FORM 2A

LISTING STATEMENT

in connection with the Business Combination of BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.), with its controlling shareholder BioHarvest Ltd.

Dated as at April 17, 2020

FORM 2A

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Unless otherwise stated all dollar amounts have been converted on the basis that $1.00 US equals $1.32Cdn.

GLOSSARY

"2018 Option Plan" or "Plan" means the stock option plan adopted and approved by the directors of the Issuer on July 25, 2018 and approved by the 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;

"**Annual MD&A**" means the Issuer's MD&A for the year ended •;

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

"Audit Committee" means the Issuer's Audit Committee comprised of Issuer Directors David Ryan, Liron Carmel and Jake Fiddick;

"**Auditors**" has the meaning ascribed to such term in Section 21.1 of this Listing Statement;

"**Board**" means the board of directors of the Issuer;

"**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 Annual Financial Statements" means the unaudited statements of financial position of BioHarvest for the years ended December 31, 2018 and December 31, 2017, and the statements of comprehensive loss in shareholders equity (deficiency) and cash flow for the years then ended;

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

"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 biofarming process for the growing of plant cells in bioreactors owned by BioHarvest and covered by patents described in section 4.1;

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

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"CTO" means Chief technology Officer;

"**Closing**" means the closing of the Transaction;

"**Closing Date**" means the date of closing of the Transaction;

"**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 8,000,000 shares of the Issuer completed March 31, 2020 concurrent with closing of the Merger;

"Creditor Warrants" means the 39,565,579 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;

"**Escrow Agreement**" has the meaning ascribed to such term in Section 11 of this Listing Statement;

"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;

“Israeli Subsidiaries” means BioHarvest and Dolarin;

“**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 299,057,739 common shares and the 39,565,579 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;

“NI 51-102” means National Instrument 51-102- *Continuous Disclosure Obligations* and the companion policies and forms thereto, as amended from time to time;

“NI 52-110” means National Instrument 52-110- *Audit Committees* and the companion policies and forms thereto, as amended from time to time;

“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 “B” of this Listing Statement;

“**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 the Issuer and 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;

"**Warrants**" means the common share purchase warrants of the Issuer.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Listing Statement constitute forward-looking information and forward- looking statements (collectively, "**forward-looking statements**") pursuant to the applicable securities laws. All statements, other than statements of historical fact, contained in this Listing Statement are forward- looking statements, including, without limitation, statements regarding the future financial position, business strategy, budgets, projected costs and plans and objectives of or involving the Issuer. The use of any of the words “anticipate”, “intend”, “continue”, “estimate”, “expect”, “may”, “will”, “plan”, “project”, “should”, “believe” and similar expressions are intended to identify forward- looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Examples of such statements include the intention to grow the business and operations of the Issuer, and the use of available funds of the Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to successful completion of the Issuer’s research too adapt the BioHarvest Platform Technology to products other than VINIA™, the Issuer obtaining necessary financing; the economy generally; obtaining requisite licenses or governmental approvals to conduct business; the revenues from the Issuer’s business; consumer interest in the products of the Issuer; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing the Issuer’s views as of any date subsequent to the date of this Listing Statement. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under “Risk Factors” in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Issuer does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation or the rules of the CSE.

1. General Matters

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer believes these sources to be generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Issuer operates is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

Information has been incorporated by reference in this Listing Statement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Executive Officer of the Issuer at 1140 – 625 Howe Street, Vancouver, BC V6C 2T5, and are also available electronically under the Issuer's SEDAR profile at www.sedar.com.

2. Corporate Structure

2.1 Corporate Name and Office

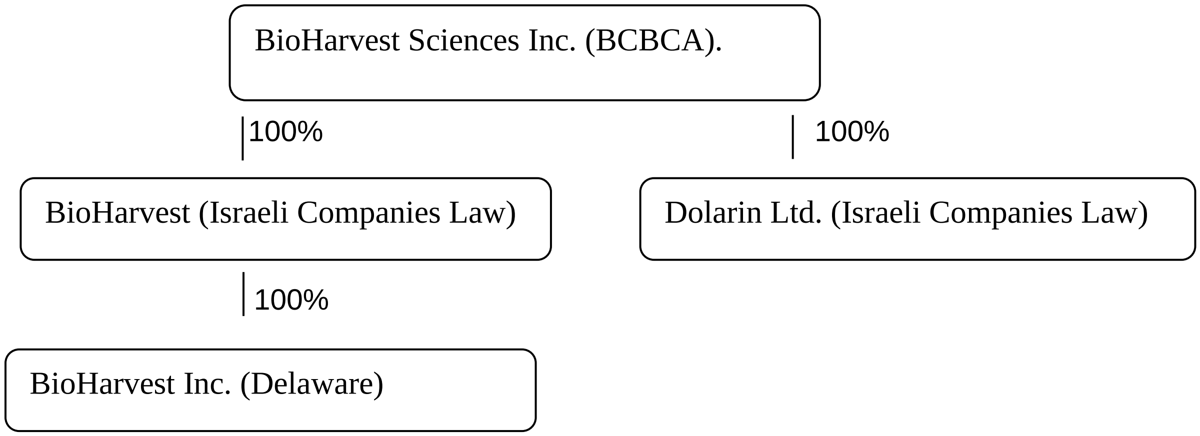
The Issuer's Corporate Name is BioHarvest Sciences Inc. The Issuer's head office is located at 1140 – 625 Howe Street, Vancouver, BC V6C 2T5and its registered office is located at Suite 704, 595 Howe Street, Vancouver, British Columbia V6C 2T5

2.2 Corporate Jurisdiction

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 and its further name change to BioHarvest Sciences Inc. on March 31, 2020 by filing a Notice of Alteration.

2.3 Intercorporate Relationships

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



Dolarin Ltd.
The Issuer 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.

BioHarvest Ltd.
The Issuer is 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.

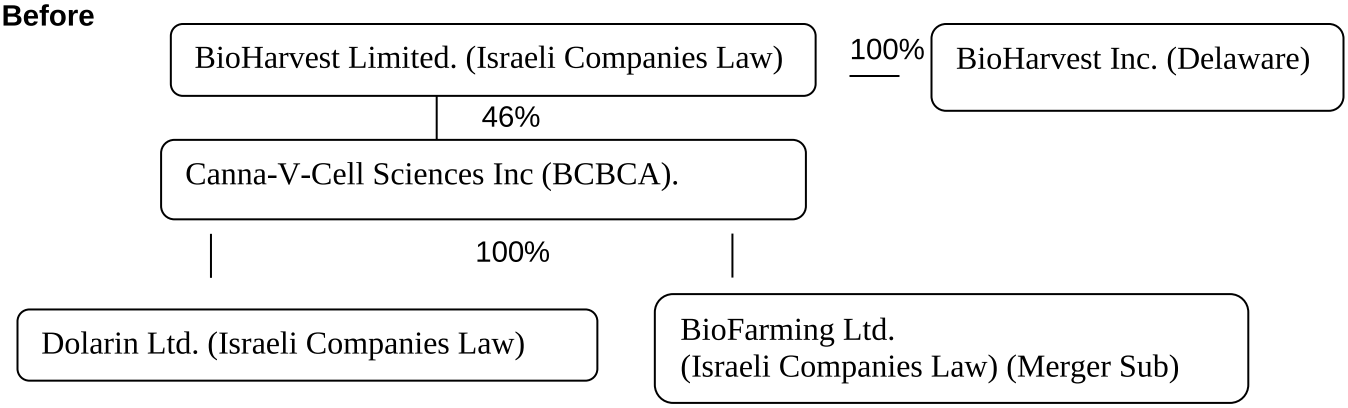
BioHarvest holds 48,337,496 common shares of the Issuer which were issued under the Share Purchase Agreement when the Issuer acquired Dolarin Ltd.

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.

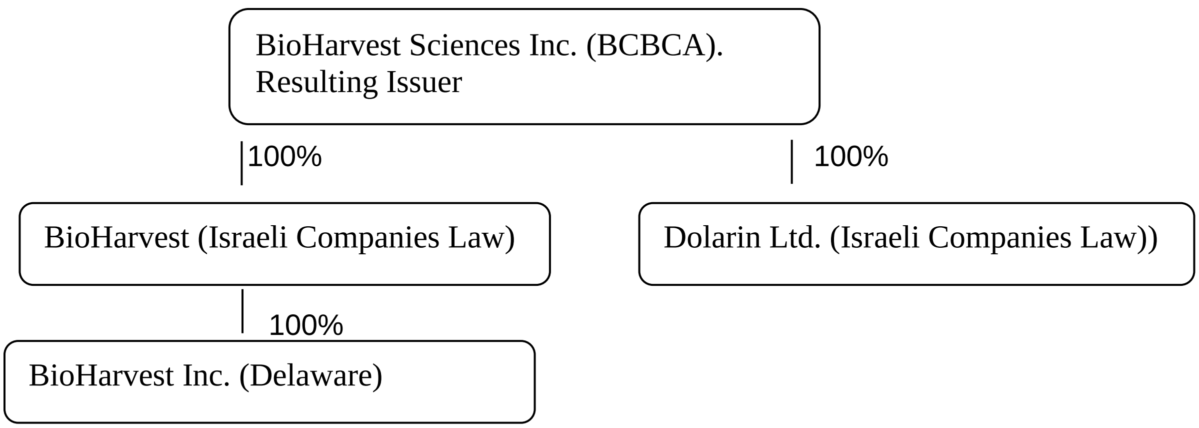
2.4 Fundamental Change

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

Before



After



A summary of the Merger transaction is set out in 3.2 Significant Acquisitions or Dispositions and in 2.3 Intercorporate Relationships.

3. General Development of the Business

3.1 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 acquisition 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 sublicensee 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 adapting and commercialization of the BioHarvest Platform Technology for cannabis production 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, CBD or terpenes at the desired levels. The program milestone of growing cells in suspension was successfully completed in October 2019.

3.2 Significant Acquisitions or Dispositions

On March 31, 2020 the Issuer acquired its controlling shareholder BioHarvest. The acquisition was completed through the merger under Israeli law of Merger Sub and BioHarvest. The merger consideration was the issuance of common shares and warrants of the Issuer.

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

(a) Shareholder approval at meetings called for that purpose (shareholder approval by the shareholders of BioHarvest was obtained on January 2, 2020;s
(b) Approval of the Israeli Securities Authority obtained March 31, 2020;
(c) The indebtedness of BioHarvest at closing not exceeding $500,000 US (on closing);
(d) Approval of the Canadian Securities Exchange;
(e) The Agreement of Convertible Debt holders of BioHarvest to accept warrants (the "Creditor Warrants") of the Issuer to replace their warrants in BioHarvest . The Issuer waived this requirement with respect to US $12,646 of convertible debt at closing; and
(f) Termination of BioHarvest director, officer, employee or consultant options outstanding March 31, 2020.

Merger Consideration

The merger consideration issued by the Issuer consisted of the following:

a) The issuance to the shareholders of BioHarvest of 299,057,739 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, a total of 39,565,579 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 granted 11,910,000 stock options to BioHarvest's chief technical officer Yochi Hagay exercisable for a period of two years from March 31, 2020 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 was 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 was subject to adjustment at the option of the Issuer depending on the financial position of BioHarvest at closing. The Issuer elected to reduce it to $1,200,000 CAD at closing. The Issuer met this condition by completing a private placement of 8,000,000 common shares at $0.15 per share for proceeds of $1,200,000 CAD concurrent with closing.

In connection with the private placement, the Issuer issued 117,600 finders warrants (the "Finders Warrants") 6% of the number of shares placed with persons introduced by the Finder. The Finders Warrants are exercisable at $0.15 per share until September 30, 2021.

Valuation Report

The Issuer obtained a valuation report (the "Valuation Report") from Evans and Evans dated November 20, 2019 in connection with the Merger. The Valuation Report estimates 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 was a related party transaction under Multilateral Instrument 61-101 as prior to the Merger BioHarvest Ltd. was 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. 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.

The Issuer held a special meeting of its Shareholders on March 30, 2020 to approve the Merger. Minority Approval was required at the meeting. (BioHarvest was not be eligible to vote its 46% shareholdings). At the meeting shareholders representing 1,096,242 common shares being 100% of the shares represented and eligible to vote approved the Merger. Concurrent with the Merger the Issuer changed its name to BioHarvest Sciences Inc.

3.3 Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which the Issuer's management expects could impact its business and financial condition are (i) the changing legal and regulatory regime of Israel which regulates the production, sale and possession of cannabis and cannabis related products; (ii) the ability of companies to raise adequate capital to carry out their business objectives (iii) consumer acceptance of the Issuer's VINIA™ and future products and (iv) changes in consumer attitudes to food based nutraceuticals.

4 Narrative Description of the Business

4.1 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 resveratrol 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 the bioreactors allows for complete control of the growth environment. Plant growth occurs in weeks under this controlled environment instead of a growth period up to 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 an ISO 22,000, certificate #i16031BS and an ISO 9001, certificate #i16030BS, Certification for development, manufacture and packaging of plant cells for dietary supplements and food ingredients. The facility also has a Food Facility Registration, #14724541902 with the FDA dated August 30, 2019. The Facility also has GMP approval #411861519, issued by the Israeli Ministry of Health Food Control Service on January 31, 2019 and Kosher certification dated 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; and
- Supports antioxidant 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; and
- 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 determined 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™ -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™ -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™ 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™ is fully developed and no longer requires any R&D.

<u>VINIA™ 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.

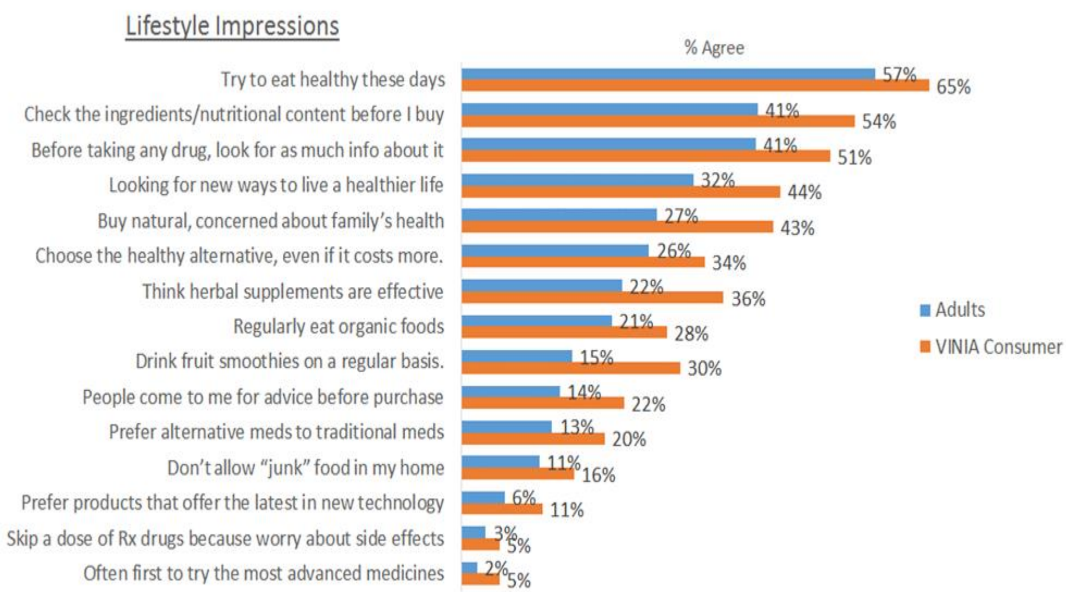
BioHarvest is targeting consumers interested in living well, through a direct online/e-commerce fulfillment basis, focused on a subscription model.

Wellness Consumer

VINIA™'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™.



Source: BioHarvest Survey, Adults 21-75, conducted in July 2014.

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 bio food 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 trademarks in Israel and the USA for VINIA™ as well as other countries they may sell to in the future.

TRADEMARK	COUNTRY	STATUS	REGISTRATION	REGISTRATION

			NUMBER	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 primarily sell its product, VINIA™, through its website and other online retailers, such as Amazon and eBay. It has contracted with third parties to create, operate and host its 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 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 not be attained in the next 12 months.

To achieve this objective mentioned above, BioHarvest will re-establish 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 Israel and the U.S. although no U.S. sales are expected in the next 12 months.

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

	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 table sets out BioHarvest's projected marketing costs for the next 12 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 etc.)	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 $1,544,000 US ($2,038,080 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.	$150,000
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	$222,000
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	$273,000
Q4	• Development of process for growing cannabis cells in large scale bioreactor • Evaluation of cannabinoids amount in cells that are grown in 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	$293,000
	TOTAL	$938,000.00

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 producers.

The Issuer is predominantly conducting its own Research & Development. It will eventually need 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 Issuer'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 gas fields 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.

Emerging Markets 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 Israeli 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 investor's ability to exercise or enforce statutory rights and remedies under Canadian Securities Laws. Israeli courts will recognize and enforce foreign judgments in certain circumstances. See H) enforcement of legal rights.

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.

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, 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) Corporate Structure

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 the Delaware General Corporation 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 Israeli 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) Risk Management and Disclosure

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 regularly assesses risks and will update its disclosure records when new material risks emerge.

E) Internal Controls

The Issuer believes it has sufficient internal controls and procedures. Cheques require two signatures for 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 its 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.

Enforcement of foreign judgements can be obtained in Israel under the following circumstances:

a) The original court had jurisdiction of the matter under the laws of its jurisdiction;
b) The foreign judgement is enforceable in the foreign jurisdiction;
c) The foreign judgement is final and not subject to further appeals;
d) The foreign jurisdiction does not prohibit enforcement of Israeli judgements;

e) The foreign judgement is not more than 5 years old unless the court exercises discretion to allow an older judgement because of mitigating factors;
f) The foreign judgement has not been obtained by fraud;
g) The foreign judgement is not against public policy in Israel; and
h) The foreign judgement is not in respect of the same subject matter as a proceeding in Israel.

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 bringing 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.

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, #BRW40490I516B83, permitting it to possess cannabis for research. The license limits the amount that can be possessed to 20 plants, 20 grams of seeds, 8 mother plants, 200 grams of cannabis extractions, 20 bioreactors, and 1 kilogram of plant material for destruction. It also limits the persons who are allowed to enter the site and perform research, related to development of the process of growing cannabis plant cells by using biofarming technology. At the present time Yochi Hagay CTO, Zaki Rakib CEO, Vivien Rakib, Director, 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.

Revenue

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 $US
VINIA™ sales	$325,000	$449,000	$173,000

Available Funding and Use of Proceeds

As at October 31, 2019 the Issuer had working capital of $340,000 U.S. As of September 30, 2019 BioHarvest, had a working capital deficit of $22,568,000 U.S. The Issuer estimates working capital to be $1,282,000* US at March 31, 2020 after giving effect to completion of the merger, having raised gross proceeds of $1,200,000 CAD. The following table represents the available funds of the Issuer and the principal purpose of those funds over the next 12-month period.

Source	**Funds Available (USD)**	**Funds Available (CAD)**
Working Capital deficit of BioHarvest as of September 30, 2019*	$(22,568,000)	$(29,789,760)
Increase in Working Capital of BioHarvest as a result of debt conversion	$22,286,000	$29,417,520
Estimated increase in working capital from new investment in BioHarvest subsequent to Sept 30, 2019	$1,000,000	1,320,000
Proceeds of Concurrent Private Placement	$909,090	$1,200,000
Expenses related to the completion of the Agreement and Plan of Merger	$(200,000)	$(264,000)
Estimated Cost of VINIA™ Marketing Plan	$(200,000)	$(264,000)
Estimated VINIA™ sales revenues	$600,000	$792,000
Estimated Cost of Cannabis Development Plan	$(938,000)	$(1,238,160)
General and administrative costs estimated for operating 12 months(1)	$(483,250)	$(637,890)
Total Unallocated	$405,840	$535,710

* adjusted to remove noncash current liability

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

	In USD$
Payroll	365,157
Legal Accounting and Audit	50,000
Communications, IT	10,000

Insurance + D&O +Product liability	7,142
Office supplies	5,951
Utilities, Rent, Municipality tax	45,000
Total	**483,250**

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 Issuer's directors Zaki Rakib and Vivien Rakib and the Issuer'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.

4.2 Companies with Asset backed Securities Outstanding

The Issuer does not have any Asset-backed Securities Outstanding.

4.3 Mineral Projects

The Issuer does not hold a mineral property.

4.4 Issuers with Oil and Gas operations

The Issuer has no oil and gas operations.

5. Selected Consolidated Financial Information

5.1 <u>Annual Information – Issuer</u>

The following table summarizes selected annual financial data for the Issuer prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**") for the for the years ended April 30, 2017, April 30, 2018, April 30, 2019.

The information presented below is derived from the Issuer's financial statements which were examined by its independent auditor. The information set forth below should be read in conjunction with the Issuer's audited annual financial statements and related notes thereto, which are available on SEDAR at www.sedar.com.

	Year ended April 30, 2019 (audited) USD	Year ended April 30, 2018 (audited) CAD	Year ended April 30, 2017 (audited) CAD
Revenue	-	-	-
Net Income (Loss)	(5,135,000)	(210,435)	(136,189)
Basic and diluted earnings from continued operations (loss) per share	(0.09)	(0.01)	(0.01)
Total Assets	5,625,000	498,514	114,605
Total Liabilities	1,908,000	45,762	225,000

These periods are not directly comparable because of the change in business of the Issuer in Sept 2018.

Annual Information – BioHarvest Ltd.

The following table summarizes selected annual financial data in U.S.$ in the thousands for the target BioHarvest prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**") for the periods.

	Nine months ended September 30, 2019	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31 2016
Gross revenues (loss)	173	449	325	40
Total expenses	1,906	5,831	2,063	1,627
Other Items	1,336	2,090	108	6,104
Deferred income tax recovery	-	-	-	-
Net loss	(3,069)	(7,472)	(1,846)	(7,691)
Total assets	1,709	1,894	1,694	790
Long-term debt	1	57	137	13,713
Dividends declared	-	-	-	-

Attached as Appendix A are the Financial Statements of BioHarvest for the years ended Dec 31, 2017 and Dec 31, 2018 and for the nine months ended Sept 30, 2019

5.2 Quarterly Information

The following table summarizes selected quarterly financial data for the Issuer prepared in accordance with IFRS as issued by the IASB for each of the eight most recently completed quarters.

	October 31, 2019 USD	July 31, 2019 USD	Apr 30, 2019 USD	Jan 31, 2019 CAD	October 31, 2018 CAD	July 31, 2018 CAD	Apr 30, 2018 CAD	Jan 31, 2018 CAD
Total gross revenues (profit)	-	-	-	-	-	-	-	-
Net loss - total	544,000	110,000	1,399,000	1,564,014	3,323,567	39,660	210,435	40,118
Basic and diluted income (loss) per share	0.01	0.00	0.02	0.02	0.09	0.00	0.01	0.00

Copies of the respective interim financial statements for the periods listed above for the Issuer are available on the Issuer's SEDAR profile at www.sedar.com.

5.3 Dividends

The Issuer does not have a dividend policy. There are no restrictions that could prevent the Issuer from paying dividends.

5.4 Foreign GAAP

The financial information required in the Listing Statement has not been presented on the basis of foreign G.A.A.P.

6. Management's Discussion and Analysis

Copies of the annual MD&A for the Issuer related to its Financial Statements as filed with applicable securities commissions are available through the internet under the Issuer's profile on SEDAR at www.sedar.com.

The MD&A for BioHarvest are attached as Schedule C to the Listing Statement.

7. Market for Securities

7.1 The Issuer's common shares listed and posted for trading on the Canadian Securities Exchange (CSE) under the symbol (CNVC).

8. Consolidated Capitalization

The following table sets forth the capitalization of the Issuer:

Security	Authorized	Outstanding as at the date hereof
Issuer Common Shares, no par value	unlimited	410,301,419
Issuer Preferred Shares, no par value	unlimited	0
Issuer Options (2018 Plan)		21,555,105
Issuer Warrants Sept 2018 Private Placement(5)		20,119,665
Issuer Broker/Finder Warrants (Private Placement September 2018)(1)		783,983
Issuer Warrants (Private Placement September 2019)(2)		6,666,667
Finders Warrants (Concurrent Private Placement)(3)		117,600
Creditor Warrants (Issued on Merger)(4)	39,565,579	39,565,579

(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 $0.15per share until September 30, 2021
(4) exercisable to purchase an additional share at $1.00 per share until August 31, 2020
(5) exercisable to purchase an additional share at $0.23 per share until September 27, 2020

8.1 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) 8,000,000 Shares at $0.15 per share under the Concurrent Private Placement.

(c) 299,057,739 Shares at a deemed price of $0.15 per share to BioHarvest shareholders under the Merger Agreement.

(d) 117,600 Finders Warrants under the Concurrent Private Placement exercisable at $0.15 per share until September 30, 2021.

(e) 39,565,579 Creditor Warrants exercisable at $1.00 until August 30, 2020.

The Issuer currently has 410,301,419 common shares issued and outstanding.

9. Options to Purchase Securities

9.1 The Issuer has granted options to purchase shares of the Issuer 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	March 31, 2022 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

9.2 Options to Purchase Securities

2018 Stock Option Plan

A stock option plan (the "2018 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 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 Option Plan. Capitalized terms in this section not otherwise defined shall have the meaning provided in the full version of the 2018 Option Plan.

- The 2018 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 requirement for optionees who are Israeli.

10. Description of the Securities

10.1 Description of the securities distributed

Authorized Capital

The authorized capital of the Issuer consists of an unlimited amount of authorized Common Shares, of which 410,301,419 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 Issuer. The preferred shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

10.2 Debt Securities

The Issuer has no debt securities outstanding.

10.3 Other Securities

The Issuer has no securities other than equity securities outstanding.

10.4 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.

10.5 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.

10.6 Prior Sales - State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

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*
March 31, 2020	Concurrent Private Placement	8,000,000	$0.15	Common shares issued on concurrent private placement
March 31, 2020	Merger Agreement	299,057,739	$0.15 deemed	Issued to BioHarvest shareholders under Merger Agreement

*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.

10.7 Stock Exchange Price:

The following table sets out the trading history of the Issuer's shares on the Canadian Securities Exchange from May 2016 to February 2020:

Period	High ($)	Low ($)	Trading Volume
March 2020	0.15	0.15	0
February 2020	0.15	0.15	0
January 2020	0.15	0.15	0
December 2019	0.15	0.11	13,880
November 2019	0.205	0.12	847,554
October 2019	0.17	0.115	444,999
September 2019	0.17	0.13	1,322,043
August 2019	0.17	0.11	733,017
July 2019	0.17	0.13	636,770
June 2019	0.19	0.145	1,697,354
May 2019	0.29	0.18	4,932,483
February 2019 – April 2019	0.31	0.14	4073267
November 2018 – January 2019	0.40	0.15	1384000
August 2018 – October 2018	0.20	0.20	0
May 2018 – July 2018	0.20	0.20	0
February 2018 – April 2018	0.20	0.17	183,000
November 2017 – January 2018	0.25	0.1	741840
August 2017 – October 2017	0.18	0.08	610000
May 2017 – July 2017	0.175	0.14	43500
February 2017 – April 2017	0.16	0.14	45000

November 2016 – January 2017	0.19	0.12	124500
August 2016 – October 2016	0.13	0.055	564000
May 2016 – July 2016	0.06	0.055	6000

11. 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 Issuer 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 Issuer 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	Percentage of class fully diluted
Common Shares	BioHarvest Ltd.	29,002,498[1]	11.8%	9.7%
Common Shares	Vivien Rakib	130,365,221	32%	26%
Creditor Warrants	Vivien Rakib	20,875,117	52.8%	0
Common Shares	Yochi Hagay	1,109,580	0.25%	0.02%
Creditor Warrants	Yochi Hagay	2,136	0.03%	0

(1) 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 Issuer held in escrow may be transferred within escrow to: (a) subject to approval of the Issuer's board of directors, to an individual who is an existing or newly appointed director or senior officer of the Issuer or of a material operating subsidiary of the

Issuer; (b) subject to the approval of the Issuer's board of directors, a person that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities; (c) subject to the approval of the Issuer's board of directors, a person that after the proposed transfer will hold more than 10% of the voting rights attached to the Issuer's outstanding securities and that has the right to elect or appoint one or more directors or senior officers of the Issuer 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.

12. Principal Shareholders

Name	Type of Ownership (of record and beneficially)	Number of Issuer Shares	Percentage of Outstanding Issuer Shares of the Issuer (Undiluted) (1)	Percentage of Outstanding Issuer Shares of the Issuer (Fully Diluted)
BioHarvest	Of record and beneficially	48,337,496	11.8%	9.7%
Vivien Rakib	Of record and beneficially	130,365,221	32%	26%
Yochi Hagay	Of record and beneficially	1,109,580	0.3%	0.2%

13 Directors and Executive Officers of the Issuer

13.1 Directors and Executive Officers of the Issuer

Name, Municipality of Residence and Age	Principal Occupations during past five years	Position with the Issuer	Director or Officer Since	Securities Held**	Percentage of Securities Held	Fully Diluted	Percentage of time to be devoted to the Issuer
Zaki Rakib (61) San Jose, CA	Executive Chairman of BioHarvest Chief Executive Officer and Director of the Issuer.	Chairman, CEO & Director	September 27, 2018	0**	0	0	100%
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	President, Secretary and Director	April 19, 2013	700,001	0.17%	0.17%	30%

	Chief Financial Officer since 2016. Director of International Battery Metals 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	0.25%	0.21%	10%
Vivien Rakib, (60) Tel-Aviv, Israel	Technology Start-Up Investor	Director	September 27, 2018	130,365,221	32%	26%	100%
Yochi Hagay, (62) Rehovot, Israel	Chief Technology Officer and former Chief Executive Officer of BioHarvest Ltd. Chief Technology Officer of the Issuer.	CTO	September 27, 2018	1,109,580	0.3%	0.2%	100%
Alan Rootenberg, (67) Toronto, ON	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		10%
Jake Fiddick*, (78) Burnaby, B.C.	Commercial Services Manager at BMO – retired in August 2017	Director	February 7, 2019	0	0		10%

* 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.

13.2 Period of Service of Directors

See table in Section 13.1

13.3 Directors and Executive Officers Common Share Ownership

See table in Section 13.1

13.4 Committees

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. Each Audit Committee member is financially literate as defined in NI 52-110. 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. On December 22, 2014 Issuer's Board adopted 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.

13.5 Principal Occupation of a Director or Officer

See table in Section 13.1

13.6 Corporate Cease Trade Orders or Bankruptcies:

David K. Ryan was a director of Yaterra Ventures Corp. ("Yaterra") in January 2013 when it became subject to a cease trade order of the BCSC for failing to file financial statements as required by Multilateral Instrument 51-105. On April 24, 2014, Mr. Ryan resigned as director of Yaterra.

13.7 Penalties or Sanctions

No director or officer of the Issuer, or a shareholder holding a sufficient number of the Issuer's securities to affect materially the control of the Issuer, has been subject to:

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

(b) 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.

13.9 Personal Bankruptcies

No director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or no personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, 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 director or officer

13.10 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 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.

13.11 Management Details

The following sets out details of the directors and management of the Issuer:

Dr. Zaki Rakib, Ph.D., serves as the 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 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.

Mr. David Ryan the Issuer's President, Secretary and Director, 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 is a member of the Issuer's Audit Committee.

Vivien Rakib, the Issuer's Director, 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 start-up investor and is on the board of directors of Shaker, a start-up 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. Yochi Hagay, Ph.D., is the Issuer's CTO and CTO of BioHarvest Ltd and formerly served as Chief Executive Officer of 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 biotechnology from Hebrew University (2004).

Mr. Alan Rootenberg, the Issuer's CFO, 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. Jake Fiddick, the Issuer's Director, 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 is a member of the Issuer's Audit Committee.

Mr. Liron Carmel, the Issuer's Director, 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 is a member of the Issuer's Audit Committee.

No directors or officers have entered into non-competition or nondisclosure agreements with the Issuer.

14. Capitalization

14.1 Class of Securities

Issued Capital

Common Shares	**Number of Securities (non-diluted)**	**Number of Securities (fully diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float				
Total outstanding (A)	410,301,419	499,110,018	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	181,562,298	223,994,669	44.25%	44.9%
Total Public Float (A-B)	228,739,121	275,115,349	55.75%	55.1%
Freely Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	352,283,110	393,415,489	85.9%	78%
Total Tradeable Float (A-C)	58,018,309	105,582,404	14.1%	22%

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	•	•
100 – 499 securities	•	•
500 – 999 securities	•	•
1,000 – 1,999 securities	1	1,500
2,000 – 2,999 securities	2	5,000
3,000 – 3,999 securities	•	•
4,000 – 4,999 securities	•	•
5,000 or more securities	151	183,110,284
	154	183,116,784

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	10	406
100 – 499 securities	57	15,159
500 – 999 securities	44	27,274
1,000 – 1,999 securities	71	86,284
2,000 – 2,999 securities	57	125,802
3,000 – 3,999 securities	27	86,798
4,000 – 4,999 securities	24	100,104
5,000 or more securities	359	34,159,088
Unable to confirm		11,021,422
	649	45,622,337

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	•	•
100 – 499 securities	•	•
500 – 999 securities	•	•
1,000 – 1,999 securities	•	•
2,000 – 2,999 securities	•	•
3,000 – 3,999 securities	•	•
4,000 – 4,999 securities	•	•
5,000 or more securities	5	181,562,298
	5	181,562,298

Unknown

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
1. Non-transferable warrants issued on September 27, 2018 Private placement of units 20,119,665 exercisable for 2 years at $0.23 per share.	20,119,665	20,119,665
2. Non-transferable warrants issued to finders and investment dealers in connection with the private placement exercisable at $0.23 per share expiring September 27, 2020	783,983	783,983

3. Non-transferable warrants issued on September 23, 2019 Private placement of units 6,666,667 exercisable for 2 years at $0.30 per share 4. Creditor Warrants issued on Merger at $1.00 per Share until August 31, 2020. 5. Brokers Warrants issued in connection with Concurrent Private Placement exercisable at $0.15 per Share until September 30, 2021	6,666,667 39,565,579 117,600	6,666,667 39,565,579 117,600
TOTAL	**67,253,494**	**67,253,494**

14.3 None

15. Executive Compensation

Name and Principal Position	Year	Salary ($)	Share Based Awards ($)	Option Based Awards ($)	Non-Equity Incentive Plan Compensation ($) Annual Incentive Plans	Long Term Incentive Plans ($)	Pension Value ($)	All Other Compensation (Consulting Fees) ($)	Total Compensation ($)
David Ryan President and Secretary	2019 2018 2017	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	36,000 36,000 36,000	36,000 36,000 36,000
Matthew Wright CFO (1)	2018 2017 2016	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	23,500 21,700 22,000	23,500 21,700 22,000
Zaki Rakib, CEO(2)	2019 2018 2017	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	55,389 Nil Nil	55,389 Nil Nil
Vivien Rakib(3)	2019 2018 2017	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Jake Fiddick(4)	2019 2018 2017	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Alan Rootenberg CFO(5)	2019 2018 2017	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	6,650 Nil Nil	6,650 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

16. Indebtedness of Directors and Executive Officers

No Directors or Officers are indebted to the Issuer.

17. Risk Factors

The Directors consider the following risks and other factors to be the most significant for potential investors in the Issuer, but the risks listed do not necessarily comprise all those associated with an investment in the Issuer 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 Issuer's business.

If any of the following risks actually occur, the Issuer'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 Issuer develops are regulated under a number of U.S. 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 Issuer intends to make 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 delay future plans to market in the U.S. 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 Issuer 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. The Issuer 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. It is not able to predict the nature of such future laws, regulations, repeals or interpretations, and it cannot predict what effect additional governmental regulation, if and when it occurs, would have on its 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 the Issuer's 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 Issuer'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. The Issuer cannot assure that any of its 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 Issuer 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 Issuer 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. The Issuer has contracted with third parties to create, operate and host its 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 its e-commerce business could result in a prolonged disruption that affects its customers' ability to utilize their website or receive their product in a timely manner. As a result, the Issuer may lose customer sales and/or experience increased costs, which could materially affect their reputation, operations or financial results.

(e) The Issuer cannot be certain that their current product or any other products it may develop, or market will achieve or maintain market acceptance. Market acceptance of its 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 its 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 Issuer faces risks associated with product liability claims, litigation, or product recalls, if its products cause injury, or become adulterated or misbranded. Its 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 its products were to be tampered with or become tainted in any of these respects and they were unable to detect this, its products could be subject to product liability claims or product recalls. The Issuer cannot predict what impact such product liability claims or resulting negative publicity would have on its business or on their brand image. The successful assertion of product liability claims against it could result in potentially significant monetary damages and diversion of management resources and require it 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 it. Even if a product liability claim is not successfully pursued to judgment by a claimant, the Issuer may still incur substantial legal expenses defending against such a claim. Finally, serious product quality concerns could result in governmental action against it, which, among other things, could result in the suspension of production or distribution of its 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 its products and on its business goodwill and reputation. Adverse publicity could result in a loss of consumer confidence in its products.

(g) The Issuer 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 it. Consumer perception of its 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. It 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 its products and consequently on its business, results of operations, financial condition and cash flows. The Issuer'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 its products, the availability and pricing of its ingredients, and its 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 its 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 its control.

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

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

(j) The Issuer'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 its director. Although the Issuer 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 it in the future. It does not carry any key man life insurance policies on any of their existing executive officers.

(k) A considerable amount of the Issuer's expenses is generated in dollars or in dollar-linked currencies, but a significant portion of its 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 its financial results are measured in dollars, its results could be adversely affected as a result of a strengthening or weakening of the dollar compared to these other currencies. In addition, its results could also be adversely affected if it are unable to guard against currency fluctuations in the future. Although it may in the future decide to undertake foreign exchange hedging transactions to cover a portion of the foreign currency exchange exposure, it currently do not hedge its exposure to foreign currency exchange risks. These transactions, however, may not adequately protect them from future currency fluctuations and, even if it does protect them, may require significant expenses and involve operational or financing costs it would not otherwise incur.

(l) The Issuer intends to continue to seek legal protection, primarily through patents, for its 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 the Issuer holds will not be challenged, invalidated or circumvented, or that the patent rights granted will provide competitive advantages to them. Its competitors have developed and may continue to develop and obtain patents for technologies that are similar or superior to its technologies. In addition, the laws of foreign jurisdictions in which it develop, manufacture or sell its products may not protect our intellectual property rights to the same extent as the laws of Canada. 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 its products to avoid infringing third parties' intellectual property. As a result, the Issuer may be required to incur substantial costs to prosecute, enforce or defend our intellectual property rights if it are challenged. Any of these circumstances could have a material adverse effect on its business, financial condition and resources or results of operations. Its 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 its technology and productivity goals. To protect its trade secrets and proprietary information, generally it have entered into confidentiality agreements with its employees, as well as with consultants and other parties. If these agreements prove inadequate or are breached, its remedies may not be sufficient to cover its losses.

(m) The Issuer's long-term success largely depends on its ability to produce its products using its proprietary methods. If it fails to obtain or maintain adequate intellectual property protection for its products and manufacturing processes, it may not be able to prevent third parties from using its proprietary methods or may lose access to methods critical to its products. Also, its 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, the Issuer has not filed applications for all of its patents internationally and may not be able to prevent third parties from using its proprietary methods or may lose access to methods critical to its products in other countries.

(n) Although the Issuer'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 Issuer will be successful or that the Issuer 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 Issuer's operations are located in Israel. Consequently, the Issuer is dependent upon Israel's economic, political and military conditions. As a result, the Issuer'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 Issuer has no control. In the past, Israel has experienced periods of weak economic activity and deterioration in economic conditions. The Issuer cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on the Issuer'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 Issuer's operations. Ongoing and revived hostilities or other Israeli political or economic factors could have a material adverse effect on the Issuer'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 Issuer 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 Issuer'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 Issuer'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 Issuer 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 Issuer's business.

The Issuer'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 males 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 Issuer'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 Issuer 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 Issuer 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 Issuer's business, results of operations, financial condition and prospects. Moreover, findings against the Issuer, the directors, the officers or the employees of the Issuer, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Issuer, the directors, the officers or the employees of the Issuer. Any government investigations or other allegations against the Issuer, the directors, the officers or the employees of the Issuer, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Issuer'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 Issuer to suspend operations on its properties. Although the Issuer 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 Issuer's operations, or other matters.

Operations in Hebrew

As a result of the Issuer conducting its operations in Israel, the books and records of the Issuer, 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 Issuer 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 Issuer'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 Issuer's assets and assets of several directors and officers of the Issuer, are located outside of Canada. Therefore, a judgment obtained against the Issuer, 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 Issuer or the Issuer in Israel, it may be difficult to collect any damages awarded by either a Canadian or a foreign court.

(p) The Issuer 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 Issuer'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 Issuer, 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 Issuer 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 Issuer or sublicensees ability to obtain lawfully sourced raw materials; and, (b) the manufacturing, marketing, distribution and sale of the Issuer'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 Issuer's and sublicensees products, which would be detrimental to the Issuer's business. The Issuer 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 Issuer 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 Issuer 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 Issuer.

(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 Issuer or require the Issuer to go through expensive and extensive testing requirements all of which would require possible additional equity fundraising and result in dilution to the Issuer's shareholders.

(s) The Issuer 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.

18. Promoters

18.1 The following persons or companies is, or has been within the two years immediately preceding the date of the Listing Statement, a promoter of the Issuer or of a subsidiary of the Issuer, state:

(a)	Name:	David K. Ryan	BioHarvest Ltd.	Vivien Rakib
(b)	Number of Shares:	700,001	48,337,496	130,365,221

(c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer in return.

Under the Merger Vivien Rakib received 130,365,221 common shares of the Issuer and 20,875,117 creditor warrants of the Issuer in connection with the Merger. None of the other promotors received anything of value.

(d) The consideration paid on the Merger was determined by arms length negotiation with the independent directors of the Issuer.

18.2 David K. Ryan was a director of Yaterra ventures Corp. in January 2013 when it became subject to a cease trade order of the British Columbia Securities Commission for failing to file financial statements as required by Multilateral Instrument 51-105. On April 24, 2014, Mr. Ryan resigned as director of Yaterra.

19. Legal Proceedings

19.1 The Issuer is not involved in any material legal proceedings.

19.2 The Issuer has not been the subject of any regulatory actions.

20. Interest of Management and Others in Material Transactions

20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:

Zaki Rakib is the Executive Chairman of BioHarvest Ltd. and Vivien Rakib is a director and was a 33.58% shareholder of BioHarvest. Yochi Hagay was a 4.11% shareholder of BioHarvest Ltd. and as such they had an interest in the issuance of 48,337,496 shares issued to BioHarvest under the Share Purchase Agreement, payments made under the

Licensing Agreement and the Services Agreement and the issuance of Shares under the Merger Agreement (see Item 3.2 for details).

21. Auditors, Transfer Agents and Registrars

21.1 State the name and address of the auditor of the Issuer.

BDO Ziv Haft
Amot BDO House
48 Menachem Begin Rd.
Tel Aviv, Israel

21.2 For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the Issuer to maintain the securities register and the register of transfers for such securities and indicate the location (by municipality) of each of the offices of the Issuer or transfer agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded.

National Issuer Services Ltd.
760 - 777 Hornby Street, Vancouver, BC, V6Z 1S4

22. Material Contracts

Share Purchase Agreement between BioHarvest Ltd. and Midnight Star Ventures Corp. dated April 19, 2018. See section 3.2.

License Agreement between BioHarvest and Dolarin dated April 19, 2019. See section 3.2.

Services Agreement between BioHarvest and Dolarin dated April 19, 2018. See section 3.2.

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

Lease Agreement between BioHarvest and Rhuberg Contract and Investments Ltd. dated April 30, 2019.

Volcani License between BioHarvest and Israel Ministry of Agriculture and Rural Development dated March 21, 2007.

23 Interest of Experts

There are no direct or indirect interests in the Issuer or a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.

24. Other Material Facts

24.1 There are no material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. Financial Statements

25.1

(a) Attached as Appendix A are the audited financial statements of BioHarvest as at December 31, 2017 and December 31, 2018 and the quarterly reviewed Financial Statements for the nine months ended September 30, 2019.

(b) Attached as Appendix B are pro-forma consolidated financial statements for the Issuer giving effect to the close of the Merger as of September 30, 2019.

(c) Attached as Appendix C are the MD&A's for BioHarvest for the periods ended December 31, 2017 and December 31, 2018, and for the 9 months ended September 30, 2019

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, BC

this 17th day of April, 2020.

"Zaki Rakib"

ZAKI RAKIB
Chief Executive Officer

"Alan Rootenberg"

ALAN ROOTENBERG
Chief Financial Officer

"Vivien Rakib"

VIVIEN RAKIB
Promoter

"David Ryan"

Director, DAVID RYAN

"Jake Fiddick"

Director, JAKE FIDDICK

BIOHARVEST LTD. - Promoter

Per:

"Zaki Rakib"

ZAKI RAKIB, CEO

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the target). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, BC

This 17th day of April, 2020.

"Zaki Rakib"	*"Vivien Rakib"*
ZAKI RAKIB Chief Executive Officer – BioHarvest Ltd.	VIVIEN RAKIB Chief Financial Officer – BioHarvest Ltd. Promoter
"Arik Lukach"	*"Sharon Levy"*
Director – Arik Lukach	Director – Sharon Levy

APPENDIX A

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

		Year ended December 31,		
	Notes	**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

			Year ended December 31,				
	Note		**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 Unaudited		December 31, 2018
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

	Note	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
		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:

	Note	Ordinary shares		Ordinary A shares		Preferred A-1 shares		Preferred A-2 shares		Additional paid-in capital	Accumulated deficit	Non-controlling interests	Total
		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		Nine-month period ended September 30, 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.

APPENDIX B

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.	Bioharvest 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%.

APPENDIX C

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.

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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.

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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

BioHarvest Ltd.

Management's Discussion and Analysis

For the year ended December 31, 2018

(U.S. dollars in thousands)

INTRODUCTION

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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**
Revenues	$	**449**	$	325
Cost of revenues		**463**		493
Gross loss		**(14)**		(168)
Operating expenses				
Research and development expenses		**553**		429
Selling and marketing expenses		**484**		422
Listing expenses		**2,784**		-
General and administrative expenses		**1,547**		719
Total operating expenses		**(5,368)**		(1,570)
Loss from operations		**(5,382)**		(1,738)
Finance expenses		**2,090**		108
Net loss before tax		**(7,472)**		(1,846)
Tax expenses		**-**		-
Net loss and comprehensive loss	$	**(7,472)**	$	(1,846)
Attributable to:				
Owners of the Company	$	**(6,673)**	$	(1,846)
Non-controlling interests	$	**(799)**	$	-

U.S. dollars in thousands

	Year ended 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 cost of revenues were $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 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 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 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.

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). 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.

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 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.

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 December 31, 2018 was as follows:

Related party transactions:

For the year and period ended December,	2018	2017
Compensation of key management personnel of the Company:		
Management fees for the CEO	170	144
Share base payment to CEO	108	-
Other related party transactions:		
Share base payment	133	-
Investment in Convertibles loans	562	989
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.

U.S. dollars in thousands

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.

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	
	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
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
Options exercisable at year-end	4,011,498		731,348	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 reflect 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.

December 10, 2019	Zaki Rakib	Vivian Rakib
Date of approval of the financial statements	Director	Director