

# **BioHarvest Sciences Inc.**

**(Formerly Canna-V-Cell Sciences Inc.)**

**Interim Condensed Consolidated Financial Statements**

**For the Three Months Ended March 31, 2020**

**Expressed in U.S. dollars in thousands**

## **NOTICE TO SHAREHOLDERS**

The accompanying unaudited interim condensed consolidated financial statements of BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.) for the three months ended March 31, 2020 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited interim condensed consolidated financial statements, management is satisfied that these unaudited interim condensed consolidated financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# **BioHarvest Sciences Inc.**

**(Formerly Canna-V-Cell Sciences Inc.)**

**Interim Condensed Consolidated Financial Statements  
For the Three Months Ended March 31, 2020  
Expressed in U.S. dollars in thousands**

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**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**  
**Interim Condensed Consolidated Statement of Financial Position**  
U.S. dollars in thousands, except per share data

	Note	March 31, 2020 Unaudited	December 31, 2019 Audited
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$	1,826	\$ 911
Trade accounts receivable		45	38
Other accounts receivable		191	243
Inventory		143	51
<b>Total current assets</b>		<b>2,205</b>	1,243
<b>Non-current</b>			
Restricted cash		126	128
Property and equipment, net		590	651
<b>Total non-current assets</b>		<b>716</b>	779
<b>Total assets</b>	<b>\$</b>	<b>2,921</b>	<b>\$ 2,022</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade accounts payable	\$	287	\$ 260
Other accounts payable		1,443	717
Accrued liabilities		187	1,284
Convertible loans	4	-	23,412
Current maturities and short term bank credit and loans		40	61
Derivative liability - Warrants	5	93	734
<b>Total current liabilities</b>		<b>2,050</b>	26,468
<b>Non-current liabilities</b>			
Related parties		40	7
Lease liability		254	320
Liability to Agricultural Research Organization		2,095	2,197
<b>Total non-current liabilities</b>		<b>2,389</b>	2,524
<b>Shareholders' deficit</b>			
Share capital	6	41,010	15,320
Reserve		1,038	1,004
Accumulated deficit		(43,566)	(43,294)
<b>Total Shareholders' deficit</b>		<b>(1,518)</b>	(26,970)
<b>Total Liabilities and Shareholders' deficit</b>	<b>\$</b>	<b>2,921</b>	<b>\$ 2,022</b>

Going concern (Note 1b)

\_\_\_\_\_  
May 27, 2020  
Date of approval of the  
financial statements

\_\_\_\_\_  
Zaki Rakib  
Director

\_\_\_\_\_  
Vivien Rakib  
Director

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)****Interim Condensed Consolidated Statement of Comprehensive Loss**

U.S. dollars in thousands, except per share data

	Three-months period ended			
	March 31,			
		2020		2019
	Note	Unaudited		Unaudited
Revenues		\$ 42	\$	66
Cost of revenues		31		53
<b>Gross revenue</b>		<b>11</b>		<b>13</b>
<b>Operating expenses</b>				
Research and development		260		284
Selling and marketing		38		41
General and administrative		462		392
<b>Total operating expenses</b>		<b>(760)</b>		<b>(717)</b>
<b>Loss from operations</b>		<b>(749)</b>		<b>(704)</b>
Listing expenses	1	434		-
Finance expenses (income)		(911)		747
<b>Net loss before tax</b>		<b>(272)</b>		<b>(1,451)</b>
Tax expenses		-		-
<b>Net loss and comprehensive loss</b>		<b>\$ (272)</b>	<b>\$</b>	<b>(1,451)</b>
Basic and Diluted loss per share		<b>(0.00)</b>		<b>(0.00)</b>
Weighted Average Number of Shares Outstanding		<b>103,243,680</b>		<b>96,577,013</b>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**  
**Interim Condensed Consolidated Statement of Changes in Shareholders' Deficit**  
**U.S. dollars in thousands, except per share data**

**For the Three-months period ended March 31, 2020 (Unaudited):**

	Note	Number of shares	Share Capital	Reserve	Accumulated deficit	Total
<b>Balance, January 1, 2020</b>		103,243,680	\$ 15,320	\$ 1,004	\$ (43,294)	\$ (26,970)
Issuance of shares- private placement	1	8,000,000	883	-	-	883
Merger Transaction	1	299,057,739	24,807	-	-	24,807
Share based compensation	7	-	-	34	-	34
Comprehensive loss for the period		-	-	-	(272)	(272)
<b>Balance, March 31, 2020</b>		<b>410,301,419</b>	<b>\$ 41,010</b>	<b>\$ 1,038</b>	<b>\$ (43,566)</b>	<b>\$ (1,518)</b>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**  
**Interim Condensed Consolidated Statement of Changes in Shareholders' Deficit**  
**U.S. dollars in thousands, except per share data**

**For the Three-months period ended March 31, 2019 (Unaudited):**

	Note	Number of shares	Share Capital	Reserve	Accumulated deficit	Total
<b>Balance, January 1, 2019</b>		96,577,013	\$ 14,747	\$ 548	\$ (37,984)	\$ (22,689)
Share based compensation		-	-	153	-	153
Share based compensation in subsidiary		-	-	4	-	4
Comprehensive loss for the period		-	-	-	(1,451)	(1,451)
<b>Balance, March 31, 2019</b>		<b>96,577,013</b>	<b>\$ 14,747</b>	<b>\$ 705</b>	<b>\$ (39,435)</b>	<b>\$ (23,983)</b>
Issuance of shares		6,666,667	570	-	-	570
Share based compensation		-	-	287	-	287
Share based compensation in subsidiary		-	-	12	-	12
Issuance of warrants in subsidiary		-	3	-	-	-
Comprehensive loss for the period		-	-	-	(3,859)	(3,859)
<b>Balance, December 31, 2019</b>		<b>103,243,680</b>	<b>\$ 15,320</b>	<b>\$ 1,004</b>	<b>\$ (43,294)</b>	<b>\$ (26,970)</b>

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

## BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)

### Interim Condensed Consolidated Statement of Cash Flows

U.S. dollars in thousands, except per share data

	Three-months period ended		
	March 31,		
	Note	2020	2019
	Unaudited		
<b>Cash flows from operating activities:</b>			
Net loss for the period	\$	(272)	\$ (1,451)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		62	76
Interest on convertible loans		-	749
Fair value adjustments of derivative liability – convertible loan		27	-
Fair value adjustments of derivative liability - warrants		(641)	25
Interest on liability for Agricultural Research Organization		(102)	(116)
Finance expenses, net		(7)	31
Listing expenses		173	-
Share based compensation		34	157
<b>Changes in operations assets and liabilities:</b>			
Change in Inventory		(92)	20
Change in trade receivables		(7)	17
Change in other receivables		52	51
Changes in trade payables and accrued expenses		115	34
<b>Cash from operations</b>		<b>(658)</b>	<b>(408)</b>
Interest paid		(7)	(10)
<b>Net cash used in operating activities</b>		<b>(665)</b>	<b>(418)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment		(1)	(24)
<b>Net cash used in financing activities</b>		<b>(1)</b>	<b>(24)</b>
<b>Cash flows from financing activities</b>			
Repayment of long term loan		-	(19)
Repayment of short term loan and short term credit		(18)	(12)
Payments of lease liabilities		(50)	(55)
Net proceeds from issuance of shares		883	-
Convertible loans received		769	-
<b>Net cash provided by (used in) financing activities</b>		<b>1,584</b>	<b>(86)</b>
Exchange rate differences on cash and cash equivalents		(3)	(15)
Increase (decrease) in cash and cash equivalents		918	(528)
Cash and cash equivalents at the beginning of the period		911	1,199
<b>Cash at the end of the period</b>	<b>\$</b>	<b>1,826</b>	<b>\$ 656</b>
<b>Significant non-cash transactions:</b>			
Conversion of Convertible loans into shares		24,208	-
Extinguishing PPM penalty liability with shares		1,039	-

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.



## **BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

### **Notes to Interim Condensed Consolidated Financial Statements**

**U.S. dollars in thousands, except per share data**

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#### **NOTE 1- GENERAL:**

a. Description of business and formation of the Company:

BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc. ("CannaVCell") (the "Company" or "BioHarvest Sciences") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013. On September 27, 2018, the Company completed a qualifying transaction (the "Transaction") with Bio Harvest Ltd. ("BioHarvest"), a company incorporated in Israel, and BioHarvest's 100% wholly owned subsidiary, Dolarin Ltd. ("Dolarin"), a corporation incorporated in the Israel. The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a reverse takeover and change of business for the Company (the "RTO"). Subsequent to the Transaction, the Company's principal business is to develop and produce cannabis active ingredients based on biopharming technology. The Company's shares trade on the Canadian Securities Exchange under the symbol "BHSC".

BioHarvest was incorporated in January 2007 and commenced its activity in July 2007. In July 2014, BioHarvest established a wholly owned subsidiary in the United States, BioHarvest Inc. (the "US subsidiary").

BioHarvest is engaged in research and development in the food industry. BioHarvest produces red grape powder to be consumed as food that contributes red wine benefits, excluding the sugar and alcohol that is found in wine. BioHarvest has conducted various clinical trials, in order to verify the effect of the powder. BioHarvest aims to market to end user via online marketing platform.

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

On December 5, 2019, BioHarvest Sciences established a wholly owned subsidiary in Israel, BioFarming Ltd. ("BioFarming" or "Merger Sub").

#### Merger Transaction

On December 9, 2019, BioHarvest signed on a merger agreement with BioFarming (hereafter "Merger Transaction"). Pursuant to the terms and subject to the closing conditions set forth in the Merger Agreement, the Merger Sub shall be merged into the Company in accordance with sections 314 through 327 of the Israeli Companies Law, and the separate corporate existence of the Merger Sub shall cease. Following the Merger Transaction, BioHarvest shall become a wholly owned subsidiary of BioHarvest Sciences, which will become the record and beneficial owner of all of the issued and outstanding shares of BioHarvest's share capital, and there shall be no outstanding shares, options, warrants or rights of any kind to subscribe for or purchase any shares of BioHarvest's share capital. According to the Merger Transaction, the closing of the merger is subjected to the following closing conditions:

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding \$500;
- Approval of the Canadian Securities Exchange;

## **BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

### **Notes to Interim Condensed Consolidated Financial Statements**

**U.S. dollars in thousands, except per share data**

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#### **NOTE 1- GENERAL (Continued):**

##### Merger Transaction (Continued)

- The Agreement of Convertible Debt holders of BioHarvest to accept warrants of BioHarvest Sciences to replace their warrants in BioHarvest
- Termination of BioHarvest's director, officer, employee or consultant options outstanding; and
- BioHarvest Sciences is required to complete a financing round of \$4 million. This amount is subject to adjustment at the option of BioHarvest Sciences depending on the financial position of BioHarvest at closing

On March 31, 2020, all terms of the Merger Transaction were met. Following is the merger consideration:

- Issuance of 299,057,739 common shares of BioHarvest Sciences to the shareholders of BioHarvest at a deemed price of \$0.11 per share (CAD\$0.15).
- Issuance of 39,565,579 warrants to purchase an additional common share of BioHarvest Sciences at \$0.70 per share (CAD \$1.00). Each warrant is exercisable until August 31, 2020. These warrants replace the existing warrants that the convertible debt holders in BioHarvest have.

In addition, 11,910,000 stock options of BioHarvest Sciences were granted to BioHarvest's Chief technology officer Dr. Yochi Hagai and are exercisable for a period of two years at an exercise price of \$0.11 per share (CAD \$0.15). The options granted vest at a rate of 12.5% in each quarter of the 2-year period.

As part of the closing of the Merger Transaction, all of BioHarvest's Convertible Notes (as defined in note 4) signed a statement of conversion (the "Statement of Conversion") according to which each lender agrees that effective as of immediately prior to, and subject to the closing of the Merger Transaction, the loan amount shall be converted into BioHarvest's shares that will be replaced with approximately 1.7 shares of BioHarvest Sciences and each existing warrant to purchase an additional common share of BioHarvest shall be converted to approximately 1.7 warrants to purchase an additional common share of BioHarvest Sciences at \$0.76 per share (CAD \$1.00).

As part of the closing of the Merger Transaction, all of BioHarvest's outstanding share based compensation options were cancelled (731,348 options).

The Merger Transaction does not constitute a business combination within the scope of IFRS 3 and accordingly is treated by the Company in the financial statements as a pooling of interest. According to this method, the Company prepared its financial statements in order to reflect as if the Merger was in effect as of the date the two entities were under common control

Concurrent with closing the Merger Transaction, BioHarvest Sciences completed a private placement of 8,000,000 shares at a price of \$0.11 per share (CAD \$0.15) for gross proceeds of \$890 (CAD \$1.2 million).

In connection with the private placement, the Company issued 117,600 finders warrants (the "Finder Warrants") to purchase an additional common share the Company. The Finders Warrants amount equals to 6% of the number of shares placed with persons introduced by the finders. The Finder Warrants are exercisable at \$0.11 per share (CAD \$0.15). Each warrant is exercisable until September 30, 2021.

As of March 31, 2020 BioHarvest Sciences held 100% of the issued share capital of BioHarvest Ltd.

## **BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

### **Notes to Interim Condensed Consolidated Financial Statements**

**U.S. dollars in thousands, except per share data**

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#### **NOTE 1- GENERAL (Continued):**

##### COVID-19

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Israel, have been taking measures designated to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may

dramatically affect the Company's ability to conduct its business effectively, including, but not limited to, adverse effect relating to employees' welfare, slowdown and stoppage of manufacturing, commerce, shipping, delivery, work, travel and other activities which are essential and critical for maintaining on-going business activities.

Given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition. Infections may become more widespread and the limitation on the ability to work, travel and timely sell and distribute products, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company's business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets and global economy which could result in an economic downturn that could affect demand for the Company's products and have a material adverse effect on its operations and financial results, earnings, cash flow and financial condition.

The primary impact of the COVID-19 worldwide pandemic is on our R&D delivery schedule. Since we completed the initial R&D program in September 2019 and announced the results, we have been waiting to complete the Merger Transaction and Concurrent Financing in order to settle how the next phase will be developed. Despite having completed the Merger transaction and Concurrent Financing, we still face the impact of the COVID-19 pandemic. Given the extensive lab work required and physical presence of the scientists and engineers in the labs, it is difficult to make any significant progress due to the strict confinement regulations imposed by the government of Israel. We cannot yet assess the impact in terms of delay in delivering the second phase until we understand what restrictions may remain in place that could hinder the work required in the labs.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2020.

#### **b. Going concern:**

Since inception through March 31, 2020, the Company has generated a cumulative loss of \$43,566. In addition, the Company generated negative cash flows from operating activities of \$665, and loss in the amount of \$272 for the three months period ended March 31, 2020. 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.

## **BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

### **Notes to Interim Condensed Consolidated Financial Statements**

**U.S. dollars in thousands, except per share data**

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#### **NOTE 1- GENERAL (Continued):**

b. Going concern (continued):

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:**

**a) Statement of Compliance**

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) using the accounting policies described herein as issued by International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. These interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019.

The policies applied in these interim condensed consolidated financial statements are based on IFRS effective as of March 31, 2020.

**b) Basis of Presentation**

The interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in US dollars which is the Company’s reporting currency.

**c) Basis of Measurement**

These interim condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments that are required to be measured at fair value.

**d) Basis of Consolidation**

These interim condensed consolidated financial statements include the accounts of BioHarvest Sciences and its wholly-owned subsidiaries BioHarvest, BioHarvest Inc and Dolarin. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced until the date control ceases. Control exists when the Company has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company applies the acquisition method to account for business combinations in accordance with IFRS 3. All inter-company balances, and transactions, have been eliminated upon consolidation.

## **BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**

### **Notes to Interim Condensed Consolidated Financial Statements**

**U.S. dollars in thousands, except per share data**

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#### **NOTE 2 – BASIS OF PREPARATION (continued):**

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2019 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, 2019 are applied consistently in these interim consolidated financial statements.

#### **NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

##### Standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable to or do not have a significant impact on the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

a) IFRS 3 - Business Combinations (“IFRS 3”)

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company’s accounting policy.

#### **NOTE 4 - CONVERTIBLE LOANS:**

In July 2013, the Company entered into an 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, 2019, 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.

During the three-months period ended March 31, 2020, the Company received additional Convertible Notes in the amount of \$769.

Upon closing of the Merger Transaction, on March 31, 2020 all Convertible Notes were converted into BioHarvest's common shares (see note 1).

## BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)

### Notes to Interim Condensed Consolidated Financial Statements

U.S. dollars in thousands, except per share data

#### NOTE 5 - DERIVATIVE LIABILITY- WARRANTS:

- (i) A summary of changes in share purchase warrants issued by BioHarvest Sciences during the three months ended March 31 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2018	20,890,148	0.17
Issuance of warrants	6,666,667	0.23
<b>Balance, December 31, 2019</b>	<b>27,556,815</b>	<b>0.18</b>
Issuance of warrants (Note 1)	39,565,579	0.70
Issuance of warrants (Note 1)	117,660	0.11
<b>Balance, March 31, 2020</b>	<b>67,240,054</b>	<b>0.49</b>

The following table summarizes information about warrants outstanding as at March 31, 2020:

Date of issuance	Date of expiry	Exercise price	Exercisable at March 31, 2020
September 27, 2018	September 26, 2020	\$ 0.17 (CAD 0.23)	20,890,148
September 23, 2019	September 22, 2021	\$ 0.23 (CAD 0.30)	6,666,667
March 31, 2020	August 30, 2020	\$ 0.70 (CAD 1.00)	39,565,579
March 31, 2020	September 30, 2021	\$ 0.11 (CAD 0.15)	117,660
			<b>67,240,054</b>

As the warrants issued by the Company 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.

- (iii) The following assumptions were used to estimate the fair value of the derivative warrant liability on:

	March 31, 2020	March 31, 2020	At Issuance Date September 23, 2019	At Issuance Date March 31, 2020	At Issuance Date March 31, 2020
	<b>20,890,148</b>	<b>6,666,667</b>	<b>6,666,667</b>	<b>39,565,579</b>	<b>117,660</b>
Expected life of warrants	0.49 years	1.48 years	2 years	0.42 years	1.5 years
Expected volatility	50%	50%	100%	50%	50%
Expected dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	0.46%	0.46%	1.6%	0.46%	0.46%
Market price of Common share	CAD \$0.15	CAD \$0.15	CAD \$0.115	CAD \$0.15	CAD \$0.15
Exercise price	CAD \$0.23	CAD \$0.30	CAD \$0.30	CAD \$1.00	CAD \$1.00

## BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)

### Notes to Interim Condensed Consolidated Financial Statements

U.S. dollars in thousands, except per share data

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#### NOTE 5 - DERIVATIVE LIABILITY- WARRANTS (Continued):

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

For the three-month period ended March 31, 2020, the Company recorded a profit of \$644 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability as of March 31, 2020 (March 31, 2019: profit of \$1).

#### NOTE 6- SHARE CAPITAL:

	Number of shares	
	March 31, 2020	December 31, 2019
	Issued and outstanding	Issued and outstanding
Ordinary shares	410,301,419	103,243,680

- The Company is authorized to issue an unlimited number of common shares.
- On March 31, 2020 the Company completed a private placement financing (the "Private Placement Financing") by issuing 8,000,000 common shares at a price of \$0.11 (CAD \$0.15) per share for gross proceeds of \$890 (CAD \$1,200). The common shares issued under the Private Placement Financing will be subject to a hold period expiring four months and one day from the date of issuance pursuant to applicable Canadian securities laws. The increase in Additional Paid in Capital is \$883.
- On September 27, 2018, BioHarvest completed a transaction with the Company in which the Company issued 48,337,496 shares of the Company to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Pursuant to the Merger Transaction, these shares are held as a treasury shares.

## BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)

### Notes to Interim Condensed Consolidated Financial Statements

U.S. dollars in thousands, except per share data

#### NOTE 7- SHARE BASED COMPENSATION:

- 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.
- A summary of activity of options granted to purchase the Company's Shares under the Company's share option is as follows:

	March 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	11,136,453	0.21	10,386,453	0.21
<b>Changes during the period:</b>				
Granted (See note 1)	11,910,000	0.11	750,000	0.15
Cancelled (See note 1)	(731,348)	0.99	-	-
Forfeited (*)	(144,826)	0.20		
Options outstanding at end of period (**)	22,170,279	0.16	11,136,453	0.21
Options exercisable at period end	9,616,037		9,887,166	
Weighted-average fair value of options Granted during the period		\$352		\$65

(\*) During the three months ended March 31, 2020, 144,826 options were forfeited due to termination of employment.

(\*\*) The options outstanding at March 31, 2020 had a weighted-average contractual life of 4.6 years (December 31, 2019: 4.3 years).

The following table summarizes information about the options outstanding as at March 31, 2020:

Number Outstanding at March 31, 2020	Options Outstanding		Options Exercisable at March 31, 2020	Weighted Exercise Price
	Exercise Price	Expiry Date		
9,510,279	\$0.15 (CAD \$0.20)	September 26, 2020	9,043,256	\$0.15 (CAD \$0.20)
750,000	\$0.15 (CAD \$0.20)	September 10, 2021	572,781	\$0.15 (CAD \$0.20)
11,910,000	\$0.10 (CAD \$0.15)	March 31, 2022	-	\$0.11 (CAD \$0.15)
<b>22,170,279</b>			<b>9,616,037</b>	<b>\$0.12 (CAD \$0.17)</b>



**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)****Notes to Interim Condensed Consolidated Financial Statements**

U.S. dollars in thousands, except per share data

**NOTE 8 - 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:

<b>Item</b>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Fair value hierarchy level</b>	<b>Significant unobservable inputs</b>
Derivative liability - Warrants	93	Black-Scholes model	level 3	Volatility of firm's assets returns*

\* A change in the volatility measure by 5% results in a change of +/- \$31 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:

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 March 31, 2020 and December 31, 2019 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**

Balance as of January 1, 2019	1,254
Issuance of Warrants	238
Profit recognized in Profit or loss:	(758)
Balance as of December 31, 2019	734
Issuance of Warrants	3
Profit recognized in Profit or loss:	(644)
<b>Balance as of March 31, 2020</b>	<b>93</b>

**Derivative liability – Convertible loans**

Balance as of January 1, 2019	-
Issuance of convertible loans	1,036
Loss recognized in Profit or loss	-
Interest on convertible loans	7
Balance as of December 31, 2019	1,043
Issuance of convertible loans	769
Loss recognized in Profit or loss	27
Conversion of convertible loans (see note 4)	(1,839)
<b>Balance as of March 31, 2020</b>	<b>-</b>

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**NOTE 9 – RELATED PARTIES TRANSACTIONS:**

- a. Related parties including the Company's CEO, CFO and Directors.

**Related party transactions:**

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Compensation of key management personnel of the Company:</b>		
CEO Management fees	69	48
CFO Management fees	3	3
Share base payment to CEO	17	69
<b>Other related party transactions:</b>		
Share base payments	72	84
Investment in Convertibles loans	-	38
<b>Balance with related parties:</b>		
<b>Three months ended March 31</b>	<b>2020</b>	<b>2019</b>
Convertible loans	-	14,220
Loan from related party	40	19

**NOTE 10 – OPERATING SEGMENTS:**

The Company and its subsidiaries are engaged in the following segments:

- Vinia: development, design, manufacture and marketing of "Vinia" for the retail market.
- Cannabis: development, design, manufacture and marketing of medical Cannabis.

## 1) Segment information

	<b>Three months ended March 31, 2020</b>			
	<b>Vinia</b>	<b>Cannabis</b>	<b>Adjustment &amp; Elimination</b>	<b>Total</b>
<i>Revenues</i>				
External	42	-	-	42
Inter-segment	-	-	-	-
<i>Total</i>	42	-	-	42
<i>Segment loss</i>	383	800	-	1,183
<i>Finance expense, net</i>				(911)
<i>Tax expenses</i>				-
<i>Loss</i>				272

## BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)

### Notes to Interim Condensed Consolidated Financial Statements

U.S. dollars in thousands, except per share data

#### NOTE 10 –OPERATING SEGMENTS (Continued):

	As of March 31, 2020			
	Vinia	Cannabis	Adjustment & Elimination	Total
<i>Segment assets</i>	2,681	7,602	(7,362)	2,921
<i>Segment liabilities</i>	4,106	2,938	(2,605)	4,439

	Three months ended March 31, 2019			
	Vinia	Cannabis	Adjustment & Elimination	Total
<i>Revenues</i>				
External	66	-	-	66
Inter-segment	-	-	-	-
<i>Total</i>	66	-	-	66
<i>Segment loss</i>	175	529	-	704
<i>Finance expense, net</i>				747
<i>Tax expenses</i>				-
<i>Loss</i>				1,451

	As of March 31, 2019			
	Vinia	Cannabis	Adjustment & Elimination	Total
<i>Segment assets</i>	1,347	7,041	(6,433)	1,955
<i>Segment liabilities</i>	25,037	3,100	(2,199)	25,938

2) Entity wide disclosures External revenue by location of customers.

	Three months ended March 31,	
	2020	2019
Israel	42	66
Other	-	-
	42	66

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.