

BioHarvest Sciences Inc.

(Formerly Canna-V-Cell Sciences Inc.)

Unaudited Interim Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 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 and six months ended June 30, 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 and Six Months Ended June 30, 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	June 30, 2020 Unaudited	December 31, 2019
Assets			
Current			
Cash and cash equivalents		\$ 1,986	\$ 911
Trade accounts receivable		31	38
Other accounts receivable		359	243
Inventory		148	51
Total current assets		2,524	1,243
Non-current			
Restricted cash		128	128
Property and equipment, net		527	651
Total non-current assets		655	779
Total assets		\$ 3,179	\$ 2,022
Liabilities			
Current liabilities			
Trade accounts payable		\$ 253	\$ 260
Other accounts payable		1,929	717
Accrued liabilities		96	1,284
Convertible loans	4	-	23,412
Current maturities and short term bank credit and loans		22	61
Derivative liability - Warrants	5	52	734
Total current liabilities		2,352	26,468
Non-current liabilities			
Related parties		-	7
Lease liability		202	320
Liability to Agricultural Research Organization		2,406	2,197
Total non-current liabilities		2,608	2,524
Shareholders' deficit			
Share capital	6	43,155	16,324
Accumulated deficit		(44,936)	(43,294)
Total Shareholders' deficit		(1,781)	(26,970)
Total liabilities and shareholders' deficit		\$ 3,179	\$ 2,022
Going concern (Note 1b)			

August 26, 2020
Date of approval of the
financial statements

"Zaki Rakib"
Director

"Ilan Sobel"
CEO

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		Six-months period ended		
	June 30,		June 30,		
	2020	2019	2020	2019	
	Note	Unaudited	Unaudited		
Revenues	\$	39	\$ 63	\$ 81	\$ 129
Cost of revenues		27	41	58	94
Gross revenue		12	22	23	35
Operating expenses					
Research and development		282	390	542	674
Selling and marketing		57	22	95	63
General and administrative		529	(336)	991	56
Total operating expenses		(868)	(76)	(1,628)	(793)
Loss from operations		(856)	(54)	(1,605)	(758)
Listing expenses	1	132	-	566	-
Finance expenses (income)		382	692	(529)	1,439
Net loss before tax		(1,370)	(746)	(1,642)	(2,197)
Tax expenses		-	-	-	-
Net loss and comprehensive loss	\$	(1,370)	\$ (746)	\$ (1,642)	\$ (2,197)
Basic and Diluted loss per share		(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Number of Shares Outstanding		363,833,154	48,239,517	209,369,669	48,239,517

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 Six-months period ended June 30, 2020 (Unaudited):

	Note	Number of shares	Share Capital	Accumulated deficit	Total
Balance, January 1, 2020		103,243,680	\$ 16,324	\$ (43,294)	\$ (26,970)
Issuance of shares- private placement	1	8,000,000	883	-	883
Merger Transaction	1	299,057,739	25,407	-	25,407
Issuance of shares- private placement	6	3,150,000	350	-	350
Share based compensation	7	-	191	-	191
Comprehensive loss for the period		-	-	(1,642)	(1,642)
Balance, June 30, 2020		413,451,419	\$ 43,155	\$ (44,936)	\$ (1,781)

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 Six-months period ended June 30, 2019 (Unaudited):

	Note	Number of shares	Share Capital	Accumulated deficit	Total
Balance, January 1, 2019		96,577,013	\$ 15,295	\$ (37,984)	\$ (22,689)
Share based compensation		-	287	-	287
Share based compensation in subsidiary		-	11	-	11
Comprehensive loss for the period		-	-	(2,197)	(2,197)
Balance, June 30, 2019		96,577,013	\$ 15,593	\$ (40,181)	\$ (24,588)
Issuance of shares		6,666,667	570	-	570
Share based compensation		-	153	-	153
Share based compensation in subsidiary		-	5	-	5
Issuance of warrants in subsidiary		-	3	-	3
Comprehensive loss for the period		-	-	(3,113)	(3,113)
Balance, December 31, 2019		103,243,680	\$ 16,324	\$ (43,294)	\$ (26,970)

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

	Six-months period ended		
	June 30,		
	Note	2020	2019
	Unaudited		
Cash flows from operating activities:			
Net loss for the period	\$	(1,642)	\$ (2,197)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		131	135
Interest on convertible loans		27	821
Fair value adjustments of derivative liability – convertible loan		-	767
Fair value adjustments of derivative liability - warrants		(682)	(519)
Re-assessment of liability for Agricultural Research Organization		-	(763)
Interest on liability for Agricultural Research Organization		209	239
Finance expenses, net		10	51
Listing expenses		173	-
Share based compensation		191	298
Changes in operations assets and liabilities:			
Change in inventory		(97)	34
Change in trade receivables		7	(7)
Change in other receivables		(114)	120
Changes in trade payables and accrued expenses		1,034	(40)
Cash from operations		<u>(753)</u>	<u>(1,061)</u>
Interest paid		(13)	(19)
Net cash used in operating activities		<u>(766)</u>	<u>(1,080)</u>
Cash flows from investing activities:			
Purchase of property and equipment		(7)	(27)
Net cash used in financing activities		<u>(7)</u>	<u>(27)</u>
Cash flows from financing activities			
Repayment of long term loan		-	(35)
Repayment of short term loan and short term credit		(37)	(24)
Payments of lease liabilities		(115)	(125)
Net proceeds from issuance of shares		1,233	-
Convertible loans received		769	298
Net cash provided by financing activities		<u>1,850</u>	<u>114</u>
Exchange rate differences on cash and cash equivalents		(2)	(1)
Increase (decrease) in cash and cash equivalents		1,077	(993)
Cash and cash equivalents at the beginning of the period		911	1,199
Cash at the end of the period	\$	<u>1,986</u>	<u>\$ 205</u>
Significant non-cash transactions:			
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

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 BioHarvest 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 entered into a merger agreement with BioFarming (hereafter the "Merger Transaction"). Pursuant to the terms and subject to the closing conditions set forth in the Merger Agreement, the Merger Sub would merge into the Company in accordance with sections 314 through 327 of the Israeli Companies Law, and the separate corporate existence of the Merger Sub would cease. Following the Merger Transaction, BioHarvest would become a wholly owned subsidiary of BioHarvest Sciences, which would become the record and beneficial owner of all of the issued and outstanding shares of BioHarvest's share capital, and there would 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 was subject 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

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. The following was 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 held by the convertible debt holders in BioHarvest.

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 agreed that effective as of immediately prior to, and subject to the closing of the Merger Transaction, the loan amount would be converted into BioHarvest's shares. These shares would be replaced with approximately 1.7 shares of BioHarvest Sciences for each BioHarvest share held and each existing warrant to purchase an additional common share of BioHarvest would 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 \$1,200).

In connection with the private placement, the Company issued 117,600 finders warrants (the "Finder Warrants") to purchase an additional common share of 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 June 30, 2020 BioHarvest Sciences held 100% of the issued share capital of BioHarvest.

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 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.

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 has been working aggressively to minimize where possible the reasonable estimated 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 could have a negative impact on the Company's business, financial condition and operating results.

The primary impact of the COVID-19 worldwide pandemic is on our R&D delivery schedule for our scaling up of our cannabis vertical. Given the extensive lab work required and physical presence of the scientists and engineers in the labs, we experienced some difficulties in making the required progress due to the strict confinement regulations imposed by the Government of Israel in Q2. We are currently assessing options to mitigate any delays amidst an environment where the Government of Israel may force a further lockdown of businesses to curb the current escalating infection rates. We expect to have a better understanding of the potential delays to our timeline by end Q3, 2020, assuming we have a more normalized understanding of the nature of future restrictions which will be imposed on employees in the workplace, that could hinder the work required in the labs.

While the local Israeli market B2C business also experienced a decline of sales of VINIA®, it is expected however, that this will rebound in Q3, with the re-launch of our VINIA® website, building of enhanced customer conversion strategies, improved customer value proposition and increased spending levels on social media. The Company expects to leverage multiple learnings from these activities for its planned Q1, 2020 launch of VINIA® in the USA.

Management continues to be fully engaged in assessing the impact of COVID-19 and adjusting its operations accordingly to minimize the impact on business performance.

b. Going concern:

Since inception through June 30, 2020, the Company has generated a cumulative loss of \$44,936. The Company generated negative cash flows from operating activities of \$766 and a loss in the amount of \$1,642 for the six-months period ended June 30, 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.

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.

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 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 June 30, 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.

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.

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 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).

NOTE 5 - DERIVATIVE LIABILITY- WARRANTS:

(i) A summary of changes in share purchase warrants issued by BioHarvest Sciences during the three months ended June 30 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
Balance, December 31, 2019	27,556,815	0.18
Issuance of warrants (Note 1)	39,565,579	0.70
Issuance of warrants (Note 1)	117,660	0.11
Balance, June 30, 2020	67,240,054	0.49

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 (Continued):

The following table summarizes information about warrants outstanding as at June 30, 2020:

Date of issuance	Date of expiry	Exercise price	Exercisable at June 30, 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
			67,240,054

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:

	20,890,148		6,666,667		39,565,579		117,660	
	At Issuance Date		At Issuance Date		At Issuance Date		At Issuance Date	
	September 27, 2018	June 30, 2020	September 23, 2019	June 30, 2020	March 31, 2020	June 30, 2020	March 31, 2020	June 30, 2020
Expected life of warrants	2 years	0.24 years	2 years	1.23 years	0.42 years	0.17 years	1.5 years	1.25 years
Expected volatility	100%	50%	100%	50%	50%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.8%	0.14%	1.6%	0.14%	0.46%	0.14%	0.46%	0.14%
Market price of Common share	CAD \$0.11	CAD \$0.155	CAD \$0.115	CAD \$0.155	CAD \$0.15	CAD \$0.155	CAD \$0.15	CAD \$0.155
Exercise price	CAD \$0.23	CAD \$0.23	CAD \$0.30	CAD \$0.30	CAD \$1.00	CAD \$1.00	CAD \$0.15	CAD \$0.15

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 six-month period ended June 30, 2020, the Company recorded a profit of \$685 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability as of June 30, 2020 (June 30, 2019: profit of \$519).

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 6- SHARE CAPITAL:

	Number of shares	
	June 30, 2020	December 31, 2019
	Issued and outstanding	Issued and outstanding
Ordinary shares	413,451,419	103,243,680

- a. The Company is authorized to issue an unlimited number of common shares.
- b. On May 7, 2020 the Company completed a private placement financing by issuing 3,150,000 common shares at a price of \$0.11 (CAD \$0.15) per share for gross proceeds of \$350 (CAD \$473). The common shares issued 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 \$350.
- c. 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.
- d. 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 treasury 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. On June 9, 2020 the Company granted 18,098,196 options to purchase the Company's Shares at \$0.105 (CAD \$0.14) per share under the Company's share option. The options will be exercisable for 10-year period and will vest monthly over 3-year period. The total value of the options is \$869 (CAD \$1,158).
- c. On June 10, 2020 the Company granted 11,008,917 options to purchase the Company's Shares at \$0.11 (CAD \$0.15) per share under the Company's share option. The options will be exercisable for 10-year period and will vest quarterly over 2-year period. The total value of the options is \$545 (CAD \$736).
- d. On June 10, 2020 the Company cancelled 5,094,800 options to purchase the Company's Shares under the Company's share option. The Company has accelerated the related expense.
- e. A summary of activity of options granted to purchase the Company's Shares under the Company's share option plan is as follows:

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:(Continued)

	June 30, 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
Changes during the period:				
Granted (See b, c)	29,107,113	0.11	750,000	0.15
Cancelled (See note 1)	(731,348)	0.99	-	-
Cancelled (See d)	(5,094,800)	0.15	-	-
Forfeited (*)	(144,826)	0.15		
Options outstanding at end of period (**)	34,302,592	0.12	11,136,453	0.21
Options exercisable at period end	5,016,881		9,887,166	

(*) During the six months ended June 30, 2020, 144,826 options were forfeited due to termination of employment.

(**) The options outstanding at June 30, 2020 had a weighted-average contractual life of 5.3 years (December 31, 2019: 4.3 years).

The following table summarizes information about the options outstanding as at June 30, 2020:

Number Outstanding at June 30, 2020	Options Outstanding		Options Exercisable at June 30, 2020
	Exercise Price	Expiry Date	
5,195,479	\$0.15 (CAD \$0.20)	September 26, 2020	5,016,881
18,098,196	\$0.105 (CAD \$0.14)	June 9, 2030	-
11,008,917	\$0.11 (CAD \$0.15)	June 10, 2030	-
34,302,592			5,016,881

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:

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	52	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- \$10 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 June 30, 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	172
Profit recognized in Profit or loss:	(692)
Balance as of December 31, 2019	734
Issuance of Warrants	3
Profit recognized in Profit or loss:	(685)
Balance as of June 30, 2020	52

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	6
Balance as of December 31, 2019	1,042
Issuance of convertible loans	769
Loss recognized in Profit or loss	27
Conversion of convertible loans (see note 4)	(1,839)
Balance as of June 30, 2020	-

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

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NOTE 9 - RELATED PARTIES TRANSACTIONS:

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

Related party transactions (unaudited):

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
Compensation of key management personnel of the Company:				
CEO Management fees	177	83	100	52
CFO Management fees	5	3	6	3
Share base payment to CEO	100	83	117	48
Other related party transactions:				
Share base payments	81	88	164	80
Investment in Convertibles loans	-	-	75	38

Balance with related parties:

	As of June 30,	
	2020	2019
Convertible loans	-	14,258
Loan from related party	-	15
Due to CEO	50	-

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NOTE 10 - OPERATING SEGMENTS:

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

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

1) Segment information

	Six months ended June 30, 2020			
	Unaudited			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Revenues</i>				
External	81	-	-	81
Inter-segment	-	-	-	-
<i>Total</i>	81	-	-	81
<i>Segment loss</i>	387	1,784	-	2,171
<i>Finance expense, net</i>				(529)
<i>Tax expenses</i>				-
<i>Loss</i>				1,642

	Three months ended June 30, 2020			
	Unaudited			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Revenues</i>				
External	39	-	-	39
Inter-segment	-	-	-	-
<i>Total</i>	39	-	-	39
<i>Segment loss</i>	4	984	-	988
<i>Finance expense, net</i>				382
<i>Tax expenses</i>				-
<i>Loss</i>				1,370

	As of June 30, 2020			
	Unaudited			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Segment assets</i>	4,078	8,061	(8,960)	3,179
<i>Segment liabilities</i>	5,388	4,173	(4,601)	4,960

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

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

NOTE 10 - OPERATING SEGMENTS (Continued):

1) Segment information (continued)

	Six months ended June 30, 2019			
	Unaudited			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Revenues</i>				
External	129	-	-	129
Inter-segment	-	-	-	-
<i>Total</i>	129	-	-	129
<i>Segment loss</i>	(796)	1,554	-	758
<i>Finance expense, net</i>				1,439
<i>Tax expenses</i>				-
<i>Loss</i>				2,197

	Three months ended June 30, 2020			
	Unaudited			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Revenues</i>				
External	63	-	-	63
Inter-segment	-	-	-	-
<i>Total</i>	63	-	-	63
<i>Segment loss</i>	(971)	1,025	-	54
<i>Finance expense, net</i>				692
<i>Tax expenses</i>				-
<i>Loss</i>				746

	As of June 30, 2019			
	Unaudited			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Segment assets</i>	1,332	6,440	(6,339)	1,433
<i>Segment liabilities</i>	25,270	2,923	(2,172)	26,021

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

Notes to Interim Condensed Consolidated Financial Statements

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NOTE 10 - OPERATING SEGMENTS (Continued):

- 2) Entity wide disclosures external revenue by location of customers.

	Six months ended June 30,	
	2020	2019
	Unaudited	
Israel	77	124
Other	4	5
	81	129

	Three months ended June 30,	
	2020	2019
	Unaudited	
Israel	35	58
Other	4	5
	39	63

- 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 11 - SUBSEQUENT EVENTS:

- a. On July 9, 2020 the Company amended the terms of 20,119,665 warrants to purchase common shares of the Company issued on September 27, 2018. These warrants were amended by extending the expiry date for a further period of 12 months, with an expiry date set to September 27, 2021. All other terms of the warrants remain the same.
- b. On July 29, 2020 the Company issued to its employees and directors 12,660,000 options to purchase common shares of the Company at \$0.11 per share (CAD \$0.15) under the Company's share option plan. The options will be exercisable for 10-year period and will vest quarterly over a 2-year period.
- c. On August 5, 2020 the Company signed a binding memorandum of understanding with Sugart Ltd that will increase the Company's manufacturing capacity. In conjunction with this memorandum of understanding the Company issued 1,000,000 warrants to purchase a common share of the Company at \$0.11 (CAD \$0.15) for a period of 24 months from the date of issuance. The Company also issued 1,600,000 warrants to purchase common shares of the Company as finder's fees. The warrants have an exercise price of \$0.11 (CAD \$0.15) per share and are exercisable for a period of 18 months from the date of issuance.
- d. On August 6, 2020 the Company completed a Private Placement of 4,349,195 shares at a price of \$0.11 per share (CAD \$0.15) for gross proceeds of \$413 (CAD \$652). The shares 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. The Company paid commissions of 5% cash and 5% warrants to finders. The warrants will be exercisable at a price of \$0.11 per share (CAD \$0.15) and are exercisable for a period of 12 months from the date of issuance.