

# **BioHarvest Sciences Inc.**

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

**Unaudited Interim Condensed Consolidated Financial Statements**

**For the Three and Nine Months Ended September 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 nine months ended September 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 Nine Months Ended September 30, 2020  
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## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>FINANCIAL STATEMENTS:</b>	
Interim Condensed Consolidated Statement of Financial Position	4
Interim Condensed Consolidated Statement of Comprehensive Loss	5
Interim Condensed Consolidated Statement of Changes in shareholders' deficit	6-7
Interim Condensed Consolidated Statement of Cash Flows	8
Notes to Interim Condensed Consolidated Financial Statements	9-22

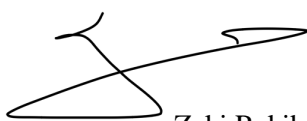
**BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc.)**  
**Interim Condensed Consolidated Statement of Financial Position**  
**U.S. dollars in thousands, except per share data**

	Note	September 30, 2020 Unaudited	December 31, 2019 Audited
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,825	\$ 911
Trade accounts receivable		46	38
Other accounts receivable		259	243
Inventory		145	51
<b>Total current assets</b>		<b>3,275</b>	<b>1,243</b>
<b>Non-current</b>			
Restricted cash		137	128
Property and equipment, net		515	651
<b>Total non-current assets</b>		<b>652</b>	<b>779</b>
<b>Total assets</b>		<b>\$ 3,927</b>	<b>\$ 2,022</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade accounts payable		\$ 263	\$ 260
Other accounts payable		839	717
Accrued liabilities		38	1,284
Convertible loans	3	-	23,412
Current maturities and short term bank credit and loans		4	61
Derivative liability - Warrants	4	148	734
<b>Total current liabilities</b>		<b>1,292</b>	<b>26,468</b>
<b>Non-current liabilities</b>			
Related parties		-	7
Lease liability		263	320
Liability to Agricultural Research Organization		2,519	2,197
<b>Total non-current liabilities</b>		<b>2,782</b>	<b>2,524</b>
<b>Shareholders' deficit</b>			
Share capital	6	46,633	16,324
Accumulated deficit		(46,780)	(43,294)
<b>Total Shareholders' deficit</b>		<b>(147)</b>	<b>(26,970)</b>
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 3,927</b>	<b>\$ 2,022</b>

Going concern (Note 1b)


November 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		Nine-months period ended		
	September 30,		September 30,		
	2020	2019	2020	2019	
	Note	Unaudited	Unaudited		
Revenues	\$	53	\$ 44	\$ 134	\$ 173
Cost of revenues		35	28	93	122
<b>Gross revenue</b>		<b>18</b>	<b>16</b>	<b>41</b>	<b>51</b>
<b>Operating expenses</b>					
Research and development		351	307	893	981
Selling and marketing		237	31	332	94
General and administrative		1,011	413	2,002	469
<b>Total operating expenses</b>		<b>(1,599)</b>	<b>(751)</b>	<b>(3,227)</b>	<b>(1,544)</b>
<b>Loss from operations</b>		<b>(1,581)</b>	<b>(735)</b>	<b>(3,186)</b>	<b>(1,493)</b>
Listing expenses	1	7	-	573	-
Finance expenses		256	602	445	2,528
Finance income		-	(207)	(718)	(694)
<b>Net loss before tax</b>		<b>(1,844)</b>	<b>(1,130)</b>	<b>(3,486)</b>	<b>(3,327)</b>
Tax expenses		-	-	-	-
<b>Net loss and comprehensive loss</b>	\$	<b>(1,844)</b>	\$ (1,130)	\$ (3,486)	\$ (3,327)
Basic and Diluted loss per share		(0.00)	(0.00)	(0.00)	(0.00)
Weighted Average Number of Shares Outstanding		420,037,084	97,084,259	312,212,102	103,243,680

*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 nine-month period ended September 30, 2020 (Unaudited):**

	Note	Number of shares	Share Capital	Accumulated deficit	Total
<b>Balance, January 1, 2020</b>		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	5	28,991,416	3,163	-	3,163
Share based compensation	5	426,666	48	-	48
Share based compensation	6	-	808	-	808
Comprehensive loss for the period		-	-	(3,486)	(3,486)
<b>Balance, September 30, 2020</b>		<b>439,719,501</b>	<b>\$ 46,633</b>	<b>\$ (46,780)</b>	<b>\$ (147)</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 nine-month period ended September 30, 2019 (Unaudited):**

	Note	Number of shares	Share Capital	Accumulated deficit	Total
<b>Balance, January 1, 2019</b>		96,577,013	\$ 15,295	\$ (37,984)	\$ (22,689)
Issuance of shares		6,666,667	570	-	570
Issuance of warrants in subsidiary		-	2	-	2
Share based compensation		-	375	-	375
Share based compensation in subsidiary			16		16
Comprehensive loss for the period		-	-	(3,327)	(3,327)
<b>Balance, September 30, 2019</b>		<b>103,243,680</b>	<b>\$ 16,258</b>	<b>\$ (41,311)</b>	<b>\$ (25,053)</b>
Share based compensation		-	66	-	66
Comprehensive loss for the period		-	-	(1,983)	(1,983)
<b>Balance, December 31, 2019</b>		<b>103,243,680</b>	<b>\$ 16,324</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**

	Nine-months period ended	
	September 30,	
	2020	2019
	Unaudited	
<b>Cash flows from operating activities:</b>		
Net loss for the period	\$ (3,486)	\$ (3,327)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	223	254
Interest on convertible loans	27	1,242
Fair value adjustments of derivative liability – convertible loan	-	767
Fair value adjustments of derivative liability - warrants	(586)	(683)
Re-assessment of liability for Agricultural Research Organization	-	(805)
Interest on liability for Agricultural Research Organization	322	369
Finance expenses, net	21	28
Issuance of warrants	-	2
Listing expenses	173	-
Share based compensation	856	391
<b>Changes in operations assets and liabilities:</b>		
Change in inventory	(94)	38
Change in trade receivables	(8)	(7)
Change in other receivables	(14)	87
Changes in trade payables and accrued expenses	(44)	25
<b>Cash from operations</b>	<u>(2,610)</u>	<u>(1,619)</u>
Interest paid	(19)	(28)
<b>Net cash used in operating activities</b>	<u>(2,629)</u>	<u>(1,647)</u>
<b>Cash flows from investing activities:</b>		
Restricted cash	-	(10)
Purchase of property and equipment	(18)	(28)
<b>Net cash used in financing activities</b>	<u>(18)</u>	<u>(38)</u>
<b>Cash flows from financing activities</b>		
Repayment of long term loan	-	(53)
Repayment of short term loan and short term credit	(55)	(33)
Payments of lease liabilities	(197)	(188)
Net proceeds from issuance of shares and unit of securities	4,046	742
Convertible loans received	769	506
<b>Net cash provided by financing activities</b>	<u>4,563</u>	<u>974</u>
Exchange rate differences on cash and cash equivalents	(2)	4
Increase (decrease) in cash and cash equivalents	1,916	(711)
Cash and cash equivalents at the beginning of the period	911	1,199
<b>Cash at the end of the period</b>	<u>\$ 2,825</u>	<u>\$ 492</u>
<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 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;

#### 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 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):**

- 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 3) 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 September 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**

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

##### COVID-19

The continued global spread of COVID-19 could have an adverse impact on the business, operations and financial results of the Company, including with respect to issues related to the expansion of our VINIA® B2C E-Commerce product launch into the USA in first quarter 2021, acquisition of new B2B customers in the USA purchasing VINIA® to be integrated into their brands/products and impacting our ability to set up an efficient supply chain in USA. The Company has already implemented a number of precautionary measures, which would not have otherwise been implemented prior to the COVID-19 outbreak, at its facility to ensure the safety of its personnel, and to potential clients and partners, which may adversely impact the Company's productivity from an R&D perspective and its business in the supply chain sector. The Company is also fully compliant with local rules and regulations instituted during COVID 19 and understands that mandatory or voluntary self-quarantines may limit the staffing at the Company's facility which will have a further impact on productivity. 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.

Amidst this highly challenging operating environment, the Company has seen increased demand for its VINIA® product in Israel during the first few months of its E-Commerce launch.

It is important to note that Continued spread of COVID-19 globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the unpredictability and scale of the effects of COVID-19, the Company is unable at this point of time to accurately fully estimate the impact or level of materiality of COVID-19 on its business, operations or financial results.

#### b. Going concern:

Since inception through September 30, 2020, the Company has generated a cumulative loss of \$46,780. The Company generated negative cash flows from operating activities of \$2,629 and a loss in the amount of \$3,486 for the nine-months period ended September 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**

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#### **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 September 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 - 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 4 - DERIVATIVE LIABILITY- WARRANTS:

(i) A summary of changes in share purchase warrants issued by BioHarvest Sciences during the three months ended September 30 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2018 (see ii)	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
Expired	(40,336,062)	0.69
<b>Balance, September 30, 2020</b>	<b>26,903,992</b>	<b>0.18</b>

(ii) 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.

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

Date of issuance	Date of expiry	Exercise price	Exercisable at September 30, 2020
September 27, 2018	September 26, 2021	\$ 0.17 (CAD \$0.23)	20,119,665
September 23, 2019	September 22, 2021	\$ 0.23 (CAD \$0.30)	6,666,667
March 31, 2020	September 30, 2021	\$ 0.11 (CAD \$0.15)	117,660
			<b>26,903,992</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.

(iii) The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period.

**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 4 - DERIVATIVE LIABILITY- WARRANTS (Continued):**

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

	20,119,665		6,666,667		117,660	
	At Issuance Date		At Issuance Date		At Issuance Date	
	September 27, 2018	September 30, 2020	September 23, 2019	September 30, 2020	March 31, 2020	September 30, 2020
Expected life of warrants	2 years	1 year	2 years	1 year	1.5 years	1 year
Expected volatility	100%	50%	100%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.8%	0.14%	1.6%	0.14%	0.46%	0.14%
Market price of Common share	CAD \$0.11	CAD \$0.145	CAD \$0.115	CAD \$0.145	CAD \$0.15	CAD \$0.145
Exercise price	CAD \$0.23	CAD \$0.23	CAD \$0.30	CAD \$0.30	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 nine-month period ended September 30, 2020, the Company recorded a profit of \$587 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability as of September 30, 2020 (September 30, 2019: profit of \$683).

## 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 - SHARE CAPITAL:

	Number of shares	
	September 30, 2020 Issued and outstanding	December 31, 2019 Issued and outstanding
Ordinary shares	439,719,501	103,243,680

- a. The Company is authorized to issue an unlimited number of common shares.
- b. On September 14, 2020 the Company completed a private placement financing by issuing 21,492,221 common shares at a price of \$0.11 (CAD \$0.15) per share for gross proceeds of \$2,886 (CAD \$3,224). 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 \$2,332.
- c. On August 31, 2020 the Company issued 26,666 common shares at a price of \$0.12 (CAD \$0.16) per share for services received during the period. The increase in Additional Paid in Capital is \$3.
- d. On August 6, 2020 the Company issued 400,000 common shares at a price of \$0.11 (CAD \$0.15) per share for services received during the period. The increase in Additional Paid in Capital is \$45.
- e. On August 4, 2020 the Company completed a private placement financing by issuing 4,349,195 common shares at a price of \$0.11 (CAD \$0.15) per share for gross proceeds of \$483 (CAD \$652). 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 \$461.
- f. 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.
- g. 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.
- h. 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 6 - 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 September 10, 2020, the Company granted 700,000 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 monthly over 2-year period. The total value of the options is \$28 (CAD \$37).
- c. On July 29, 2020, the Company granted 12,660,000 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 monthly over 2-year period. The total value of the options is \$630 (CAD \$840).

## 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 BASED COMPENSATION: (Continued)

- d. 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).
- e. 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).
- f. 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.
- g. A summary of activity of options granted to purchase the Company's Shares under the Company's share option plan is as follows:

	September 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
<b>Changes during the period:</b>				
Granted (See b, c, d, e)	42,467,113	0.11	750,000	0.15
Cancelled (See note 1)	(731,348)	0.99	-	-
Cancelled (See f)	(5,094,800)	0.15	-	-
Forfeited (*)	(5,280,305)	0.15		
Options outstanding at end of period (**)	42,497,113	0.11	11,136,453	0.21
Options exercisable at period end	10,302,020		9,887,166	

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

(\*\*) The options outstanding at September 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 September 30, 2020:

Number Outstanding at September 30, 2020	Options Outstanding		Options Exercisable at September 30, 2020
	Exercise Price	Expiry Date	
18,098,196	\$0.105 (CAD \$0.14)	June 9, 2030	5,902,305
11,008,917	\$0.11 (CAD \$0.15)	June 10, 2030	4,265,409
12,660,000	\$0.11 (CAD \$0.15)	July 27, 2030	131,875
700,000	\$0.11 (CAD \$0.15)	September 10, 2030	2,431
<b>42,467,113</b>			<b>10,302,020</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 6 - SHARE BASED COMPENSATION: (Continued)

- h. On August 4, 2020, the Company granted to Private Placement's brokers 166,738 warrants to purchase the Company's Shares at an exercise price of \$0.11 (CAD \$0.145) per share. The warrants will be exercisable for 12 months. The total value of the warrants is \$4 (CAD \$5) (See note 5e).
- i. On August 5, 2020, the Company granted 1,600,000 warrants to purchase the Company's Shares at an exercise price of \$0.11 (CAD \$0.15) per share for services rendered to the Company. The warrants will be exercisable for 18 months. The total value of the warrants is \$44 (CAD \$58).
- j. On August 5, 2020, the Company granted 1,000,000 warrants to purchase the Company's Shares at an exercise price of \$0.11 (CAD \$0.15) per share for services rendered to the Company. The warrants will be exercisable for 24 months. The total value of the warrants is \$31 (CAD \$42).
- k. On August 6, 2020, the Company granted 430,000 warrants to purchase the Company's Shares at an exercise price of \$0.11 (CAD \$0.15) per share for services rendered to the Company. The warrants will be exercisable for 14 months. The total value of the warrants is \$10 (CAD \$14).
- l. On September 9, 2020, the Company granted 300,000 warrants to purchase the Company's Shares at an exercise price of \$0.10 (CAD \$0.14) per share for services rendered to the Company. The warrants will be exercisable for 18 months. The total value of the warrants is \$8 (CAD \$10).
- m. On September 14, 2020, the Company granted to Private Placement's brokers 724,235 warrants to purchase the Company's Shares at an exercise price of \$0.11 (CAD \$0.15) per share. The warrants will be exercisable for 12 months. The total value of the warrants is \$16 (CAD \$21) (See note 5b).

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

Warrants Outstanding		
Number Outstanding at September 30, 2020	Exercise Price	Expiry Date
166,738	\$0.11 (CAD \$0.145)	August 4, 2021
1,600,000	\$0.11 (CAD \$0.15)	February 5, 2022
1,000,000	\$0.11 (CAD \$0.15)	August 5, 2022
430,000	\$0.11 (CAD \$0.15)	October 6, 2021
300,000	\$0.10 (CAD \$0.14)	March 9, 2022
724,235	\$0.11 (CAD \$0.15)	September 14, 2021
<b>4,220,973</b>		

#### NOTE 7 - 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	148	Black-Scholes model	level 3	Volatility of firm's assets returns*

\* A change in the volatility measure by 5% results in a change of +/- \$21 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:

## 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 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Continued):

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
Loss recognized due to changes in Warrant's terms (See note 4 (ii))	113
Profit recognized in Profit or loss:	(702)
<b>Balance as of September 30, 2020</b>	<b>148</b>

#### Derivative liability – Convertible loans

Balance as of January 1, 2019	-
Issuance of convertible loans	1,036
Loss recognized in Profit or loss	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 3)	(1,838)
<b>Balance as of September 30, 2020</b>	<b>-</b>

#### NOTE 8 - RELATED PARTIES TRANSACTIONS:

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

#### Related party transactions (unaudited):

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
<b>Compensation of key management personnel of the Company:</b>				
CEO Management fees	328	151	158	58
CFO Management fees	11	6	9	3
Share base payment to CEO	310	210	153	36
<b>Other related party transactions:</b>				
Share base payments	227	146	223	59
Investment in Convertibles loans	-	-	113	38

**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 - RELATED PARTIES TRANSACTIONS (Continued):****Balance with related parties:**

	<b>As of September 30,</b>	
	<b>2020</b>	<b>2019</b>
Convertible loans	-	14,258
Loan from related party	-	11

**NOTE 9 - 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

	<b>Nine months ended September 30, 2020</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	134	-	134
Inter-segment	-	-	-
<i>Total</i>	134	-	134
<i>Segment loss</i>	827	2,932	3,759
<i>Finance expense, net</i>			(273)
<i>Tax expenses</i>			-
<i>Loss</i>			3,486

**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 9 - OPERATING SEGMENTS (Continued):**

1) Segment information (continued):

	<b>Three months ended September 30, 2020</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	53	-	53
Inter-segment	-	-	-
<i>Total</i>	53	-	53
<i>Segment loss</i>	440	1,148	1,588
<i>Finance expense, net</i>			256
<i>Tax expenses</i>			-
<i>Loss</i>			1,844

	<b>As of September 30, 2020</b>			
	<b>Unaudited</b>			
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Adjustment &amp; Elimination</b>	<b>Total</b>
<i>Segment assets</i>	4,136	10,137	(10,346)	3,927
<i>Segment liabilities</i>	6,032	4,030	(5,988)	4,074

	<b>Nine months ended September 30, 2019</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	173	-	173
Inter-segment	-	-	-
<i>Total</i>	173	-	173
<i>Segment loss</i>	(448)	1,941	1,493
<i>Finance expense, net</i>			1,834
<i>Tax expenses</i>			-
<i>Loss</i>			3,327

**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 9 - OPERATING SEGMENTS (Continued):**

1) Segment information (continued):

	<b>Three months ended September 30, 2020</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	44	-	44
Inter-segment	-	-	-
<i>Total</i>	44	-	44
<i>Segment loss</i>	348	517	865
<i>Finance expense, net</i>			265
<i>Tax expenses</i>			-
<i>Loss</i>			1,130

	<b>As of September 30, 2019</b>			
	<b>Unaudited</b>			
	<b>Adjustment &amp;</b>			
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Elimination</b>	<b>Total</b>
<i>Segment assets</i>	1,234	6,995	(6,579)	1,650
<i>Segment liabilities</i>	25,932	3,183	(2,412)	26,703

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

	<b>Nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
Israel	129	169
Other	5	4
	134	173

	<b>Three months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
Israel	52	44
Other	1	-
	53	44

## **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 9 - 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 10 - SUBSEQUENT EVENTS:**

- a. On October 3, 2020 the Company issued 400,000 common shares to contractors under the terms of consulting agreements entered into for services provided to the Company.
- b. On October 7, 2020 the Company completed a Private Placement of 3,935,834 shares at a price of \$0.11 per share (CAD \$0.15) for gross proceeds of \$445 (CAD \$590). 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.
- c. On November 9, 2020, the Company granted 950,000 options to purchase the Company's Shares at \$0.10 (CAD \$0.135) per share under the Company's share option. The options will be exercisable for a 10-year period and will vest quarterly over a 3-year period.