Agreement"). According to the PPM agreement, in the occurrence of Registration Default Event (as define in the private placement agreement), each investor is entitled to liquidation damage of 1.5% of the purchase price per unit paid by him, for each full 30-day period during which the Registration Default Event continues. As of December 31, 2018, and 2017 the Company recorded a provision in a total amount of $ 650 and $ 602, respectively.

(U.S. dollars in thousands, except per share data)

NOTE 19 - Operating segments:

The Company and its subsidiaries are engaged in the following segments:

- Vinia: development, design, manufacture and marketing of "Vinia" for the privet sectors.
- Cannabis: development, design, manufacture and marketing of medical Cannabis.

1) Segment information

	For the year ended December 31, 2018			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Revenues				
External	449	-	-	449
Inter-segment	-	-	-	-
Total	449	-	-	449
Segment loss	1,680	3,702	-	5,382
Finance expense, net	1,456	634	-	2,090
Tax expenses	-	-	-	-
Loss	6,673	4,336	(4,336)	6,673

	As of December 31, 2018			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Segment assets	160	6,850	(5,921)	1,089
Segment liabilities	23,806	2,548	(1,719)	24,635

2) Entity wide disclosures External revenue by location of customers.

	For the year ended December 31,		
	2018	**2017**	**2016**
Israel	435	325	32
Other	14	-	8
	449	325	40

NOTE 19 - Operating segments (continued):

3) Additional information about revenues:

   There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements.

NOTE 20- Subsequent events:

a. On April 30, 2019, the Company signed certain amendments to the Convertible Loans Agreement as follows:

   i. The Maturity Date for repayment of all the Convertible Notes has been revised to November 22, 2019.

   ii. The Next Equity Round was reduced to $2,000.

   iii. In the event of the Next Equity Round prior to the Maturity Date, the principle amount owing, without taking into account any accrued interest, shall automatically be converted into shares of the Company upon at a discount to the share price of the Next Equity round, ranging between 39%-58%, depending on the time of the issuance of the particular Convertible Loan.

   iv. Upon conversion of the Convertible Notes, the Lenders will receive a total of 23,368,009 warrants, to purchase 23,368,009 shares at an exercisable price of $1.347 per share. The warrants expire on August 23, 2020.

b. On September 23, 2019 CannaVCell has closed its 6,666,667 units private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of $0.15 per unit for gross proceeds of $1,000,000. Net $985,074 after payment of commissions and finder's fees totaling $ 14,925 The securities issued under the private placement will be subject to a hold period expiring four months and one day from the date of issuance pursuant to applicable Canadian securities laws. 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 $0.30 per share for a period of two years from closing of the private placement.

BioHarvest Ltd.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019

Expressed in U.S. dollars in thousands

BioHarvest Ltd.

Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2019
Expressed in U.S. dollars in thousands

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BioHarvest Ltd.

Interim Condensed Consolidated Statement of Financial Position
U.S. dollars in thousands, except per share data

	Note	September 30, 2019	December 31, 2018
		Unaudited	
Assets			
Current			
Cash and cash equivalents		**$ 492**	$ 1,199
Trade accounts receivable		**51**	44
Other accounts receivable		**114**	201
Inventory		**152**	131
Total current assets		**809**	1,575
Non-current			
Restricted cash		**128**	118
Property and equipment, net		**772**	201
Total non-current assets		**900**	319
Total assets		**$ 1,709**	$ 1,894
Liabilities			
Current liabilities			
Current maturities and short term bank credit and loans		**$ 76**	$ 102
Trade accounts payable		**341**	284
Other accounts payable		**445**	387
Related parties		**42**	42
Convertible loans	4	**21,597**	19,082
Derivative liability - Warrants	5	**743**	1,254
Accrued liabilities		**876**	824
Total current liabilities		**24,120**	21,975
Non-current liabilities			
Long term debt		**1**	57
Related parties		**11**	22
Lease liability		**478**	-
Liability to Agricultural Research Organization		**2,023**	2,529
Total non-current liabilities		**2,513**	2,608
Shareholders' equity			
Share capital	6	**39**	39
Additional paid-in capital		**10,838**	10,821
Non-controlling interest		**3,850**	3,636
Accumulated deficit		**(39,651)**	(37,185)
Total Shareholders' equity		**(24,924)**	(22,689)
Total Liabilities and Shareholders' equity		**$ 1,709**	$ 1,894

Subsequent events *(Note 12)*
Going concern *(Note 1b)*

December 10, 2019	Zaki Rakib	Vivien Rakib
Date of approval of the financial statements	Director	Director

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)
U.S. dollars in thousands, except per share data

		Three-month period ended September 30,		Nine-month period ended September 30,	
		2019	2018	2019	2018
	Note	Unaudited		Unaudited	
Revenues		$ 46	$ 73	$ 173	$ 387
Cost of revenues		27	95	62	331
Gross loss		19	)22(	111	56
Operating expenses					
Research and development		307	120	981	376
Selling and marketing		31	66	94	437
Listing expenses		-	2,732	-	2,732
General and administrative		543	372	769	463
Total operating expenses		)881(	)3,290(	(1,844)	)4,008(
Loss from operations		)862(	)3,312(	(1,733)	)3,952(
Finance expenses		265	402	1,465	1,051
Net loss before tax		(1,127)	)3,714(	(3,198)	)5,003(
Tax expenses		-	-	-	-
Net loss and comprehensive loss		$ (1,127)	$)3,714(	$ (3,198)	$)5,003(
Attributable to:					
Owners of the Company		$ (943)	$)3,714(	$ (2,466)	$)5,003(
Non-controlling interests		$ (184)	$ -	$)732(	$ -

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.

Interim Condensed Consolidated Interim Statements in Shareholders' Equity (Deficit)
U.S. dollars in thousands, except per share data

For the Nine-month period ended September 30, 2019 (Unaudited):

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2019		9,431,638	$ 25	1	$ -*)	4,006,542	$ 9	2,227,043	$ 5	$ 10,821	$ (37,185)	$ 3,636	$ (22,689)
Share based compensation in subsidiary		-	-	-	-	-	-	-	-	-	-	376	376
issuance of a unit of securities in subsidiary	**8**	-	-	-	-	-	-	-	-	-	-	570	570
Share based compensation		-	-	-	-	-	-	-	-	15	-	-	15
Issuance of warrants		-	-	-	-	-	-	-	-	2	-	-	2
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(2,466)	)732(	)3,198(
Balance, September 30, 2019		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,838**	**$ (39,651)**	**$ 3,850**	**$)24,924(**

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.
Interim Condensed Consolidated Interim Statements in Shareholders' Equity (Deficit)
U.S. dollars in thousands, except per share data

For the Nine-month period ended September 30, 2018 (Unaudited):

	Note	Ordinary shares Number	Ordinary shares Amount	Ordinary A shares Number	Ordinary A shares Amount	Preferred A-1 shares Number	Preferred A-1 shares Amount	Preferred A-2 shares Number	Preferred A-2 shares Amount	Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
Balance, January 1, 2018		9,431,638	$ 25	1	$ -*)	4,006,542	$ 9	2,227,043	$ 5	$ 10,791	$ (30,512)	$ -	$ (19,682)
Transaction with Non-controlling interest	**1a**	-	-	-	-	-	-	-	-	-	-	4,193	4,193
Share based compensation		-	-	-	-	-	-	-	-	21	-	-	21
Issuance of warrants		-	-	-	-	-	-	-	-	3	-	-	3
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(5,003)		(5,003)
Balance, September 30, 2018		9,431,638	$ 25	1	$ -*)	4,006,542	$ 9	2,227,043	$ 5	$ 10,815	$ (35,515)	$ 4,193	$)20,468(

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.
Interim Condensed Consolidated Interim Statements in Shareholders' Equity (Deficit)
U.S. dollars in thousands, except per share data

For year ended December 31, 2018:

		Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
	Note	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
Balance, January 1, 2018		**9,431,638**	$ **25**	**1**	$ **-*)**	**4,006,542**	$ **9**	**2,227,043**	$ **5**	$ **10,791**	$ **(30,512)**	$ **-**	$ **(19,682)**
Transaction with Non-controlling interest	**1a**	-	-	-	-	-	-	-	-	-	-	4,193	4,193
Share based compensation in subsidiary										-	-	242	242
Share based compensation		-	-	-	-	-	-	-	-	27	-	-	27
Issuance warrants		-	-	-	-	-	-	-	-	3	-	-	3
Comprehensive loss for the year		-	-	-	-	-	-	-	-	-	(6,673)	(799)	(7,472)
Balance, December 31, 2018		**9,431,638**	**$ 25**	**1**	**$ -*)**	**4,006,542**	**$ 9**	**2,227,043**	**$ 5**	**$ 10,821**	**$ (37,185)**	**$ 3,636**	**$ (22,689)**

*) Represent an amount lower than $1 thousand.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Ltd.

Interim Condensed Consolidated Interim Statements of Cash Flows
U.S. dollars in thousands, except per share data

	Note	Nine-month period ended September 30, 2019	2018
		Unaudited	
Cash flows from operating activities:			
Net loss for the period		$ (3,198)	$ (5,003)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		254	51
Finance expenses, net		28	
Listing expenses		-	2,732
Accrued interest on convertible loans		1,242	1,016
Change in convertible loans conditions		767	-
Fair value adjustments of derivative liability - warrants		(683)	-
Re-assessment of Agricultural Research Organization liability		(506)	(453)
Share based compensation		391	21
Changes in operations assets and liabilities:			
Change in Inventory		(21)	21
Change in trade receivables		(7)	13
Change in other receivables		87	(343)
Changes in trade payables and accrued expenses		25	118
Cash from operations		)1,621(	(1,827)
Interest paid		)28(	-
Net cash used in operating activities		)1,649(	(1,827)
Cash flow from investing activities:			
Restricted cash		(10)	5
Purchase of property & equipment		(28)	(6)
Net cash used in financing activities		(38)	(1)
Cash flow from financing activities			
Repayment of long term loan		(75)	(38)
Repayment of short term loan and short term credit		(33)	)117(
Payments of lease liabilities		(188)	-
Short term loan from bank		-	23
Net proceeds from issuance of a unit of securities in subsidiary		742	-
Transaction with Non- controlling interest		-	2,227
Issuance of warrants		2	3
Convertibles loans received		506	1,973
Net cash provided by financing activities		954	4,071
Exchange rate differences on cash and cash equivalents		26	(21)
Increase (decrease) in cash and cash equivalents		(707)	2,222
Cash and cash equivalents at the beginning of the year		1,199	7
Cash at the end of the year		$ 492	$ 2,229

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

U.S. dollars in thousands, except per share data

NOTE 1- GENERAL:

a. Description of business and formation of the Company:

BioHarvest Ltd. (the "Company" or “BioHarvest"), an Israeli company, incorporated in January 2007 and commenced its activity in July 2007. In July 2014, the Company established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

The Company is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. The Company has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

On February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On September 27, 2018 the Company completed a transaction with CannaVCell Sciences Inc. (“CannaVCell”) (the “Transaction”). CannaVCell issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of CannaVCell. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of CannaVCell. Completion of the Transaction resulted in a Reverse Takeover and change of business for CannaVCell (the “RTO”) and BioHarvest became the ultimate parent of CannaVCell and Dolarin.

The Transaction does not qualify as a business combination under IFRS 3, as CannaVCell does not meet the definition of a business. Therefore, The Company accounted for the transaction as an equity transaction with the Non-controlling interest without loss of control, in which it sold ownership interests in Dolarin in exchange for CannaVcell's net assets. The Company recorded listing expenses of the shares of Dolarin in an amount of $2,732

Cash acquired	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Non-controlling interest		(4,193)
Listing expenses	$	**(2,732)**

CannaVCell’s principal business is to develop and produce cannabis active ingredients based on BioHarvest’s biopharming technology.

CannaVCell obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol “CNVC”.

As of September 30, 2019 BioHarvest held 46.82% of the issued share capital of CannaVCell.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 10, 2019.

NOTE 1- GENERAL (Continued):

b. Going concern:

Since inception through September 30, 2019, the Company has generated a cumulative loss of $ 39,651. In addition, the Company generated negative cash flows from operating activities of $ 1,649, and loss in the amount of $ 3,198 for the year ended September 30, 2019. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

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

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

NOTE 2 – BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information set out above does not constitute full year-end accounts within the meaning of Israeli Companies Law. It has been prepared on the going concern basis in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS). Statutory financial information for the financial year ended December 31, 2018 was approved by the board on December 10, 2019. The report of the auditors on those financial statements was unqualified.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2018 and for the year then ended and with the notes thereto. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2018 are applied consistently in these interim consolidated financial statements. Except for the adoption of new standards effective as of 1 January 2019.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New IFRSs adopted in the period

IFRS 16 Leases

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

The main impact of adopting the standard early is the elimination of existing requirement on lessees to classify leases as operating lease (off-balance sheet) or finance lease, and they are now required to use a single accounting model for all leases, similarly to how finance leases are currently accounted for. In agreements where the Group is the Lessee, it applies IFRS 16 using a single accounting model under which it recognizes a right-of-use asset and a lease liability upon inception of the lease contract. It does so for all leases in which

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued):

the Group has right to control the use of identified assets for a period of time in exchange for consideration. Accordingly, the Group recognizes depreciation and depreciation charges on the right-of-use asset and tests the need for recognizing impairment of the right-of-use asset in compliance with IAS 36 "Impairment of

Assets", and also recognizes finance expenses in relation to a lease liability. Therefore, beginning on first-time adoption, rent expenses relating to properties rented under operating leases, are now presented as assets that are depreciated through depreciation and depreciation assets.

For all leases, the Group applied the transitional provisions such that it initially recognized a liability at the commencement day at an amount equal to the present value of the lease payments during the lease, discounted using the effective interest rate as of that date, and concurrently recognized a right-of-use asset at an amount identical to the liability. As a result, the standard had no impact on equity and the retained earnings of the Group as at initial application.

As part of the initial application, the Group elected to adopt the following practical expedients, as permitted by the standard:

a. The use of a single discount rate for a portfolio of leases with similar characteristics;
b. Not separating lease and non-lease components of a contract, and instead accounting for all components as a single lease;
c. Excluding initial direct costs from the measurement of the right-of-use asset as at initial application;
d. Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

The following new significant accounting policy for agreements in which the Group is the lessee was applied beginning on January 1, 2019 following initial application of the standard:

Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets comprises the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date less any lease incentives received; and initial direct costs incurred. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are presented within property, plant and equipment.

Lease liabilities:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued):

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease term:

The term of a lease is determined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Depreciation of a right-of-use asset:

Subsequent to the inception of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accumulated impairment losses, and is adjusted for re-measurements of the lease liability. Depreciation is measured using the straight-line method over the useful life or contractual lease term, whichever ends earlier.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero.

The following table presents a summary of the impact on the interim consolidated statement of financial position as of January 1, 2019, assuming that the previous accounting policy of the Group for leases would have continued in that period.

The impact on the interim consolidated statement of financial position as of January 1, 2019 (Unaudited):

	Under previous policy	The change	Under IFRS 16
	U.S. $ in thousands		
Non-current assets:			
Property, plant and equipment	201	796	997
Current liabilities:			
Other accounts payable	387	249	636
Non-current liabilities:			
Lease liabilities	-	547	547

Upon initial adoption, the Group measured the right-of-use assets in an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. There was no impact on retained earnings upon initial adoption of the standard.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued):

The following is a reconciliation of the Company's liabilities in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental interest rate on the initial implementation date and lease commitments recognized on January 1, 2019 (Unaudited):

	U.S. $ in thousands
Operating lease commitments as of December 31, 2018	860
Weighted average incremental borrowing rate as of January 1, 2019	5.4%
Discounted operating lease commitments	796
Lease liabilities as of January 1, 2019	796

NOTE 4 - CONVERTIBLE LOANS:

In July 2013, the Company entered into an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("Convertible Notes"). Between July 2013 and December 31, 2018, the Company signed certain amendments to the Agreement and the Convertible Notes were increased by way of the receipt of additional loans.

The Convertible Notes are denominated in USD and bear accumulated interest at the rate of between 8%-12% per annum.

On April 30, 2019, the Company signed certain amendments to the Agreement as follows:

i. The Maturity Date for repayment of all the Convertible Notes has been revised to November 22, 2019.

ii. The Next Equity Round was reduced to $2,000.

iii. In the event of the Next Equity Round prior to the Maturity Date, the principle amount owing, without taking into account any accrued interest, shall automatically be converted into shares of the Company upon at a discount to the share price of the Next Equity round, ranging between 39%-58%, depending on the time of the issuance of the particular Convertible Loan.

iv. Upon conversion of the Convertible Notes, the Lenders will receive a total of 23,368,009 warrants, to purchase 23,368,009 shares at an exercisable price of $1.347 per share. The warrants expire on August 23, 2020.

During the nine-month period ended September 30, 2019, the Company received additional Convertible Notes in the amount of $506.

The Company has evaluated the modified terms of the loans following their modification on 30, April 2019, and concluded that they are not substantially different. Therefore, the Company recalculated the amortized cost of convertible loans as the present value of the estimated future contractual cash flows that are discounted at the convertible loans original effective interest rate, with differences recognized in profit or loss.

U.S. dollars in thousands, except per share data

NOTE 5 - DERIVIATE LIABILITY- WARRANTS:

(i) A summary of movements in warrants issued by CannaVCell during the nine months ended September 30, 2019 and for the year ended December 31, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2017		
Issuance of warrants ("CNVC 2017 Warrants")	20,890,148	0.17
Balance, December 31, 2018	20,890,148	0.17
Issuance of warrants (Note 8)	6,666,666	0.23
Balance, September 30, 2019	**27,556,814**	**0.18**

As the CNVC warrants issued by CannaVCell have an exercise price denominated in Canadian dollars which differs from the Company's functional currency they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

(ii) The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period. The following assumptions were used to estimate the fair value of the derivative warrant liability on:

	September 30, 2019	December 31, 2018
Expected life of warrants	1 years	1.74 years
Expected volatility	100%	100%
Expected dividend yield	0%	0%
Risk-free interest rate	1.6%	1.85%
Market price of Common share	CAD 0.145	CAD 0.185
Exercise price	CAD 0.23	CAD 0.23

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

U.S. dollars in thousands, except per share data

NOTE 6- SHARE CAPITAL:

	Number of shares	
	September 30, 2019 Issued and outstanding	**December 31, 2018 Issued and outstanding**
Ordinary shares of NIS 0.01 par value	9,431,638	9,431,638
Ordinary A share of NIS 0.01 par value	1	1
Ordinary A-1 share of NIS 0.01 par value	4,006,542	4,006,542
Ordinary A-2 share of NIS 0.01 par value	2,227,043	2,227,043

Ordinary Shares:

Ordinary Shares confer upon their holders, the right to receive notice of, and to participate in, all general meetings of the Company, to vote in such meetings, to receive dividends, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company. Ordinary A share shall have no voting rights in the Company. The Ordinary A share confers upon its holder the right to receive the Ordinary A Share Amount plus 8% per annum in the event of liquidation of the Company (the " Ordinary A share Payment).

Preferred Shares:

The Preferred shareholders (A-1, A-2) are entitled to the same rights conferred by the Ordinary Shares in addition to the following rights:

Liquidation preference - In the event (i) of any dissolution, liquidation or winding-up of the Company; (ii) of any bankruptcy, insolvency or reorganization proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, is properly commenced against the Company and is not annulled or revoked within 90 days or is commenced by the Company, or (iii) a receiver or liquidator is appointed to all or substantially all of the Company's assets and such appointment is not withdrawn or vacated within 90 days, then the assets or proceeds available for distribution to the Shareholders shall be distributed among the Shareholders according to the order of preference.

The holders of the Preferred A-1 and A-2 shares shall be entitled to receive prior to and in preference to any payment to any of the holders of any other classes of shares of the Company, an amount of $ 1.23335 per share with respect to Preferred A-1 and an amount of $ 1.49497 per share with respect to Preferred A-2, plus 8% per annum of such amount from the date of issuance compounded annually.

After full payment to the holders of the Preferred and Ordinary A shares, the entire remaining assets and funds of the Company legally available for distribution (the "Remaining Distributable Proceeds"), if any, shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

In the event of that the Remaining Distributable Proceeds fall below twice the Ordinary A Payment, then 50% of such Remaining Distributable Proceeds shall be distributed to the Ordinary A Share as described above and 50% shall be distributed among all shareholders of the Company on a pro rata as if converted to Ordinary Shares basis.

U.S. dollars in thousands, except per share data

NOTE 6 - SHARE CAPITAL (Continued):

Conversion rights - the holders of the Preferred A-1 and A-2 are entitled, at their option, to convert the Preferred A-1 and A-2 shares into ordinary shares by dividing the applicable original issue price for such series of preferred shares by the conversion price. The initial conversion price shall be the respective original issue price for such share. The conversion price shall be subject to adjustment in accordance with any Recapitalization Event and pursuant to the other adjustment provisions defined in the Articles of Association. The preferred shares also include a down-round feature, which reduces the conversion price if the Company issues any equity securities at a price lower than the applicable conversion price, as defined in the Articles. The Company classified the convertible preferred shares as equity because the issuance of new shares, which is the trigger for the down-round feature, is within the Company's control. The shares shall be automatically converted upon an initial public offering or a written resolution of at least 51% of the preferred A-1 and A-2 shares holders.

During the nine-months period ended September 30, 2019 and 2018 there were no issuance of ordinary or preferred shares.

NOTE 7- SHARE BASED COMPENSATION:

a. Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable in accordance with the terms of the Plan, within 10 years from the date of grant, against payment of an exercise price.

b. A summary of activity of options granted to purchase the Company's Shares under the Company's share option is as follows:

	September 30, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	10,386,453	0.21	731,348	0.99
Changes during the period:				
Granted	750,000	0.15	9,655,105	0.15
Options outstanding at end of period (*)	11,136,453	0.20	10,386,453	0.21
Options exercisable at period end	9,026,187	0.20	4,011,498	0.21
Weighted-average fair value of options Granted during the year	$ 65		$ 710	

(*) The options outstanding at September 30, 2019 had a weighted-average contractual life of 4.6 years (December 31, 2018: 5.3 years).

U.S. dollars in thousands, except per share data

NOTE 8 - ISSUE OF A UNIT OF SECURITIES IN SUBSIDIARY

On September 23, 2019, CannaVCell completed a private placement financing (the "Private Placement Financing") by issuing 6,666,667 units at a price of CAD 0.15 (approximately USD 0.11) per unit for gross proceeds of CAD 1,000 (approximately USD 755) (CAD 985 after payment of commissions and finder's fees). Each unit consists of one common share of CannaVCell and one non-transferable share purchase warrant. Each warrant will be exercisable to purchase an additional common share at a price of CAD 0.30 (approximately USD 0.23) share for a period of two years from closing of the Private Placement Financing ("CNVC Warrants").

Following the private placement, BioHarvest holds 46.82% (including vested warrants - 49.05%) of the issued share capital of CannaVcell. However, the Company has concluded that it retained control over CannaVcell, as it has the right to appoint the majority of the board members. Appointment of board members Is carried out at the general meeting, in which the Company has a clear majority, considering the wide dispersion of holdings of the other vote holders.

NOTE 9 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT:

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

The following table summarizes the information about the level 3 fair value measurements:

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	743	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $61 of the fair value

Set out below is a comparison, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	September 30, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Convertible loans	21,468	21,468	19,082	19,082
Total	21,468	21,468	19,082	19,082

The Company recognized Liability to Agricultural Research Organization initially at fair value, and are subsequently carried at amortized cost using the effective interest rate method.
The fair value for September 30, 2019 and December 31, 2018 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

U.S. dollars in thousands, except per share data

NOTE 9 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Continued):

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	**2018**
Balance as of January 1	-
Issuance of Warrants	629
Loss recognized in Profit or loss:	-
Balance as of September 30	629

Derivative liability - Warrants	**2019**
Balance as of January 1	1,254
Issuance of Warrants	172
Profit recognized in Profit or loss:	)683(
Balance as of September 30	743

NOTE 10 – RELATED PARTIES TRANSACTIONS:

a. Related parties including the Company's CEO and the Chairman of the BOD, Directors and the Company's CTO.

b. The Company's CEO is entitled to receive $ 12.5 per month.

Related party transactions:

	Nine months ended September 30, 2019	**Three months ended September 30, 2019**	**Nine months ended September 30, 2018**	**Three months ended September 30, 2019**
Compensation of key management personnel of the Company:				
Management fees for the CEO	113	38	113	38
Share base payment to CEO	153	35	-	-
Other related party transactions:				
Share base payments	223	54	-	-
Investment in Convertibles loans	-	-	304	304
Loan from related party	-	-	-	-

Balance with related parties:

Nine months ended September 30	**2019**	**2018**
Convertible loans	11,083	9,761
Loan from related party	11	23

U.S. dollars in thousands, except per share data

NOTE 11 –OPERATING SEGMENTS:

The Company and its subsidiaries are engaged in the following segments:

- Vinia: development, design, manufacture and marketing of "Vinia" for the retail.
- Cannabis: development, design, manufacture and marketing of medical Cannabis.

1) Segment information

	Nine months ended September 30, 2019			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Revenues				
External	173	-	-	173
Inter-segment	-	-	-	-
Total	173	-	-	173
Segment loss (revenue)	(338)	2,138	(67)	1,733
Finance expense, net	2,136	(671)	-	1,465
Tax expenses	-	-	-	-
Loss	1,798	1,467	(67)	3,198

	Three months ended September 30, 2019			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Revenues				
External	46	-	-	46
Inter-segment	-	-	-	-
Total	46	-	-	46
Segment loss (revenue)	345	517	-	862
Finance expense, net	420	(155)	-	265
Tax expenses	-	-	-	-
Loss	765	362	-	1,127

	As of September 30, 2019			
	Vinia	**Cannabis**	**Adjustment & Elimination**	**Total**
Segment assets	-	6,995	(5,286)	1,709
Segment liabilities	22,786	3,183	664	26,633

U.S. dollars in thousands, except per share data

NOTE 11 –OPERATING SEGMENTS (Continued):

	Nine months ended September 30, 2018			
	Vinia	**Cannabis***	**Adjustment & Elimination**	**Total**
Revenues				
External	387	-	-	387
Inter-segment	-	-	-	-
Total	387	-	-	387
Segment loss (revenue)	3,952	-	-	3,952
Finance expense, net	1,051	-	-	1,051
Tax expenses	-	-	-	-
Loss	5,003	-	-	5,003

	Three months ended September 30, 2018			
	Vinia	**Cannabis***	**Adjustment & Elimination**	**Total**
Revenues				
External	73	-	-	73
Inter-segment	-	-	-	-
Total	73	-	-	73
Segment loss (revenue)	3,312	-	-	3,312
Finance expense, net	402	-	-	402
Tax expenses	-	-	-	-
Loss	3,714	-	-	3,714

	As of September 30, 2018			
	Vinia	**Cannabis***	**Adjustment & Elimination**	**Total**
Segment assets	3,486	-	-	3,486
Segment liabilities	23,954	-	-	23,954

* The Cannabis segment started its operation on October 30, 2018

U.S. dollars in thousands, except per share data

NOTE 11 –OPERATING SEGMENTS (Continued):

2) Entity wide disclosures External revenue by location of customers.

	Nine months ended September 30,	
	2019	**2018**
Israel	169	376
Other	4	11
	173	387

	Three months ended September 30,	
	2019	**2018**
Israel	46	69
Other	-	4
	46	73

3) Additional information about revenues:

There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements.

NOTE 12 -SUBSEQUENT EVENTS:

1. During November 2019 the Company has received $300 into convertible loan 8.
2. On November 23rd, 2019 the Company signed an agreement ("the Agreement") with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible loan (the "Loan") with aggregate principal amount of $ 3,000 ("Principal Loan Amount"). The Loan was denominated in USD and bears accumulated interest at the rate of 8% per annum. The Loan shall become due and payable upon the expiration of 12 months after the Initial Closing date (the "Maturity Date").
   In the event that prior to the Maturity Date, the Company shall: (i) issue and sell its shares or (ii) consummate an IPO or M&A, the Principal Loan Amount shall automatically be converted into the same class of shares issued by the Company upon the consummation event, with a discount of 10% from the price share paid for the shares issued in such event.
   During November and December 2019 the Company has received $1,742 into convertible loan 9
3. On December 2, 2019 CannaVCell established a wholly owned subsidiary in the Israel, Biofarming Ltd (“Acquisition Sub”). Acquisition Sub agreed to merge with BioHarvest Ltd. with the merger consideration being the issuance of securities of the CannaVCell to the shareholders of BioHarvest. The merger consideration will be 299,200,000 common shares of CannaVCell at a deemed price of $0.15 CAD per share (approximately $0.11 USD).
   BioHarvest's intercorporate shareholding of 48,337,496 common shares will be returned to CannaVCell treasury.
   The merger will be completed under the Israel Companies Law and is subject to a number of conditions including:
   a) Shareholder approval at meetings called for that purpose;
   b) Approval of the Israeli Securities Authority;

NOTE 12 -SUBSEQUENT EVENTS (Continued):

c) The indebtedness of BioHarvest at closing not exceeding $500,000 US;
d) Approval of the Canadian Securities Exchange;
e) The Agreement of Convertible Debt holders of BioHarvest to accept warrants of the Issuer to replace their warrants in BioHarvest; and
f) Termination of BioHarvest director, officer, employee or consultant options outstanding.

SCHEDULE "F" MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BIOHARVEST

BioHarvest Ltd.

Management's Discussion and Analysis

For the years ended December 31, 2018, 2017 and 2016

(U.S. dollars in thousands)

INTRODUCTION

The following Management Discussion and Analysis (”MD&A”), prepared as of December 10, 2019 has been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company’s comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in U.S dollars in thousands unless otherwise indicated.

The following information should be read in conjunction with the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain information that may constitute forward-looking information and forward-looking statements within the meaning of applicable securities laws (collectively, “Forward-Looking Statements”), which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. All information contained herein that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “potential”, “proposed”, “estimate” and other similar words, expressions and phrases, 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 historical fact.

Certain of the Forward-Looking Statements contained herein concerning the cannabis industry are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of this industry, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While we are not aware of any misstatement regarding any industry or government data or other information presented herein that is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

U.S. dollars in thousands

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

General

BioHarvest Ltd. (the "Company" or "BioHarvest"), an Israeli Company, was incorporated in January 2007 and commenced its activity in July 2007. In July 2014, the Company established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

The Company is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. The Company has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

In February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On September 27, 2018 the Company completed a transaction with CannaVCell Sciences Inc. ("CannaVCell") (the "Transaction"). CannaVCell issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of CannaVCell. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of CannaVCell. Completion of the Transaction resulted in a Reverse Takeover and change of business for CannaVCell (the "RTO") and BioHarvest became the ultimate parent of CannaVCell and Dolarin.

The Transaction does not qualify as a business combination under IFRS 3, as CannaVCell does not meet the definition of a business. Therefore, The Company accounted for the transaction as an equity transaction with the Non-controlling interest without loss of control, in which it sold ownership interests in Dolarin in exchange for CannaVcell's net assets. The Company capitalized listing expenses of the shares of Dolarin in an amount of $2,732

Cash acquired	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Non-controlling interest		(4,193)
Listing expenses	$	**(2,732)**

CannaVCell's principal business is to develop and produce cannabis active ingredients based on BioHarvest's biopharming technology.

CannaVCell obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol "CNVC".

As December 31, 2018 BioHarvest held 50.5% of the issued share capital of CannaVCell.

Licensing and Service Agreement

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement, which has an effective date of the closing of the Transaction ("License Agreement"). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 thousands in 16 equal monthly payments of $10 thousands commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 thousands upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

The initial period of the agreement shall be for 16 months, from closing of the transaction at a budgeted cost of US$1,538,000. Further expenditures may be required if the objectives of the research are not met during the initial period.

Overview of the business

The first product developed by BioHarvest, called VINIA ™, made of red grape (Vitis vinifera) cells grown in the vertical reactors (BioFarms) proprietary facility, is in a form of a fine dry pink-purple powder containing the whole matrix of polyphenols (with a high concentration of Piceid Resveratrol) in their natural state, that have additive and synergistic benefits. These polyphenols can be found in red wine. The composition is natural and patent protected. 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 very soluble when integrated with various liquids or cosmetics.

BioHarvest conducted several clinical trials at independent institutions (following rigorous protocols) showing that Vinia is the first ever natural vasodilator without sugar or calories (see below details). Vinia's major mechanism is the increase of NO's (Nitric Oxide) and decrease of ET1's (Endothelial protein) resulting in the vasodilation of blood vessels (arterial and capillary) and blood perfusion. The following 4 FDA reviewed functional claims supported by the clinical trials clearly state the benefits: improving blood flow, inhibiting oxidation of LDL cholesterol, keeping arteries flexible and maintaining blood pressure within normal range.

Vinia is food and went through the regulatory necessary approvals both in the US and in Japan. As such the functional claims do not require a disclaimer as is the case for all dietary supplements. The Company also applied for similar approvals in Europe and planning to do so in some parts of Asia and Latin America. The recommended dose of Vinia varies by application. For example, for support of healthy cardiovascular functioning, it is recommended to use 400mg per day.

The Company has invested over US$25M, primarily in R&D. Such investment has resulted in the development of the biofarming platform technology which also created significant IP in the form of patents and know-how. The list of patents is available below.

In terms of manufacturing capacity, the Company currently has a two tons/year production facility (with an inventory of 1 ton) and has plans to expand the manufacturing to 20 tons/year and subsequently 100 tons/year. BioHarvest plans to introduce 3 new products based on the biofarming technology over the next 5 years. These products are based on olives, pomegranates and blueberries.

U.S. dollars in thousands

The Company has successfully completed a B2C (on-line based) pilot marketing and sales program in Israel. The results (to be described below in the document) are very encouraging and provide for the base to continue into a full scale sales plan in Israel as well as in the US starting in 2020. Revenue projections based on such pilot are also described below.

The Company is also negotiating agreements with multiple strategic distribution partners in order to commercialize its biofarming platform based products starting with Vinia. The goal is to secure a multi-year partner/s based on need, volume, price, format of usage and geography in order to maximize both revenues and brand awareness while taking into account the supply capacity constraints. With a longer term orientation, we are also aiming to build a secondary distribution channel with CPG (consumer package goods) for the integration of our ingredients into products from fortune 500 players such as Nestle, Coca Cola and Conagra.

We believe that this partnership approach including B2B and B2C is the best way towards the rapid commercialization and adoption of BioHarvest's technology and Vinia.

SELECTED ANNUAL INFORMATION

	Year ended December 31,		
	2018	**2017**	**2016**
Revenues	$ **449**	$ 325	$ 40
Cost of revenues	**463**	493	240
Gross loss	**(14)**	(168)	(200)
Operating expenses			
Research and development expenses	**553**	429	388
Selling and marketing expenses	**484**	422	162
Listing expenses	**2,784**	-	-
General and administrative expenses	**1,547**	719	1,436
Total operating expenses	**(5,368)**	(1,570)	(1,986)
Loss from operations	**(5,382)**	(1,738)	(2,186)
Finance expenses	**2,090**	108	1,313
Net loss before tax	**(7,472)**	(1,846)	(3,499)
Tax expenses	**-**	-	
Net loss and comprehensive loss	$ **(7,472)**	$ (1,846)	$ (3,499)
Attributable to:			
Owners of the Company	$ **(6,673)**	$ (1,846)	$ (3,499)
Non-controlling interests	$ **(799)**	$ -	$ -

U.S. dollars in thousands

	December 31,			
		2018		2017
Total Assets	$	**1,894**	$	1,694
Total non-current liabilities	$	**2,608**	$	19,702

Our revenues were $449 thousand for the year ended December 31, 2018, as compared to $325 thousand during the same period in the prior year. The increase in 2018 is due to an increase in selling and marketing expenses during the same period.
Our revenues were $325 thousand for the year ended December 31, 2017, as compared to $40 thousand during the same period in the prior year. The increase in 2017 is due to an increase in selling and marketing expenses during the same period.

Our cost of revenues was $463 thousand for the year ended December 31, 2018, as compared to $493 thousand during the same period in the prior year. The decrease is due to a reduction in packing cost.
Our cost of revenues was $493 thousand for the year ended December 31, 2017, as compared to $240 thousand during the same period in the prior year. The increase is due to production of new inventory.

Our research and development expenses were $553 for the year ended December 31, 2018, as compared to $429 thousand during the same period in the prior year. The increase is due to an increase in the expenses related applying the Company's know-how to the Cannabis industry.
Our research and development expenses were $429 for the year ended December 31, 2017, as compared to $388 thousand during the same period in the prior year. The increase is due to wage and salaries expenses.

Our selling and marketing expenses were $484 for the year ended December 31, 2018, as compared to $422 thousand during the same period in the prior year. During 2018, the Company has more cash resource to apply to selling and marketing expenses, which also led to increased revenues.
Our selling and marketing expenses were $422 for the year ended December 31, 2017, as compared to $162 thousand during the same period in the prior year. During 2017, the Company had started it's marking program of Vinia in Israel and US, which also led to increased revenues.

Our Listing expenses were $2,784 thousand for the year ended December 31, 2018 as compared to nil during the same period in the prior year. The Listing expenses is due RTO from September 27, 2018.

Our general and administrative expenses increased to $1,547 thousand for the year ended December 31, 2018 as compared to $719 thousand during the same period in the prior year. The increase is

due the following: Increases rental space, changes in ARO liability, increase in Share based compensation, increased salaries and wages as a result of the hiring of additional employees and legal expenses relating to a deal that never closed.
Our general and administrative expenses increased to $719 thousand for the year ended December 31, 2017 as compared to $1,436 thousand during the same period in the prior year. The decrease is due to changes in ARO liability.

Financial instruments and risk management

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

A. FOREIGH 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.

B. LIQUIDITY AND CAPITAL RESOURCES

The Financial Statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for the Financial Statements, then adjustments of a material nature would be necessary in the carrying value of assets such as petroleum and natural gas licenses, liabilities, the reported expenses, and the balance sheet classifications used. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned program beyond the next year.

At December 31, 2018 the Company held cash of $1,199 thousand, (December 31, 2017 – 7 thousand and December 31, 2016- 42 thousands). The Company had current liabilities of $21,975 thousand, including convertible loans of $19,082 (December 31, 2017 - $1,673 thousand and Nil, respectively). At December 31, 2018, the Company's working capital was negative $20,400 thousand (December 31, 2017 – negative $321 thousand).

During the year ended December 31, 2018, the Company's overall position of cash and cash equivalents increased by 1,192 thousand. This increase in cash can be attributed to the following:

The Company's net cash used in operating activities during the year ended December 31, 2018 was $2,766 thousand as compared to net cash used of $1,764 thousand for the year ended December 31, 2017. The amount is primarily a result of the losses incurred in the operations of the Company.

The Company's net cash used in operating activities during the year ended December 31, 2017 was $1,764 thousand as compared to net cash used of $2,197 thousand for the year ended December 31, 2016. The amount is primarily a result of the losses incurred in the operations of the Company.

Cash used in financing activities for the year ended December 31, 2018 was $46 thousand as compared to cash used of $56 thousand for the year ended December 31, 2017. The amount used in 2018 relates primarily to the purchase of property, plant and equipment.

Cash used in financing activities for the year ended December 31, 2017 was $56 thousand as compared to cash received of $14 thousand for the year ended December 31, 2016. Change is due to a decrease in the company's restricted cash during 2016.

Cash generated from financing activities during the year ended December 31, 2018 was $4,011 thousand as compared $1,754 thousand for the year ended December 31, 2017. The amount in 2018 is primarily from convertible loans received and the Transaction with CannaVCell.

Cash generated from financing activities during the year ended December 31, 2017 was $1,754 thousand as compared $2,064 thousand for the year ended December 31, 2016. The amount in 2017 and 2016 is primarily from convertible loans received.

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 ARRANGEMENTS

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 year ended December 31, 2018 was as follows:

U.S. dollars in thousands

Related party transactions:

For the year and period ended December,	2018	2017	2016
Compensation of key management personnel of the Company:			
Management fees for the CEO	170	144	150
Share base payment to CEO	108	-	-
Other related party transactions:			
Share base payment	133	-	-
Investment in Convertibles loans	562	989	1,076
Loan from related party	22	-	-

Balance with related parties:

For the year and period ended December,	2018	2017
Convertible loans	9,979	8,136
Unpaid salary to the Company's CTO	-	42
Loan from related party	22	-

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.

Share based compensation

The Company has a share based compensation plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates.

U.S. dollars in thousands

A summary of activity of options granted to purchase the Company's Shares under the Company's share option is as follows:

	For the year ended December 31,					
	2018		2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	731,348	0.99	731,348	0.99	731,348	0.99
Changes during the period:						
Granted	9,655,105	0.15	-	-	-	-
Options outstanding at end of year (*)	10,386,453	0.21	731,348	0.99	731,348	0.99
Options exercisable at year-end	4,011,498		731,348	0.99	651,442	0.99
Weighted-average fair value of options Granted during the year	$ 710		-		-	

(*) The options outstanding at December 31, 2018 had a weighted-average contractual life of 5.3 years (December 31, 2017: 6.5 years). *Derivative liability – Warrants*

The Company uses the Black-Scholes option-pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the warrants. Significant estimates used in the preparation of the Company's Financial Statements include, but are not limited to impairment of exploration license costs capitalized in accordance with IFRS, stock based compensation and future income taxes.

Liability to Agricultural Research Organization

The Company measured 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.

NEWLY ADOPTED ACCOUNTING STANDARDS

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero. Any remaining amount of re-measurements will be recognized in profit or loss. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

According IFRS 16 the lessees will be implemented retrospectively in one of two ways:

- Cumulative effect method, without restatement of comparative information.
- Retrospectively to each prior reporting period presented

The Company plans to apply IFRS 16 initially from its effective adoption date of 1 January 2019, using the modified retrospective approach. Accordingly, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The following are the Company's estimates regarding the expected effects:

Leases in which the Company is the lessee, which are currently classified as operating leases, the Company is required to recognize on the initial implementation date a right of use and lease liability for all leases in which it is found to have the right to control the use of identified assets for a specified period of time. These changes are expected to result in an increase of approximately $796 thousand in the balance of the right to use assets at the date of initial implementation and an increase of about $796 thousand in the balance of the lease liability as at the date of initial implementation.

At the initial implementation date, the lease liability will be recognized in the present value of the future lease fees. The Company intends to measure the right to use asset at that date in accordance with the amount equal to the lease liability at the initial application date, adjusted for the amount of any prepaid or accrued lease payments relating to this lease, which were recognized in the statement of financial position immediately prior to the initial implementation date.

The range of nominal discount rates used to measure the liability described above in respect of a lease ranges from 3.9% to 5.4%, which, as at the date of the interim financial statements, constitutes the incremental interest of the lessee. The Company intends to continue examining the range of nominal interest rates.

U.S. dollars in thousands

In the statement of cash flows, lease payments in respect of leases to be recognized as an asset of a right to use and a lease undertaking will no longer be presented as part of current operations, and therefore an increase in cash flow from operating activities is expected. Instead, the principal repayment component of the lease liability and the interest component on the liability will be presented in the financing activity.

The Company expects a change in the main financial ratios, such as: an increase in the leverage rate, a decrease in the ratio of capital to the balance sheet and a decrease in working capital.

With respect to all of the above, the principal leases expected to be affected as a result of the implementation of the new standard derive mainly from the leasing of vehicles and office used for the Company's operations.

COMMON SHARE DATA

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Ordinary shares of NIS 0.01 par value	9,431,638
Ordinary A share of NIS 0.01 par value	1
Ordinary A-1 share of NIS 0.01 par value	4,006,542
Ordinary A-2 share of NIS 0.01 par value	2,227,043

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

Limited Operating History

The Company is in the early stages of its business activities. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses every period since inception and as of December 31, 2018, had an accumulated deficit of $37,185 thousands.

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 its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate significant revenues from operations and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Acquisition and Expansion Risk

The Company intends to expand its operations through organic growth and depending on certain conditions, by identifying a proposed qualifying transaction. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional properties or businesses.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

MD&A PREPARATION

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

BioHarvest Ltd.

Management's Discussion and Analysis

For the three months and nine month period ended September 30, 2019

(U.S. dollars in thousands)

INTRODUCTION

The following Management Discussion and Analysis (”MD&A”), prepared as of December 10, 2019 has been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company’s comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in U.S dollars in thousands unless otherwise indicated.

The following information should be read in conjunction with the financial statements for the three months ended September 30, 2019, 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain information that may constitute forward-looking information and forward-looking statements within the meaning of applicable securities laws (collectively, “Forward-Looking Statements”), which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. All information contained herein that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “potential”, “proposed”, “estimate” and other similar words, expressions and phrases, 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 historical fact.

Certain of the Forward-Looking Statements contained herein concerning the cannabis industry are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of this industry, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While we are not aware of any misstatement regarding any industry or government data or other information presented herein that is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

U.S. dollars in thousands

NATURE OF BUSINESS AND OVERVIEW OF OPERATIONS

General

BioHarvest Ltd. (the "Company" or "BioHarvest"), an Israeli Company, was incorporated in January 2007 and commenced its activity in July 2007. In July 2014, the Company established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

The Company is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. The Company has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

In February 26, 2018, the Company established a wholly owned subsidiary in Israel, Dolarin Ltd. ("Dolarin").

On September 27, 2018 the Company completed a transaction with CannaVCell Sciences Inc. ("CannaVCell") (the "Transaction"). CannaVCell issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Following the transaction BioHarvest held 50.5% of the issued share capital of CannaVCell. As a result of the Transaction, Dolarin became a wholly-owned subsidiary of CannaVCell. Completion of the Transaction resulted in a Reverse Takeover and change of business for CannaVCell (the "RTO") and BioHarvest became the ultimate parent of CannaVCell and Dolarin.

The Transaction does not qualify as a business combination under IFRS 3, as CannaVCell does not meet the definition of a business. Therefore, The Company accounted for the transaction as an equity transaction with the Non-controlling interest without loss of control, in which it sold ownership interests in Dolarin in exchange for CannaVcell's net assets. The company recorded listing expenses of the shares of Dolarin in an amount of $2,732

Cash acquired	$	2,227
Accounts payable and accrued liabilities		(137)
Derivative liability - Warrants		(629)
Non-controlling interest		(4,193)
Listing expenses	$	**(2,732)**

CannaVCell's principal business is to develop and produce cannabis active ingredients based on BioHarvest's biopharming technology.

CannaVCell obtained final approval for the Transaction from the Exchange on October 2, 2018 and is traded on the Canadian Securities Exchange under the symbol "CNVC".

As of September 30, 2019 BioHarvest held 46.82% of the issued share capital of CannaVCell.

Licensing and Service Agreement

On April 19, 2018, BioHarvest and Dolarin entered into a license agreement, which has an effective date of the closing of the Transaction ("License Agreement"). Pursuant to the license agreement Dolarin acquired certain worldwide, non-transferable, royalty bearing license in perpetuity from BioHarvest for the use of BioHarvest's biotechnology for the production and sale of cannabis products for the medical and recreational markets (the "License").

Dolarin acquired the licenses for the following consideration:

a) The issuance of 900,000 common shares of Dolarin to BioHarvest.

b) The payment of $160 thousands in 16 equal monthly payments of $10 thousands commencing on the effective date.

c) The payment to BioHarvest of a milestone payment comprising $840 thousands upon the commencement of construction of the first manufacturing facility for relevant licensed product.

On April 19, 2018, BioHarvest and Dolarin also entered into a services agreement with an effective date of the closing of the Transaction ("Service Agreement"). Pursuant to the Service Agreement, Dolarin contracted BioHarvest to perform certain limited research, development and commercialization of BioHarvest's technology in the field of cannabis including the equipment, materials, facilities and personnel.

The initial period of the agreement shall be for 16 months, from closing of the transaction at a budgeted cost of US$1,538,000. Further expenditures may be required if the objectives of the research are not met during the initial period.

Overview of the business

The first product developed by BioHarvest, called VINIA ™, made of red grape (Vitis vinifera) cells grown in the vertical reactors (BioFarms) proprietary facility, is in a form of a fine dry pink-purple powder containing the whole matrix of polyphenols (with a high concentration of Piceid Resveratrol) in their natural state, that have additive and synergistic benefits. These polyphenols can be found in red wine. The composition is natural and patent protected. 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 very soluble when integrated with various liquids or cosmetics.

BioHarvest conducted several clinical trials at independent institutions (following rigorous protocols) showing that Vinia is the first ever natural vasodilator without sugar or calories (see below details). Vinia's major mechanism is the increase of NO's (Nitric Oxide) and decrease of ET1's (Endothelial protein) resulting in the vasodilation of blood vessels (arterial and capillary) and blood perfusion. The following 4 FDA reviewed functional claims supported by the clinical trials clearly state the benefits: improving blood flow, inhibiting oxidation of LDL cholesterol, keeping arteries flexible and maintaining blood pressure within normal range.

Vinia is food and went through the regulatory necessary approvals both in the US and in Japan. As such the functional claims do not require a disclaimer as is the case for all dietary supplements. The Company also applied for similar approvals in Europe and planning to do so in some parts of Asia and Latin America. The recommended dose of Vinia varies by application. For example, for support of healthy cardiovascular functioning, it is recommended to use 400mg per day.

The Company has invested over US$25M, primarily in R&D. Such investment has resulted in the development of the biofarming platform technology which also created significant IP in the form of patents and know-how. The list of patents is available below.

In terms of manufacturing capacity, the company currently has a two tons/year production facility (with an inventory of 1 ton) and has plans to expand the manufacturing to 20 tons/year and subsequently 100 tons/year. BioHarvest plans to introduce 3 new products based on the biofarming technology over the next 5 years. These products are based on olives, pomegranates and blueberries.

U.S. dollars in thousands

The Company has successfully completed a B2C (on-line based) pilot marketing and sales program in Israel. The results (to be described below in the document) are very encouraging and provide for the base to continue into a full scale sales plan in Israel as well as in the US starting in 2020. Revenue projections based on such pilot are also described below.

The Company is also negotiating agreements with multiple strategic distribution partners in order to commercialize its biofarming platform based products starting with Vinia. The goal is to secure a multi-year partner/s based on need, volume, price, format of usage and geography in order to maximize both revenues and brand awareness while taking into account the supply capacity constraints. With a longer term orientation, we are also aiming to build a secondary distribution channel with CPG (consumer package goods) for the integration of our ingredients into products from fortune 500 players such as Nestle, Coca Cola and Conagra.

We believe that this partnership approach including B2B and B2C is the best way towards the rapid commercialization and adoption of BioHarvest's technology and Vinia.

SELECTED BISSNESS DISCUSSION OF OPERATIOS

		Three-month period ended September 30,		Nine-month period ended September 30,	
		2019	**2018**	**2019**	**2018**
	Note	**Unaudited**		**Unaudited**	
Revenues		$ 46	$ 73	$ 173	$ 387
Cost of revenues		27	95	62	331
Gross loss		19	)22(	111	56
Operating expenses					
Research and development		307	120	981	376
Selling and marketing		31	66	94	437
Listing expenses		-	2,732	-	2,732
General and administrative		543	372	769	463
Total operating expenses		)881(	)3,290(	(1,844)	)4,008(
Loss from operations		)862(	)3,312(	(1,733)	)3,952(
Finance expenses		265	402	1,465	1,051
Net loss before tax		(1,127)	)3,714(	(3,198)	)5,003(
Tax expenses		-	-	-	-
Net loss and comprehensive loss		$ (1,127)	$)3,714(	$ (3,198)	$)5,003(
Attributable to:					
Owners of the Company		$ (943)	$)3,714(	$ (2,466)	$)5,003(
Non-controlling interests		$ (184)	$ -	$)732(	$ -

Three months ended September 30, 2019 compared to the three months ended September 30, 2018

Our revenues were $46 thousand for the three months ended September 30, 2019, as compared to $73 thousand during the same period in the prior year. The decrease in 2019 is due to a decrease in selling and marketing expenses during the same period.

Our cost of revenues were $27 thousand for the three months ended September 30, 2019, as compared to $95 thousand during the same period in the prior year. The decrease in 2019 is due to a decrease in revenues.

Our research and development expenses were $307 for the three months ended September 30, 2019, as compared to $120 thousand during the same period in the prior year. The increase is due to an increase in the expenses related applying the Company's know-how to the Cannabis industry.

Our selling and marketing expenses were $31 for the three months ended September 30, 2019, as compared to $66 thousand during the same period in the prior year. During 2019, the Company had less cash resource to apply to selling and marketing expenses, which also led to decrease revenues.

Our Listing expenses were nil for the three months ended September 30, 2019, as compared to $2,732 thousand during the same period in the prior year. The Listing expenses is due RTO from September 27, 2018.

Our general and administrative expenses increased to $543 thousand for the three months ended September 30, 2019 as compared to $372 thousand during the same period in the prior year. The increase is due the increase in professional and legal fees.

Nine months ended September 30, 2019 compared to the nine months ended September 30, 2018

Our revenues were $173 thousand for the nine months ended September 30, 2019, as compared to $387 thousand during the same period in the prior period. The decrease in 2019 is due to a decrease in selling and marketing expenses during the same period.

Our cost of revenues were $62 thousand for the nine months ended September 30, 2019, as compared to $331 thousand during the same period in the prior year. The decrease in 2019 is due to a decrease in revenues as well as decrease Wages and salaries of Cost of revenue.

Our research and development expenses were $981 for the nine months ended September 30, 2019, as compared to $376 thousand during the same period in the prior year. The increase is due to an increase in the expenses related applying the Company's know-how to the Cannabis industry such as Wage and salaries, also due to an increase in depreciation as effect of implementation of IFRS 16.

Our selling and marketing expenses were $94 or the nine months ended September 30, 2019, as compared to $437 thousand during the same period in the prior year. During 2019, the Company had less cash resource to apply to selling and marketing expenses, which also led to decrease revenues.

Our Listing expenses were nil for the nine months ended September 30, 2019, as compared to $2,732 thousand during the same period in the prior year. The Listing expenses is due RTO from September 27, 2018.

Our general and administrative expenses increased to $769 thousand for the nine months ended September 30, 2019 as compared to $463 thousand during the same period in the prior period. The increase is due the following: the increase in Professional and legal fees, the increase Shareholder communication and increase in Share based compensation.

Financial instruments and risk management

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

A. FOREIGH 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.

B. LIQUIDITY AND CAPITAL RESOURCES

The Financial Statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The financial statements do not 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. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned program beyond the next year.

At September 30, 2019 the Company held cash of $492 thousand, (December 31, 2018 - 1,199 thousand). The Company had current liabilities of $24,120 thousand (December 31, 2018 - $21,975 thousand including convertible loans). At September 30, 2019, the Company's working capital was negative $23,311 thousand (December 31, 2018 – negative $20,400 thousand).

During the nine months ended September 30, 2019, the Company's overall position of cash and cash equivalents decreased by $707 thousand. This decrease in cash can be attributed to the following:

The Company's net cash used in operating activities during the nine months ended September 30, 2019 was $1,649 thousand as compared to net cash used of $1,827 thousands for the nine months ended September 30, 2018. The amount is primarily a result of the losses incurred in the operations of the Company.

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 ARRANGEMENTS

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.

U.S. dollars in thousands

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 three and nine months ended September 30, 2019 was as follows:

Related party transactions:

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2019
Compensation of key management personnel of the Company:				
Management fees for the CEO	113	38	113	38
Share base payment to CEO	153	35		
Other related party transactions:				
Share base payments	223	54		
Investment in Convertibles loans	-	-	304	304
Loan from related party	-	-	-	-

Balance with related parties:

For the year and period ended December,	2019	2018
Convertible loans	11,083	9,761
Loan from related party	11	23

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.

U.S. dollars in thousands

Share based compensation

The Company has a share based compensation plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see also Note 7).

Derivative liability – Warrants

The Company uses the Black-Scholes option-pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the warrants. Significant estimates used in the preparation of the Company's Financial Statements include, but are not limited to impairment of exploration license costs capitalized in accordance with IFRS, stock based compensation and future income taxes.

Liability to Agricultural Research Organization

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

COMMON SHARE DATA

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Ordinary shares of NIS 0.01 par value	9,431,638
Ordinary A share of NIS 0.01 par value	1
Ordinary A-1 share of NIS 0.01 par value	4,006,542
Ordinary A-2 share of NIS 0.01 par value	2,227,043

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

Limited Operating History

The Company is in the early stages of its business activities. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

History of Losses

The Company has incurred net losses every period since inception and as of September 30, 2019, had an accumulated deficit of $39,651 thousand.

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 its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company does not generate significant revenues from operations and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

Capital and Liquidity Risk

The amount of financial resources available to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Acquisition and Expansion Risk

The Company intends to expand its operations through organic growth and depending on certain conditions, by identifying a proposed qualifying transaction. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional properties or businesses.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

MD&A PREPARATION

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

December 10, 2019	Zaki Rakib	Vivien Rakib
Date of approval of the financial statements	Director	Director

SCHEDULE "G" PRO FORMA FINANCIAL STATEMENTS

CANNAVCELL SCIENCES INC.
Pro Forma Consolidated Financial Statements
As of September 30, 2019

(Expressed in Thousands of United States Dollars)

(Unaudited)

BIOHARVEST LTD.
Pro Forma Consolidated Statement of Financial Position

As of September 30, 2019
(United States Dollars In Thousands, except per share data)
(Unaudited)

	CannaVCell Sciences Inc.	Bioharvest Ltd	Notes	Pro forma adjustments	Pro forma Consolidated
ASSETS					
Current					
Cash and cash equivalents	$ 147	$ 492	2(a)	(147)	$ 3,901
			2(c)	3,609	
			2(d)	(200)	
Trade accounts receivable	76	51	2(a)	(76)	51
Other accounts receivable	-	114			114
Inventory	-	152			152
Total current assets	223	809		3,186	4,218
Non-current					
Restricted cash	-	128			128
License	4,757	-	2(a)	(4,757)	-
Property, and equipment, net	-	772			772
Total Assets	$ 4,980	$ 1,709		$ (1,571)	$ 5,118
EQUITY AND LIABILITIES					
Current					
Current portion of long term loans	$ -	$ 76			$ 76
Trade accounts payable	-	341			341
Other account payable	-	445			445
Related parties	-	42			42
Convertible loans	-	21,468	2(b)	(21,468)	-
Derivative Liability - Warrants	625	743	2(a)	(625)	1,195
			2(b)	452	
Accrued liabilities	40	876		(40)	876
Total current liabilities	665	23,991		(21,681)	2,975
Non-current					
Long term debt	-	1			1
Related parties	-	11			11
Lease liability	-	478			478
Liability to Agricultural Research Organization	-	2,023			2,023
Royalty Commitment	616	-	2(a)	(616)	-
Total liabilities	$ 1,281	$ 26,504		$ (22,297)	$ 5,488
Shareholders' Equity					
Share capital	$ 8,949	$ 10,877	2(a)	$ (8,949)	$ 39,577
			2(a)	3,850	
			2(b)	21,016	
			2(c)	3,609	
			2(d)	225	
Non Controlling interest		3,850	2(a)	(3,850)	-
Accumulated Deficit	(5,250)	(39,522)	2(a)	5,250	(39,947)
			2(d)	(425)	
Total shareholders' equity (deficit)	$ 3,699	$ (24,795)		$ 20,726	$ (370)
Total liabilities and shareholders' equity (deficit)	$ 4,980	$ 1,709		$ (1,571)	$ 5,118

See the accompanying notes to the pro forma consolidated financial statements.

December 10, 2019	Zaki Rakib	Vivien Rakib
Date of approval of the financial statements	Director	Director

CANNAVCELL SCIENCES INC.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(United States Dollars In Thousands, except per share data)
(Unaudited)

For the nine months ended September 30, 2019

	CannaVCell Sciences Inc.	Biobarvest Ltd	Notes	Proforma adjustments	Proforma Consolidated
	Nine months ended July 31, 2019	Nine months ended September 30, 2019			
Revenues	$ -	$ 173			$ 173
Cost of revenues	-	62			62
Gross profit (loss)	-	111			111
Research and development	895	981	2(a)	(895)	981
Selling and marketing	-	94			94
General and administrative	(636)	769	2(a)	636	769
Listing expense	-	-	2(a)	0	425
			2(d)	425	
Total operating expenses	259	1,844		(259)	2,269
Operating loss	(259)	(1,733)		259	(2,158)
Finance income	550	-	2(a)	(550)	0
Financial expenses	(779)	(1,336)	2(a)	779	(1,336)
Loss before taxes	(488)	(3,069)		488	(3,494)
Taxes on income	-	-			-
Net loss and comprehensive loss	$ (488)	$ (3,069)		$ 488	$ (3,494)
Pro Forma profit per share					$ (0.01)
Pro Forma weighted average number of common shares outstanding					389,306,184

See the accompanying notes to the pro forma consolidated financial statements.

CANNAVCELL SCIENCES INC.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(United States Dollars In Thousands, except per share data)
(Unaudited)

For the year ended December 31, 2018

	CannaVCell Sciences Inc.	Bioharvest Ltd	Notes	Proforma adjustments	Proforma Consolidated
	Twelve months ended Jan 31, 2019	Year ended December 31, 2018			
Revenues	$ -	$ 449			$ 449
Cost of revenues	-	463			463
Gross profit (loss)	-	(14)			(14)
Research and development	926	553	2(a)	(926)	553
Selling and marketing	2	484	2(a)	(2)	484
General and administrative	1,936	1,740	2(a)	(1,936)	1,740
Listing expense	2,235	2,784	2(a)	(2,235)	3,209
			2(d)	425	
Total operating expenses	5,099	5,561		(4,674)	5,986
Operating loss	(5,099)	(5,575)		4,674	(6,000)
Finance income	2	-	2(a)	(2)	-
Financial expenses	-	(1,951)			(1,951)
Loss before taxes	(5,097)	(7,526)		4,672	(7,951)
Taxes on income	-	-			-
Net loss and comprehensive loss	$ (5,097)	$ (7,526)		$ 4,672	$ (7,951)
Pro Forma profit per share					$ (0.02)
Pro Forma weighted average number of common shares outstanding					389,306,184

See the accompanying notes to the pro forma consolidated financial statements.

1. Basis of presentation

The accompanying unaudited pro forma consolidated statement of financial position of Bioharvest Ltd. ("Bioharvest") has been prepared by management to reflect the acquisition of CannaVCell Sciences Inc. ("CannaVCell") by Bioharvest (the acquirer for accounting purposes) after giving effect to the proposed transactions (the "Transaction") as described in Note 2.

The unaudited pro-forma consolidated statement of financial position of Bioharvest has been presented as if the Transaction had been completed on September 30, 2019. The Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2018 and for the nine months ended September 30, 2019 have been prepared as if the transaction occurred at beginning of each respective period.

The unaudited pro forma consolidated statement of financial position and the pro forma consolidated statement of loss and comprehensive loss for each period have been prepared from information derived from the following:

1. Unaudited pro forma statement of financial position as of September 30, 2019:
   a. The unaudited interim condensed consolidation financial statements of Bioharvest as of September 30, 2019.
   b. The unaudited interim condensed consolidation financial statements of CannaVCell as of July 31, 2019.
2. Unaudited pro forma statement of profit and loss and comprehensive profit and loss for the nine month period ended September 30, 2019:
   a. The unaudited profit and loss and comprehensive profit and loss of Bioharvest for the nine month period ended September 30, 2019.
   b. The unaudited profit and loss and comprehensive profit and loss of CannaVCell for last three quarters ended July 31, 2019 are derived from the financial statements of CannaVCell for the three months ended July 31, 2019 and the last two quarters of the financial statements of CannaVCell for the year ended April 30, 2019.
3. Unaudited pro forma statement of profit and loss and comprehensive profit and loss for the year ended December 31, 2018:
   a. The profit and loss and comprehensive profit and loss of Bioharvest for the year ended December 31, 2018.
   b. The unaudited profit and loss and comprehensive profit and loss of CannaVCell for last four quarters ended January 31, 2019 are derived from the financial statements of CannaVCell for the nine months ended January 31, 2019 and the last quarter of the financial statements of CannaVCell for the year ended April 30, 2018.

The Transaction has been accounted for in the unaudited pro forma consolidated statement of financial position as a continuation of the financial statements of Bioharvest.

1. Basis of presentation (continued)

The unaudited pro-forma consolidated statement of financial position has been prepared by management, and, in the opinion of management, include all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Bioharvest and CannaVCell, as management does not anticipate any material costs or cost savings as a result of this Transaction.

The unaudited pro forma consolidated statement of financial position has been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Transaction been in effect at the date indicated.

2. Pro forma assumptions and adjustments

On December 5, 2019 CannaVCell, Bioharvest and the shareholders of Bioharvest entered into securities exchange agreement (the "Definitive Agreement") pursuant to which CannaVCell will acquire all issued and outstanding shares ordinary and preferred shares of Bioharvest by way of securities exchange by issuing 299,200,000 common shares, to acquire 100% of the issued and outstanding ordinary shares of Bioharvest, and subject to a number of conditions.

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments based on the Definitive Agreement:

a. The issuance by CannaVCell of 37,739,845 common shares, to acquire 100% of the issued and outstanding ordinary shares and preference shares of Bioharvest ("Bioharvest Securities").

   The consolidated statement of position of Bioharvest includes the assets and liabilities of CannaVCell and therefore, the assets, liabilities, and equity of CannaVCell, included in the proforma are eliminated along with the non-controlling interest in Bioharvest and the cancellation of 48,337,496 common shares held by Bioharvest prior to the Transaction.

   The Consolidated Statement of Loss and Comprehensive Loss of Bioharvest includes the income and expenses of CannaVCell and therefore, the income and expenses of CannaVCell, included in the proforma, are eliminated.

b. In accordance with the agreement with the holders of the convertible debt in BioHarvest, such convertible debt will be converted into 261,460,155 shares and 41,603,463 warrants with an exercise price CAD$0.95 for a period of two years ("Convertible Note Warrants").

   The Convertible Note Warrants have been valued at $452, using black-Scholes options pricing model with the following assumptions: Share price: CAD$0.15, exercise price: CAD$0.95, risk-free rate: 1.60%, dividend yield: Nil, volatility: 100%, expected life: 2 years.

   Since the Convertible Note Warrants have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the BioHarvest (US Dollars), the Convertible Note Warrants are recorded at their fair value as a derivative liability.

   The increase in Additional Paid in Capital is $20,799, being the book value of the Convertible Notes ($21,016) less the fair value of the Convertible Note Warrants ($452).

(United States Dollars In Thousands, except per share data)

2. Pro forma assumptions and adjustments (continued)

c. Concurrent with the Transaction, CannaVCell will complete a public offering of between 35,200,000 and 69,040,000 shares (the "Public Offering Shares") at CAD$0.15 per Public Offering Shares for gross proceeds of between $4,000 and $8,000 (the "Public Offering").

These pro forma financial statements have been prepared on the basis of a Public Offering of $4,000.

The agents under the Public Offering will receive a cash commission (the "Broker's Commission") equal to 6% of the gross proceeds of the Public Offering. In addition to the Broker's Commission, the brokers will receive warrants (the "Broker Warrants") entitling the brokers to purchase that number of CannaVCell Shares equal to 6% of the number of Public Offering Units issued under the Public Offering. Each Broker Warrant will entitle the holder to purchase one CannaVCell Share at a price of CAD$0.15 per share at any time on or before the date that is 24 months following the closing date of the Public Offering.

The brokers under the Public Offering will receive cash commissions of $240 (assuming the minimum offering) and costs associated with the Public Offering to be paid in cash are estimated to be $151 ("Public Offering Costs").

The net increase to share capital and net proceeds from the Public Offering, after deducting Public Offering Costs is $3,609.

d. Listing Costs associated with Transaction are calculated as follows:

The fair value of the minority shareholding in Bioharvest following the Transaction	14.1%(1) of the fair value of CannaVCell(2) and fair value of Bioharvest(3)	$6,444
LESS:		
The fair value of the minority holdings CannaVCell prior to the Transaction	53.18%(4) of the fair value of CannaVCell(2)	$6,219
Transaction Cost		$ 225
Estimated cash cost		$ 200
Total Transaction Costs		$ 425

(1) Calculated as 49,239,517 shares out of a total of 389,306,184 shares issued and outstanding following the Transaction.

(2) Based on CAD$0.15 per share being the closing price of the share at September 30, 2019.

(3) The total fair value of Bioharvest is $34,000 based on an independent third-party valuation.

(4) Calculated as 49,239,517 shares out of a total of 103,243,680 shares issued and outstanding prior to the Transaction.

The Total Transaction Costs of $425 has been charged to the Proforma Consolidated Statement Loss and Comprehensive Loss with a corresponding credit of $225 and $200 to Share Capital and Cash and Cash Equivalents, respectively.

(United States Dollars In Thousands, except per share data)

3. Pro Forma Share Capital

After giving effect to the pro forma assumptions in Note 2, the pro forma share capital of CannaVCell has been determined as follows:

	Notes	Number of shares	Share Capital
CannaVCell common shares issued and outstanding as of July 31, 2019		96,577,013	$ 8,949
Elimination of CannaVCell's share capital	2(a)	-	(8,949)
Shares issued in connection with a private placement during September 2019		6,666,667	-
Shares issued to Bioharvest ordinary and preferred shareholders in connection with the Transaction	2(a)	37,739,845	10,877
Elimination of BioHarvest's non-controlling interest	2(a)	(48,337,496)	3,850
Shares issued on conversion of Bioharvest's Convertible Notes	2(b)	261,460,155	21,016
Shares issued in connection with public offering	2(c)	35,200,000	3,609
Trasnaction Costs	2(d)	-	225
		389,306,184	$ 39,577

4. Income Taxes

The corporate tax rate in Canada is 26.5%. The corporate tax rate in Israel is 23% from 2018 and onwards. The pro forma effective income tax rate applicable to the consolidated operations will be 26.5%.

SCHEDULE "G" PRO FORMA FINANCIAL STATEMENTS

CANNAVCELL SCIENCES INC.
Pro Forma Consolidated Financial Statements
As of September 30, 2019

(Expressed in Thousands of United States Dollars)

(Unaudited)

BIOHARVEST LTD.
Pro Forma Consolidated Statement of Financial Position

As of September 30, 2019
(United States Dollars In Thousands, except per share data)
(Unaudited)

	CannaVCell Sciences Inc.	Bioharvest Ltd	Notes	Pro forma adjustments	Pro forma Consolidated
ASSETS					
Current					
Cash and cash equivalents	$ 147	$ 492	2(a)	(147)	$ 3,901
			2(c)	3,609	
			2(d)	(200)	
Trade accounts receivable	76	51	2(a)	(76)	51
Other accounts receivable	-	114			114
Inventory	-	152			152
Total current assets	223	809		3,186	4,218
Non-current					
Restricted cash	-	128			128
License	4,757	-	2(a)	(4,757)	-
Property, and equipment, net	-	772			772
Total Assets	$ 4,980	$ 1,709		$ (1,571)	$ 5,118
EQUITY AND LIABILITIES					
Current					
Current portion of long term loans	$ -	$ 76			$ 76
Trade accounts payable	-	341			341
Other account payable	-	445			445
Related parties	-	42			42
Convertible loans	-	21,468	2(b)	(21,468)	-
Derivative Liability - Warrants	625	743	2(a)	(625)	1,195
			2(b)	452	
Accrued liabilities	40	876		(40)	876
Total current liabilities	665	23,991		(21,681)	2,975
Non-current					
Long term debt	-	1			1
Related parties	-	11			11
Lease liability	-	478			478
Liability to Agricultural Research Organization	-	2,023			2,023
Royalty Commitment	616	-	2(a)	(616)	-
Total liabilities	$ 1,281	$ 26,504		$ (22,297)	$ 5,488
Shareholders' Equity					
Share capital	$ 8,949	$ 10,877	2(a)	$ (8,949)	$ 39,577
			2(a)	3,850	
			2(b)	21,016	
			2(c)	3,609	
			2(d)	225	
Non Controlling interest		3,850	2(a)	(3,850)	-
Accumulated Deficit	(5,250)	(39,522)	2(a)	5,250	(39,947)
			2(d)	(425)	
Total shareholders' equity (deficit)	$ 3,699	$ (24,795)		$ 20,726	$ (370)
Total liabilities and shareholders' equity (deficit)	$ 4,980	$ 1,709		$ (1,571)	$ 5,118

See the accompanying notes to the pro forma consolidated financial statements.

December 10, 2019	Zaki Rakib	Vivien Rakib
Date of approval of the financial statements	Director	Director

CANNAVCELL SCIENCES INC.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(United States Dollars In Thousands, except per share data)
(Unaudited)

For the nine months ended September 30, 2019

	CannaVCell Sciences Inc.	Biobarvest Ltd	Notes	Proforma adjustments	Proforma Consolidated
	Nine months ended July 31, 2019	Nine months ended September 30, 2019			
Revenues	$ -	$ 173			$ 173
Cost of revenues	-	62			62
Gross profit (loss)	-	111			111
Research and development	895	981	2(a)	(895)	981
Selling and marketing	-	94			94
General and administrative	(636)	769	2(a)	636	769
Listing expense	-	-	2(a)	0	425
			2(d)	425	
Total operating expenses	259	1,844		(259)	2,269
Operating loss	(259)	(1,733)		259	(2,158)
Finance income	550	-	2(a)	(550)	0
Financial expenses	(779)	(1,336)	2(a)	779	(1,336)
Loss before taxes	(488)	(3,069)		488	(3,494)
Taxes on income	-	-			-
Net loss and comprehensive loss	$ (488)	$ (3,069)		$ 488	$ (3,494)
Pro Forma profit per share					$ (0.01)
Pro Forma weighted average number of common shares outstanding					389,306,184

See the accompanying notes to the pro forma consolidated financial statements.

CANNAVCELL SCIENCES INC.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(United States Dollars In Thousands, except per share data)
(Unaudited)

For the year ended December 31, 2018

	CannaVCell Sciences Inc. Twelve months ended Jan 31, 2019	Bioharvest Ltd Year ended December 31, 2018	Notes	Proforma adjustments	Proforma Consolidated
Revenues	$ -	$ 449			$ 449
Cost of revenues	-	463			463
Gross profit (loss)	-	(14)			(14)
Research and development	926	553	2(a)	(926)	553
Selling and marketing	2	484	2(a)	(2)	484
General and administrative	1,936	1,740	2(a)	(1,936)	1,740
Listing expense	2,235	2,784	2(a)	(2,235)	3,209
			2(d)	425	
Total operating expenses	5,099	5,561		(4,674)	5,986
Operating loss	(5,099)	(5,575)		4,674	(6,000)
Finance income	2	-	2(a)	(2)	-
Financial expenses	-	(1,951)			(1,951)
Loss before taxes	(5,097)	(7,526)		4,672	(7,951)
Taxes on income	-	-			-
Net loss and comprehensive loss	$ (5,097)	$ (7,526)		$ 4,672	$ (7,951)
Pro Forma profit per share					$ (0.02)
Pro Forma weighted average number of common shares outstanding					389,306,184

See the accompanying notes to the pro forma consolidated financial statements.

1. Basis of presentation

The accompanying unaudited pro forma consolidated statement of financial position of Bioharvest Ltd. ("Bioharvest") has been prepared by management to reflect the acquisition of CannaVCell Sciences Inc. ("CannaVCell") by Bioharvest (the acquirer for accounting purposes) after giving effect to the proposed transactions (the "Transaction") as described in Note 2.

The unaudited pro-forma consolidated statement of financial position of Bioharvest has been presented as if the Transaction had been completed on September 30, 2019. The Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2018 and for the nine months ended September 30, 2019 have been prepared as if the transaction occurred at beginning of each respective period.

The unaudited pro forma consolidated statement of financial position and the pro forma consolidated statement of loss and comprehensive loss for each period have been prepared from information derived from the following:

1. Unaudited pro forma statement of financial position as of September 30, 2019:
   a. The unaudited interim condensed consolidation financial statements of Bioharvest as of September 30, 2019.
   b. The unaudited interim condensed consolidation financial statements of CannaVCell as of July 31, 2019.
2. Unaudited pro forma statement of profit and loss and comprehensive profit and loss for the nine month period ended September 30, 2019:
   a. The unaudited profit and loss and comprehensive profit and loss of Bioharvest for the nine month period ended September 30, 2019.
   b. The unaudited profit and loss and comprehensive profit and loss of CannaVCell for last three quarters ended July 31, 2019 are derived from the financial statements of CannaVCell for the three months ended July 31, 2019 and the last two quarters of the financial statements of CannaVCell for the year ended April 30, 2019.
3. Unaudited pro forma statement of profit and loss and comprehensive profit and loss for the year ended December 31, 2018:
   a. The profit and loss and comprehensive profit and loss of Bioharvest for the year ended December 31, 2018.
   b. The unaudited profit and loss and comprehensive profit and loss of CannaVCell for last four quarters ended January 31, 2019 are derived from the financial statements of CannaVCell for the nine months ended January 31, 2019 and the last quarter of the financial statements of CannaVCell for the year ended April 30, 2018.

The Transaction has been accounted for in the unaudited pro forma consolidated statement of financial position as a continuation of the financial statements of Bioharvest.

1. Basis of presentation (continued)

The unaudited pro-forma consolidated statement of financial position has been prepared by management, and, in the opinion of management, include all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Bioharvest and CannaVCell, as management does not anticipate any material costs or cost savings as a result of this Transaction.

The unaudited pro forma consolidated statement of financial position has been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Transaction been in effect at the date indicated.

2. Pro forma assumptions and adjustments

On December 5, 2019 CannaVCell, Bioharvest and the shareholders of Bioharvest entered into securities exchange agreement (the "Definitive Agreement") pursuant to which CannaVCell will acquire all issued and outstanding shares ordinary and preferred shares of Bioharvest by way of securities exchange by issuing 299,200,000 common shares, to acquire 100% of the issued and outstanding ordinary shares of Bioharvest, and subject to a number of conditions.

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments based on the Definitive Agreement:

a. The issuance by CannaVCell of 37,739,845 common shares, to acquire 100% of the issued and outstanding ordinary shares and preference shares of Bioharvest ("Bioharvest Securities").

   The consolidated statement of position of Bioharvest includes the assets and liabilities of CannaVCell and therefore, the assets, liabilities, and equity of CannaVCell, included in the proforma are eliminated along with the non-controlling interest in Bioharvest and the cancellation of 48,337,496 common shares held by Bioharvest prior to the Transaction.

   The Consolidated Statement of Loss and Comprehensive Loss of Bioharvest includes the income and expenses of CannaVCell and therefore, the income and expenses of CannaVCell, included in the proforma, are eliminated.

b. In accordance with the agreement with the holders of the convertible debt in BioHarvest, such convertible debt will be converted into 261,460,155 shares and 41,603,463 warrants with an exercise price CAD$0.95 for a period of two years ("Convertible Note Warrants").

   The Convertible Note Warrants have been valued at $452, using black-Scholes options pricing model with the following assumptions: Share price: CAD$0.15, exercise price: CAD$0.95, risk-free rate: 1.60%, dividend yield: Nil, volatility: 100%, expected life: 2 years.

   Since the Convertible Note Warrants have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the BioHarvest (US Dollars), the Convertible Note Warrants are recorded at their fair value as a derivative liability.

   The increase in Additional Paid in Capital is $20,799, being the book value of the Convertible Notes ($21,016) less the fair value of the Convertible Note Warrants ($452).

(United States Dollars In Thousands, except per share data)

2. Pro forma assumptions and adjustments (continued)

c. Concurrent with the Transaction, CannaVCell will complete a public offering of between 35,200,000 and 69,040,000 shares (the "Public Offering Shares") at CAD$0.15 per Public Offering Shares for gross proceeds of between $4,000 and $8,000 (the "Public Offering").

These pro forma financial statements have been prepared on the basis of a Public Offering of $4,000.

The agents under the Public Offering will receive a cash commission (the "Broker's Commission") equal to 6% of the gross proceeds of the Public Offering. In addition to the Broker's Commission, the brokers will receive warrants (the "Broker Warrants") entitling the brokers to purchase that number of CannaVCell Shares equal to 6% of the number of Public Offering Units issued under the Public Offering. Each Broker Warrant will entitle the holder to purchase one CannaVCell Share at a price of CAD$0.15 per share at any time on or before the date that is 24 months following the closing date of the Public Offering.

The brokers under the Public Offering will receive cash commissions of $240 (assuming the minimum offering) and costs associated with the Public Offering to be paid in cash are estimated to be $151 ("Public Offering Costs").

The net increase to share capital and net proceeds from the Public Offering, after deducting Public Offering Costs is $3,609.

d. Listing Costs associated with Transaction are calculated as follows:

The fair value of the minority shareholding in Bioharvest following the Transaction	14.1%(1) of the fair value of CannaVCell(2) and fair value of Bioharvest(3)	$6,444
LESS:		
The fair value of the minority holdings CannaVCell prior to the Transaction	53.18%(4) of the fair value of CannaVCell(2)	$6,219
Transaction Cost		$ 225
Estimated cash cost		$ 200
Total Transaction Costs		$ 425

(1) Calculated as 49,239,517 shares out of a total of 389,306,184 shares issued and outstanding following the Transaction.

(2) Based on CAD$0.15 per share being the closing price of the share at September 30, 2019.

(3) The total fair value of Bioharvest is $34,000 based on an independent third-party valuation.

(4) Calculated as 49,239,517 shares out of a total of 103,243,680 shares issued and outstanding prior to the Transaction.

The Total Transaction Costs of $425 has been charged to the Proforma Consolidated Statement Loss and Comprehensive Loss with a corresponding credit of $225 and $200 to Share Capital and Cash and Cash Equivalents, respectively.

(United States Dollars In Thousands, except per share data)

3. Pro Forma Share Capital

After giving effect to the pro forma assumptions in Note 2, the pro forma share capital of CannaVCell has been determined as follows:

	Notes	Number of shares	Share Capital
CannaVCell common shares issued and outstanding as of July 31, 2019		96,577,013	$ 8,949
Elimination of CannaVCell's share capital	2(a)	-	(8,949)
Shares issued in connection with a private placement during September 2019		6,666,667	-
Shares issued to Bioharvest ordinary and preferred shareholders in connection with the Transaction	2(a)	37,739,845	10,877
Elimination of BioHarvest's non-controlling interest	2(a)	(48,337,496)	3,850
Shares issued on conversion of Bioharvest's Convertible Notes	2(b)	261,460,155	21,016
Shares issued in connection with public offering	2(c)	35,200,000	3,609
Trasnaction Costs	2(d)	-	225
		389,306,184	$ 39,577

4. Income Taxes

The corporate tax rate in Canada is 26.5%. The corporate tax rate in Israel is 23% from 2018 and onwards. The pro forma effective income tax rate applicable to the consolidated operations will be 26.5%.

SCHEDULE "H"

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CONSENT OF EVANS & EVANS, INC.

To: The Board of Directors of Canna-V-Cell Sciences Inc.

We refer to the written Comprehensive Valuation Report dated as of November 20, 2019 (the "**Valuation**"), which we prepared for the Special Committee of the Board of Directors of Canna-V-Cell Sciences Inc. ("**CNVC**"), in connection with the Agreement and Plan of Merger as defined in CNVC's information circular dated March 4, 2020 (the "**Circular**").

We consent to the inclusion of the Valuation, a summary of the Valuation and the use of our firm name in this Circular.

Evans & Evans

Evans & Evans, Inc.
Vancouver, British Columbia
March 4, 2020