A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States or in any other jurisdiction where the offer or sale of such securities is not permitted, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws, or securities laws of any other relevant jurisdiction. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in any jurisdiction where the offer, sale or solicitation of an offer to buy any of these securities is not permitted. See "Plan of Distribution".

AMENDED AND RESTATED PRELIMINARY PROSPECTUS

(amending and restating the preliminary prospectus dated May 23, 2019)

Initial Public Offering June 13, 2019

BOL Pharma

Breath Of Life

BREATH OF LIFE INTERNATIONAL LTD.

C$150,000,000

● Ordinary Shares

This preliminary prospectus qualifies the distribution (the "**Offering**") of an aggregate of ● ordinary shares (the "**Offered Shares**") of Breath of Life International Ltd. (the "**Company**", "**BOL Pharma**", "**us**" or "**we**"), at a price of C$ ● per Offered Share (the "**Offering Price**"). It is anticipated that the Offering Price will be between C$27 and C$32 per Offered Share.

We are a leading producer of medical cannabis and cannabis products in Israel, supplying patients, pharmacies and other participants in the medical cannabis and pharmaceutical industries. We are a vertically integrated company in the medical cannabis and cannabinoid-based pharmaceutical industries with operations spanning the value chain from cultivation through production and extraction, formulation and product development, and product research and testing. We were one of the first licensed medical cannabis cultivators in Israel and have been at the forefront of the Israeli medical cannabis industry since 2008. The Company will use the net proceeds of the Offering as described in this prospectus. See "Use of Proceeds".

Upon completion of the Offering and assuming no exercise of the Over-Allotment Option (as defined herein), the Principal Shareholder (as defined herein) will, directly or indirectly, own or control approximately ● % of the issued and outstanding ordinary shares of the Company (the "**Common Shares**"), representing approximately ● % on a fully-diluted basis. As a result, the Principal Shareholder will have significant influence over us and our affairs. See "Principal Shareholder" and "Risk Factors". **All of the Common Shares held by the Principal Shareholder and our directors and executive officers upon completion of the Offering will be subject to restrictions on sale for a period of 180 days pursuant to agreements entered into with the Underwriters (as defined herein)**. See "Plan of Distribution — Lock-Up Arrangements".

There is currently no market through which the Offered Shares may be sold. The Company has applied to list the Common Shares on the Toronto Stock Exchange (the "**TSX**") under the symbol "BOLP". Listing is subject to approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the listing application and there is no assurance that it will do so. Closing (as defined herein) is conditional on the Offered Shares being approved for listing on the TSX. See "Plan of Distribution".

An investment in the Offered Shares is subject to a number of risks. Prospective purchasers should carefully consider the risk factors described under "Risk Factors" before purchasing Offered Shares.

Price: C$ ● per Offered Share

	Price to the Public[1]	Underwriters' Fee[2]	Net Proceeds to the Company
Per Offered Share	C$●	C$●	C$●
Total Offering[3]	C$●	C$●	C$●

Notes:

(1) The Offering Price has been determined by negotiation between the Company and the Underwriters.

(2) It is estimated that the total expenses of the Offering, not including the Underwriters' fee, will be approximately C$ ● . We have also agreed to reimburse the Underwriters for their reasonable expenses in connection with the Offering. See "Use of Proceeds" and "Plan of Distribution".

BOL Pharma

Breath Of Life

ISRAEL'S LARGEST IMC-GMP-CERTIFIED AND VERTICALLY-INTEGRATED MEDICAL CANNABIS COMPANY

We are the largest producer of medical cannabis and cannabis products in Israel, supplying patients, pharmacies and other participants in the medical cannabis and pharmaceutical industries.

We plan to become a global leader in producing medical cannabis and innovative cannabis products, including new pharmaceutical drugs. These new drugs are in various stages of development and are intended to address unmet medical needs of patients in therapeutic areas including central nervous system, pain and palliative care management, and inflammation and autoimmune disorders.

We intend to become one of the largest medical cannabis companies in the world by continuing to capitalize on our:

- economies of scale
- cost leadership
- innovative drug delivery technologies
- pharmaceutical strategy

Economies of Scale & Cost Leadership

We have arrangements in place or are pursuing arrangements to increase our available cultivation area to over

26 million sq.ft. +
30 million sq.ft.
by enlisting services of local Israeli farmers

4 million sq.ft. +
8 million sq.ft.
(entered into agreement to secure dried cannabis production from owner) in Portugal

expected annual manufacturing capacity in Israel and Portugal combined
870,000 kg of dried cannabis by the end of 2020

CAPITAL EFFICIENT, RAPIDLY SCALABLE PRODUCTION

Unique, Fully Integrated Platform with Key Strategic Partners

Currently the only company in Israel that is fully accredited under the Cannabis for Medicinal Purposes and Research (CMPR) throughout the main elements of the value chain, from cultivation through production and extraction, formulation and product development, and product research and testing.

FULLY INTEGRATED | CERTIFIED | PARTNERED

GAP AND IMC-GMP ACCREDITED
AND ABLE TO EXPORT INTERNATIONALLY

GROWTH STRATEGIES

Aiming to become the global leader in medical cannabis and the cannabinoid-based pharmaceutical and health and wellness industries by:

- Maintaining a strong leadership position in Israel's growing medical cannabis market;
- Invest in capacity expansion to establish an early mover advantage in order to meet global medical cannabis and CBD product demand
- Becoming the global partner of choice and engage in new strategic relationships with established licensed producers, retailers, distributors, researchers, pharmaceutical companies, and innovators;
- Continuing to work collaboratively with physicians and regulators worldwide; and
- Leading the industry in R&D and innovation of cannabinoid-based pharmaceutical products with proprietary formulations and exclusively-licensed drug delivery systems.

Manufacturing Pharmaceutical Grade API's and Finished Products

230 genetic varieties to support pharmaceutical product development

99% isolates from in-house extraction, isolation, purification

9 unique cannabinoid API's
THC & CBD plus CBDA, CBDV, CBG, CBGA, THCA, CBC, CBN

2 drug delivery technologies
Trojan™ Sedds™

Multiple dosage forms
We are developing and planning to develop different combinations of cannabinoids in various formulations, including medicated drops, soft gel capsules, metered-dose inhalers, dermal applications, injections, ophthalmic solutions, and sublingual tablets

A LEADING INNOVATOR OF CANNABINOID-BASED PHARMACEUTICAL DRUG DEVELOPMENT

Long-Term Pharmaceutical Strategy Anchored in Strategic Partnerships

Our existing collaborations with some of Israel's leading hospitals and universities allow us to conduct randomized, controlled clinical trials which are aimed at positioning us to be a leader in the pharmaceutical cannabis field. The cost to conduct early-stage to mid-stage clinical trials in Israel is competitive compared to clinical trials run in other developed markets, enabling a broad exploration of product candidates.

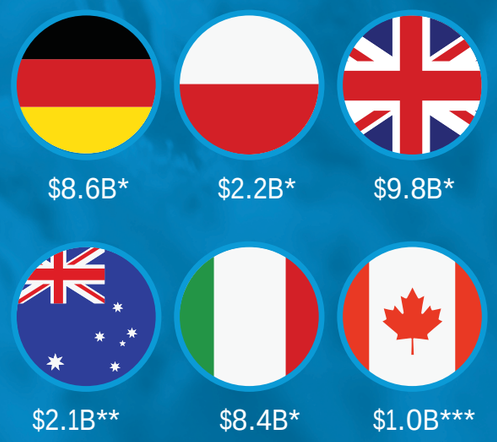
- **First Phase 2a Trial complete**
  (targeting the $11.4B*+ global ASD addressable market in 2029) demonstrating efficacy over placebo in a randomized, double-blind, three-arm crossover trial
- **Pre-IND meeting with U.S. FDA**
  expected in Q3 2019 to discuss ASD results
- **33 additional indications**
  expected to enter Phase 2a by the end of H1 2020

*LifeSci Advisors Study

PIPELINE OF CANNABINOID-BASED PHARMACEUTICAL PRODUCTS UNDER DEVELOPMENT ACROSS A RANGE OF 34 INDICATIONS

BOL Pharma's currently targeted export countries

2028 MEDICAL CANNABIS EST. MARKET SIZE (US $)



Note: Market size estimates are based on retail pricing and exclude CBD-infused wellness products; estimates have been converted from EUR to US$ at an exchange rate of 1.116x and from C$ to US$ at an exchange rate of 0.743x. The estimate for Canada is for 2024.
*Source: Prohibition Partners, "The European Cannabis Report" 4th Edition (January 2019)
**Source: Prohibition Partners, "The Oceania Cannabis Report" (November 2018)
***Source: Health Canada, "Regulatory Impact Analysis Statement" (December 2012)

(3) The Company has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable, in whole or in part, at any time for a period of 30 days after the Closing Date (as defined herein), to purchase from the Company up to an additional 15% of the aggregate number of Offered Shares issued under the Offering on the same terms as set forth above, solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be C$ ● , C$ ● and C$ ● , respectively. This prospectus also qualifies the grant of the Over-Allotment Option to the Underwriters and distribution of the Offered Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires such Offered Shares under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See "Principal Shareholder" and "Plan of Distribution".

BMO Nesbitt Burns Inc. ("**BMO**"), Cowen and Company, LLC ("**Cowen**") and Scotia Capital Inc. ("**Scotia**" and, collectively with BMO and Cowen, the "**Joint Bookrunners**") and CIBC World Markets Inc., Canaccord Genuity Corp., Oppenheimer & Co. Inc. and Raymond James Ltd. (collectively with the Joint Bookrunners, the "**Underwriters**"), as principals, conditionally offer the Offered Shares qualified under this prospectus, subject to prior sale, if, as and when sold by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) among us and the Underwriters referred to under "Plan of Distribution", and subject to the approval of certain legal matters on our behalf by Stikeman Elliott LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

In connection with the Offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Offered Shares at levels other than those which otherwise might prevail on the open market. **The Underwriters may offer the Offered Shares at a price lower than that stated above. See "Plan of Distribution".**

The following table sets out the number of Offered Shares that may be sold by us to the Underwriters pursuant to the exercise of the Over-Allotment Option:

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	● Offered Shares	For a period of 30 days after the Closing Date	C$● per Offered Share

Subscriptions will be received subject to rejection or allocation in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The closing of the Offering (the "**Closing**") is expected to occur on or about ● , 2019 or such other date as the Company and the Underwriters may agree (the "**Closing Date**"). The Offered Shares offered under this prospectus are to be taken up by the Underwriters, if at all, on or before ● , 2019. The Offered Shares will be deposited with CDS Clearing and Depository Services Inc. ("**CDS**") in electronic form on the Closing Date through the non-certificated inventory system administered by CDS. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer from or through which the Offered Shares are purchased. See "Plan of Distribution — Non-Certificated Inventory System".

Our head and registered office is located at Revadim, Revadim Industrial Zone, 7982000, Israel. Our telephone number at our head and registered office is +1-1718-838-1159.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process in Canada. See "Enforcement of Judgments Against Foreign Persons".

Neither Cowen nor Oppenheimer & Co. Inc. are registered to sell securities in any Canadian jurisdiction and, accordingly, will only sell Offered Shares outside of Canada and will not, directly or indirectly, sell or solicit offers to purchase the Offered Shares in Canada.

The acquisition and holding of our Common Shares, and the exercise of control or direction over our Common Shares, will be subject to share ownership approval requirements in order for the Company to maintain the licences that it requires to conduct its cannabis-related activities in Israel. If any Holder (as defined in the Glossary) acquires, holds, or has control or direction over more than 4.99% (the "Applicable Limit") of our Outstanding Shares (as defined in the Glossary) at any time without receiving prior regulatory approval, the Common Shares held by that Holder in excess of the Applicable Limit will automatically become Dormant Shares. See "Description of Share Capital — Israeli Cannabis Law Approval Requirements in Respect of our Shares". Dormant Shares shall not have the right to vote, to receive dividends or to participate in the liquidation and distribution of the Company's assets upon dissolution.

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ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus when making a decision to invest in the Offered Shares. Neither the Company nor any of the Underwriters has authorized anyone to provide investors with additional or different information. The information contained on our website at *www.bolpharma.com* is not included in or incorporated by reference into this prospectus and prospective investors should not rely on that information when deciding whether or not to invest in the Offered Shares. Any graphs, tables or other information demonstrating our historical performance or of any other entity contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of our future performance or the future performance of such entities. The information contained in this prospectus is provided only as of the date of this prospectus or the date indicated, regardless of the time of delivery of this prospectus or of any sale of the Offered Shares.

Unless otherwise indicated, the information contained in this prospectus is presented assuming (i) the completion of the Pre-Closing Capital Changes and the Offering; (ii) the Offering Price is C$29.50 per Offered Share, being the midpoint of the Offering Price range; and (iii) the Over-Allotment Option is not exercised.

We and the Underwriters are not offering to sell the Offered Shares in any jurisdiction where the offer or sale of such securities is not permitted.

This prospectus includes a summary description of certain material agreements of the Company. See "Material Contracts". The summary description is not complete and is qualified by reference to the full terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR. Investors are encouraged to read the full text of such material agreements.

EXCHANGE RATE DATA

Currently, a substantial portion of our revenues and our expenses are generated and incurred in NIS. The terms "**shekels**", "**Israeli shekels**" and "**NIS**" refer to New Israeli Shekels, the lawful currency of the State of Israel. The following is a summary of the United States dollars ("**U.S. dollars**") exchange rates to the NIS, according to the Bank of Israel, for the periods noted below.

	Three-Months Ended		Year Ended		
US$1.00 converted to NIS	**March 31, 2019**	**March 31, 2018**	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**
Highest rate during the period	3.746	3.535	3.781	3.860	3.983
Lowest rate during the period	3.600	3.388	3.388	3.467	3.746
Average rate for the period	3.642	3.462	3.597	3.600	3.840
Rate at the end of the period	3.632	3.514	3.748	3.467	3.845

On June 12, 2019, the rate of exchange posted by the Bank of Israel for conversion of U.S. dollars into NIS was U.S. dollars $1.00 equals NIS 3.582 and the rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was U.S. dollars $1.00 equals Canadian dollars C$1.33. No representation is made that U.S. dollars could be converted into NIS or Canadian dollars at such rates or any other rate.

NON-IFRS FINANCIAL MEASURES

This prospectus makes reference to certain non-IFRS financial measures including "**cash cost per gram and gram equivalent sold**", "**adjusted cash cost per gram and gram equivalent sold**" and "**Adjusted EBITDA**". See "Management's Discussions and Analysis of Financial Condition and Results of Operations". These measures are not recognized measures under International Financial Reporting Standards ("**IFRS**") and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS financial measures can also provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that

may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, we reconcile these non-IFRS financial measures to the most comparable IFRS measures. For a discussion of the use of these measures and reconciliations thereof to the most directly comparable IFRS measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operation — Non-IFRS Financial Measures".

MEANING OF CERTAIN REFERENCES

Before Closing, we will give effect to the Pre-Closing Capital Changes, as described under "Corporate Structure — Pre-Closing Capital Changes". Unless otherwise stated, all references to the Company's outstanding Common Shares and securities convertible or exercisable for Common Shares in this prospectus, including the exercise price associated with outstanding options, assume the completion of the Pre-Closing Capital Changes and exclude any Common Shares that may be issued after the date of this prospectus pursuant to the exercise of existing option awards made prior to or upon Closing.

Certain terms used in this prospectus have the meanings ascribed to them in the "Glossary", unless the context indicates or requires otherwise. All references to "**BOL Pharma**", the "**Company**", "**we**", "**us**" and "**our**" mean Breath of Life International Ltd. together with its direct and indirect subsidiaries, after giving effect to the completion of the Offering, and in respect of periods prior to May 2015, refer to Breath of Life Ltd., the entity with which we effectively completed a business combination in early 2018.

FORWARD-LOOKING INFORMATION

This prospectus contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information may be found, among other places, under "Prospectus Summary", "Business Overview", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds", "Description of Share Capital", "Dividend Policy", "Principal Shareholder", "Consolidated Capitalization", "Directors and Executive Officers", "Executive Compensation", "Director Compensation" and "Risk Factors".

This forward-looking information includes, among other things, statements relating to:

- the Offering Price, the completion, size, expenses and timing of Closing;
- the execution of agreements to be entered into in connection with the Offering by the Principal Shareholder;
- expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies;
- the use of the net proceeds of the Offering;

- the performance of the Company's business and operations;
- our expectations regarding revenues, expenses and anticipated cash needs;
- the intention to grow our business and operations;
- our favourable market position with respect to competitors and our global positioning as industry leaders;
- the Israeli cannabis export regime and our ability to obtain the approvals necessary to export by the end of 2019 and export into various jurisdictions;
- the success of our clinical trials and our ability to complete the development of our product candidates and obtain approvals by the FDA and other regulatory bodies, including the ability of our product candidates to be eligible for the 505(b)(2) regulatory pathway (as defined herein) approval process;
- the size of the target markets for our product candidates;
- our ability to leverage our research, particularly with respect to new cannabinoids;
- the growth in our cultivation capacity and the maintenance of minimum levels of inventory;
- our drying capacity;
- future production costs and capacity, including potential acquisitions of additional property or facilities such as our expansion into Portugal;
- the maintenance and renewal of our licences;
- the maintenance and renewal of our certifications with respect to various standards;
- the growth in the number of cannabis-based pharmaceutical products we sell;
- our ability to maintain and expand our strategic partnerships with pharmacies, distributors, and local farmers;
- industry growth trends, including with respect to projected sales and number of patients;
- our ability to optimize production costs;
- the number of pharmacies which will sell our products;
- the number of grams of cannabis used by each patient;
- the competitive conditions of the industry in which we operate;
- the expected timing and completion of our near-term objectives;
- laws and regulations and any amendments thereto applicable to us;
- our competitive advantages and business strategies;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- our ability to maintain, expand and protect our intellectual property portfolio;
- our future product offerings;
- our plans with respect to the payment of dividends;
- the expected compensation payable to our NEOs in fiscal 2019; and
- the market price for the Common Shares.

The forward-looking information in this prospectus is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. In providing

forward-looking information, we have made certain assumptions in respect of our ability to build our market share; the performance of the Company's business and operations; our ability to grow our cultivation capacity; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to obtain all necessary licences in connection with our expansion plans in a timely manner; our ability to maintain our licences and certifications in accordance with their terms; our ability to increase our licensed capacity to meet growing demand; our ability to continue investing in infrastructure to support our growth; our ability to perform and progress our clinical trials and our plans for future drug development; our ability to maintain our strategic partnerships and capitalize on product developments generated through our research and development efforts; our ability to meet our relevant milestones for our product pipeline; our ability to optimize production costs; our ability to obtain and maintain existing financing on acceptable terms; our timely receipt of equipment orders; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; the size of the target markets for our product candidates; our ability to maintain, expand and protect our intellectual property portfolio; and the changes in laws, rules, regulations, and global standards.

The forward-looking information in this prospectus is subject to known and unknown risks and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied, including but not limited to the risks described below and the additional risks factors described under the heading "Risk Factors":

Risks Related to Regulatory Matters

- dependence on licences and our GSP, GAP and IMC-GMP certifications
- 5% ownership approval requirement in respect of our Common Shares
- dependence on compliance with regulatory and other requirements

Risks Related to Production

- inherent risks associated with an agricultural business
- reliance on one key facility
- reliance on key components of the production process and associated costs
- manufacturing difficulties, disruptions or delays
- environmental, health and safety regulations and risks
- dependence on our quality control systems
- inability to renew our leases

Risks Related to Drug Development

- dependence on the success of product candidates
- cost, uncertainty and timing of clinical trials and the regulatory pathway approval process
- product candidates may not materialize into saleable products
- negative results from clinical trials or studies conducted by others
- reliance on third parties to conduct a significant portion of preclinical and clinical development activities
- failure to identify, licence or discover additional products

Risks Related to Public Perception

- unfavourable publicity or consumer perception
- market acceptance of pharmaceutical cannabinoid and other product candidates

- introduction of new products or technologies

Risks Related to Product Liability

- exposure to product liability claims, regulatory action and litigation
- failure to obtain insurance coverage
- presence of THC in our CBD products or other products not intended to contain THC
- product recalls

Risks Related to Management and Personnel

- reliance on management and loss of key employees or inability to hire key personnel
- limited experience of senior management in managing a public company
- fraudulent or illegal activity by employees, contractors and consultants

Risks Related to Our Status as an Israeli Company

- shareholder rights will be governed by Israeli law
- political, economic and military conditions in Israel
- frequency of work stoppages and strikes in Israel and the obligations of personnel to perform military service
- enforcing a Canadian judgment or asserting Canadian securities law claims in Israel
- provisions of our Articles and Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us
- Israeli government funding may impose limitations on our manufacturing activities

Risks Related to Intellectual Property

- reliance on intellectual property and inability to protect intellectual property rights worldwide
- claims for remuneration or royalties for assigned service invention rights by employees

Risks Related to Electronic Security

- breaches of security at our facilities or in respect of information systems, electronic documents and data storage

Risks Related to this Offering and Ownership of Our Common Shares

- volatility of the market price of our Common Shares
- potential dilution of Common Shares
- ability of AKC, our officers and directors to control matters affecting the business
- lack of an active, liquid and orderly trading market for Common Shares
- failure of securities or industry analysts to publish research or publish inaccurate or unfavourable research about the issuer
- inability or unwillingness to pay dividends
- management may be unable to use the proceeds of the Offering effectively
- ownership of our shares may be considered unlawful in some jurisdictions

- the valuation of our biological assets is subject to certain assumptions and estimates

Risks Related to Exchange Rate

- exchange rate fluctuations between the Canadian dollar, the U.S. dollar, the Euro and other foreign (non-Israeli) currencies in relation to the New Israeli Shekel

Risks Related to Competition

- competition in our industry
- failure to develop products that compete successfully and to acquire and retain physicians who prescribe our drugs once developed and patients who use them

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Risk Factors" should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this prospectus represents our expectations as of the date of this prospectus (or as the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this prospectus is expressly qualified by the foregoing cautionary statements. Investors should read this entire prospectus and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in the Offered Shares.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this prospectus was obtained from third party sources, industry reports and publications, websites and other publicly available information, including LifeSci Advisors, LLC ("**LifeSci Advisors**") and PP Intelligence Ltd. ("**Prohibition Partners**"), as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the markets in which we operate, including information provided by suppliers, customers and other industry participants. We believe that the market and economic data presented throughout this prospectus is accurate and, with respect to data prepared by us or on our behalf, that our estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this prospectus are not guaranteed and neither we nor any of the Underwriters makes any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, neither we nor any of the Underwriters has independently verified any of the data from third party sources referred to in this prospectus, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

TRADEMARKS AND TRADE NAMES

This prospectus includes certain trademarks and trade names which are protected under applicable intellectual property laws. Solely for convenience, such trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the relevant owner will not assert, to the fullest extent under applicable law, their rights to these trademarks and trade names. The trademarks and trade names used in this prospectus are the property of their respective owners.

CURRENCY PRESENTATION

In this prospectus, unless otherwise specified or the context otherwise requires, all references to dollars, "**$**" or "**US$**" are to United States dollars and all references to "**C$**" are to Canadian dollars.

ELIGIBILITY FOR INVESTMENT

Provided that on the Closing Date the Common Shares are listed on a "designated stock exchange", as defined in the *Income Tax Act* (Canada) (the "**Tax Act**") (which currently includes the TSX), the Common Shares acquired pursuant to the Offering on the Closing Date will be, at that time, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), deferred profit sharing plan, registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), and a tax-free savings account ("**TFSA**").

Notwithstanding that Common Shares may be qualified investments for a trust governed by a RRSP, RRIF, TFSA, RESP or RDSP, the holder of such TFSA or RDSP, the annuitant under such RRSP or RRIF, or the subscriber under such RESP, as the case may be, will be subject to a penalty tax in respect of the Common Shares if such Common Shares are a "prohibited investment" and not "excluded property" for the TFSA, RRSP, RRIF, RESP or RDSP, for purposes of the Tax Act. Common Shares will generally be a "prohibited investment" if the holder of a TFSA or RDSP, the annuitant under a RRSP or RRIF, or the subscriber under a RESP, as the case may be, (i) does not deal at arm's length with us for purposes of the Tax Act or (ii) has a "significant interest" (within the meaning of the Tax Act) in us. **Prospective purchasers who intend to hold Common Shares in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own tax advisors as to whether such securities will be a "prohibited investment" in their particular circumstances, including with respect to whether the Common Shares would be "excluded property" in their particular circumstances.**

PROSPECTUS SUMMARY

This summary highlights principal features of the Offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in the Offered Shares. You should read this entire prospectus carefully before making an investment decision. We are incorporated under the laws of Israel, and Israeli corporate law differs significantly from Canadian corporate law in certain respects. See "Certain Regulatory Matters — Summary of Certain Material Aspects of Israeli Corporate Law".

BUSINESS OVERVIEW

Our Vision and Strategy

We are a leading producer of medical cannabis and cannabis products in Israel, supplying patients, pharmacies and other participants in the medical cannabis and pharmaceutical industries. We plan to become a global leader in producing medical cannabis and innovative cannabis products, including new pharmaceutical drugs. These new drugs are in various stages of development and are intended to address unmet medical needs of patients in therapeutic areas including central nervous system disorders, pain and palliative care management, and inflammation and autoimmune disorders.

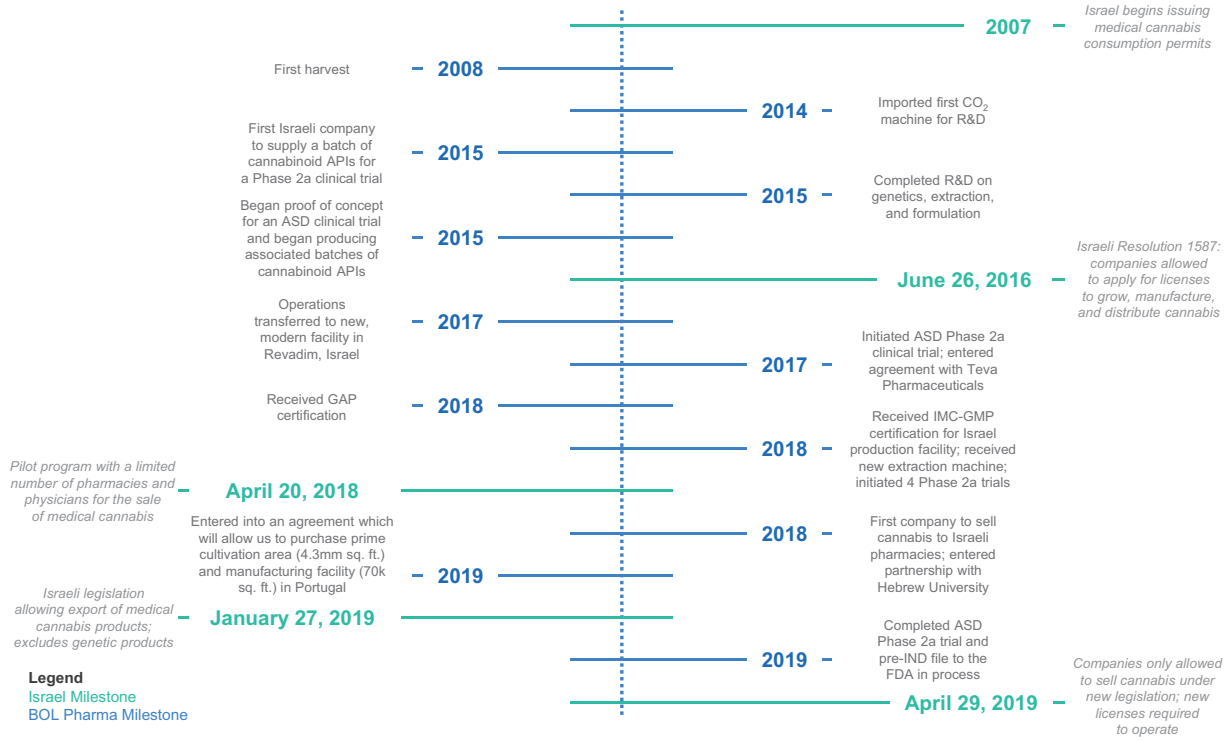
We intend to become one of the largest medical cannabis companies in the world by continuing to capitalize on our economies of scale, cost leadership, innovative drug delivery technologies and pharmaceutical strategy:

- **Economies of scale:** We have arrangements in place to increase our available cultivation area to over 26 million square feet in Israel and over 4 million square feet in Portugal, with an expected annual manufacturing capacity of over 870,000 kg of dried cannabis in Israel and Portugal combined by the end of 2020, giving us a significant advantage over our competitors.
- **Cost leadership:** We benefit from a cost-effective structure compared to our competitors enabled by the favourable operating environment in Israel and Portugal, our efficient cultivation cycles and drying processes, and advanced extraction techniques.
- **Innovative drug delivery technologies:** We have exclusive licences to incorporate patented drug delivery technologies in our products, including advanced formulations that enhance absorption and improve dosing and shelf-stability, allowing us to further reduce our production costs.
- **Long-term pharmaceutical strategy anchored in strategic partnerships to conduct rigorous clinical trials:** Our existing collaborations with some of Israel's leading hospitals and universities allow us to conduct randomized, controlled clinical trials which are aimed at positioning us to be a leader in the pharmaceutical cannabis field.

Overview

We are a vertically integrated company in the medical cannabis and cannabinoid-based pharmaceutical industries with operations spanning the value chain from cultivation through production and extraction, formulation and product development, and product research and testing. We have cultivation and manufacturing operations in Israel and are expanding our operations to Portugal. We were one of the first licensed medical cannabis cultivators in Israel and have been at the forefront of the Israeli medical cannabis industry since 2008. Our commitment to research and development and our well-established partnerships with key universities, medical centers, and corporations is rooted in a culture of innovation. We are currently the only company in Israel accredited by the Ministry of Health with both Good Agricultural Practices ("**GAP**") Israeli certification for propagation and cultivation and Good Manufacturing Practices ("**IMC-GMP**") Israeli certification for manufacturing of finished products. These GAP and IMC-GMP certifications conform to the standards of Government Resolution No. 1587 — Cannabis for Medicinal Purposes and Research ("**CMPR**"), the regulatory regime for medical cannabis in Israel that was operating on a pilot basis since April of 2018 and went into effect on April 29, 2019. These certifications authorize us to have our medical cannabis sold in pharmacies in Israel and we expect will provide us a competitive advantage to obtain approvals for cannabis export under the CMPR.

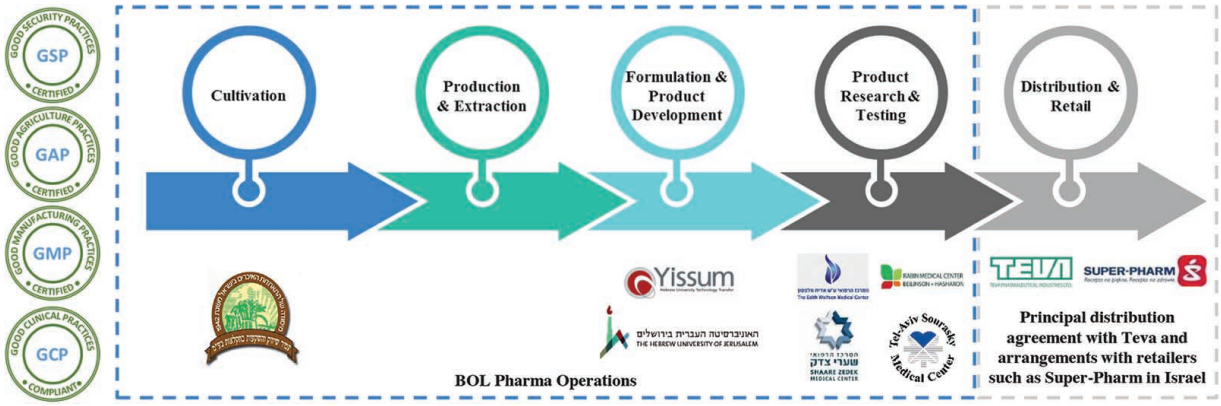
The following outlines certain key milestones we have achieved since the implementation of the medical cannabis regime in Israel:



Our business spans the production and sale of medical cannabis products, medical cannabis, botanical cannabinoid active pharmaceutical ingredients ("**APIs**") and the development of cannabinoid-based pharmaceutical products. A range of our medical cannabis products are sold in Israel, including products containing tetrahydrocannabinol ("**THC**") and cannabidiol ("**CBD**"), CBD being a non-psychoactive component of cannabis. Our extraction capabilities allow us to produce products that contain highly concentrated doses of THC, which we believe positions us favourably to take advantage of the growing medical cannabis market by selling a wide variety of products using different methods of administration. Products derived from CBD present additional opportunities for sales of CBD health and wellness products in Europe, Latin America and Australia. Many countries are developing separate regulatory regimes for products that are based on CBD, which contain less than a prescribed maximum amount of THC. These CBD health and wellness products are expected to be authorized for sale in many jurisdictions through broader distribution channels, and with fewer regulatory restrictions, than products containing higher amounts of THC.

An important component of our vertically integrated business strategy is our strategic partnerships and other relationships with key players throughout the value chain. This includes our relationships with Zabar Kama Agricultural Cooperative Society Ltd. ("**Zabar Kama**") and Amir Marketing and Investments in Agriculture Ltd. ("**Amir**"), for our cultivation related needs; the Hebrew University of Jerusalem with whom we collaborate for formulation and product development; various medical centres including the Rabin Medical Center, the Shaare Zedek Medical Center, the Tel Aviv Souraski Medical Center and the Wolfson Medical Center for product research and testing; and Salomon, Levine and Elstein Ltd. ("**SLE**"), a subsidiary of Teva Pharmaceutical Industries Limited ("**Teva**"), and the Israeli pharmacy chain Super-Pharm (Israel) Ltd. ("**Super-Pharm**"), who are our main distribution and retail partners for the Israeli market. We believe we are currently the largest supplier of medical cannabis to pharmacies in Israel.

Our Participation Spanning the Value Chain Enhances Our Performance in Each Stage of Operations



We intend to export our products around the world upon receiving approval from each of the Israeli government and the Portuguese government, respectively, for export and subject to approval from the destination country for import. On January 27, 2019, the Israeli government approved a regulatory regime under the CMPR that will allow IMC-GMP-certified manufacturers to apply for authorization to export domestically-grown medical cannabis products to countries where the importation and sale is legal, subject to receiving all applicable Israeli regulatory and administrative authorizations and approvals and import authorizations from the applicable country. We believe that we will be among the first applicants to obtain an authorization from the Israeli government to export medical cannabis products to another country under this regime and we expect to be authorized to export by the end of 2019. We have agreements, letters of intent, and ongoing negotiations with a number of companies to supply medical cannabis internationally, subject to receipt of applicable export and import approvals. We expect to start selling products in countries such as Germany, the United Kingdom, Italy, Poland, Australia and Canada in the near-term. We will not cultivate, extract, refine, or distribute cannabis or cannabis products in any country where such activities are not fully legal under all applicable federal, state, or provincial laws.

In addition, we are currently in the process of obtaining a pharmaceutical-grade GMP certification from the Ministry of Health for our manufacturing processes, in respect of which the Ministry of Health completed its initial audit of our facilities on May 2, 2019. We continue to work with the Ministry of Health to address all remaining requirements prior to being issued the certification. A pharmaceutical-grade GMP represents an additional standard of certification to the IMC-GMP certification and is recognized by the EU under the existing mutual recognition agreement with Israel.

Our current portfolio of marketed and planned products includes the following:

Product Type	Number of Varieties	Timeline	Relevant Milestones for Planned Products
Medicated drops	11	• All currently marketed	• N/A
Sublingual tablets	3	• All planned to be marketed in second half of 2019	• Completion of PK Study and submission to MCU
Capsules	2	• Planned to be marketed in 2020	• Complete formulation development by end of 2019 • Completion of PK Study by the end of Q2 2020 • Submission to MCU by the end of Q3 2020
Cannabinoid-based APIs for drug development	9	• All currently marketed	• N/A
Medical cannabis flower products	24	• 12 currently marketed • 12 planned to be marketed in second half of 2019	• To be marketed depending on market demand

These products are used to treat pain, nausea, epilepsy, and various other ailments and diseases. We sell our currently marketed products to pharmacies, research organizations, and pharmaceutical companies in Israel.

We benefit from Israel's national medical cannabis program, which launched in 2007 and was implemented by the Israeli government to incentivize research and development in medical cannabis. This cooperative regulatory environment in Israel provides us with a stable base of medical cannabis patients in Israel, and we believe we are well-positioned for significant global growth as the regulatory environment in other jurisdictions continues to evolve. Within Israel, under the CMPR, most of our finished products are delivered to pharmacies by our distributor, SLE, a subsidiary of Teva. We believe we have been the main supplier of medical cannabis products to the Israeli pharmacy chain Super-Pharm since May 2018 when we began marketing medical cannabis at 14 Super-Pharm branches following the commencement of the CMPR pilot program. We have since scaled to 41 pharmacy branches, including private pharmacies and branches associated with other chains, and we expect that the number of pharmacies in Israel in which our products will be sold will continue to increase.

We plan to sell a range of medical cannabis products, including THC-based products and CBD-based health and wellness products, some of which we have developed and others which are currently under development, into Europe, Latin America, and Australia through wholesalers, distributors and retailers, in addition to producing products for sale under the brand names of other retailers (white label contract manufacturing). Our medical cannabis and health and wellness products are expected to include topicals, drops, tablets, and capsules, which we intend to produce in both Israel and Portugal. We believe we are well-positioned to meet the growing demand for medical cannabis products and have devoted half of our current cultivation area in Israel to the development of CBD-rich cannabis strains.

Additionally, we have a pipeline of cannabinoid-based pharmaceutical products under development across a range of 34 indications, including central nervous system disorders (such as autism), pain and palliative care management, and inflammation and autoimmune disorders. Our autism spectrum disorder ("**ASD**") pharmaceutical product candidate recently completed a Phase 2a clinical trial for the treatment of social communication and behavioural problems in children and adolescents with ASD in Israel in respect of which we have filed a request for a Pre-Investigational New Drug Application ("**Pre-IND**"). We expect to have a Pre-IND meeting with the U.S. Food and Drug Administration ("**FDA**") in the third quarter of 2019 to discuss the results of the Phase 2a clinical trial conducted in Israel and the future development plan for this product candidate. Subsequent to the Pre-IND meeting with the FDA, we plan to incorporate any feedback from the FDA and submit the Investigational New Drug Application ("**IND**") for our ASD pharmaceutical product candidate. We are currently conducting another seven Phase 2a trials in Israel, with an additional 11 clinical trials scheduled to

start Phase 2a patient enrollment by the end of 2019, and 15 more expected to start Phase 2a patient enrollment by the end of the first half of 2020. We are also conducting multiple pharmacokinetic studies ("**PK Studies**") exploring the key pharmacokinetic characteristics of different dosage forms and formulations to support our clinical development programs. Our clinical trials benefit from the highly supportive medical cannabis policies of the Israeli government toward medical cannabis innovation and research, the significant amount of empirical data we have collected from the treatment of over 15,000 patients with medical cannabis over the past 10 years, and the stable supply of pharmaceutical-grade, cannabinoid-based APIs that we extract in-house. Our extensive pipeline is supported by our collaboration with leading medical centers and research facilities in Israel, including the Rabin Medical Center, the Shaare Zedek Medical Center, the Tel Aviv Souraski Medical Center and the Wolfson Medical Center.

We have collaborated with the Hebrew University of Jerusalem in the development of its patented drug delivery technologies, Trojan™ and Sedds™, in respect of which we have exclusive licences for commercial exploitation (collectively, the "**Exclusive Licences**"). See "Material Contracts" for more information. Trojan™ is a technology that primarily helps the body absorb more THC, while Sedds™ primarily helps the body absorb more CBD. These formulations enhance absorption and improve dosing and shelf-stability, allowing us to further reduce our production costs. We plan to begin selling products using Trojan™ technology in the first half of 2020 and are positioned to begin selling products using Sedds™ technology before the end of 2019.

Medical Cannabis Operations

Highlights

- We are the largest medical cannabis producer in Israel and are positioned to become one of the largest producers in the world with arrangements in place to increase our available cultivation area to over 26 million square feet in Israel and over 4 million square feet in Portugal.
- We can increase our production capacity rapidly and inexpensively by engaging third party farmers (who will operate under licences to be obtained by us in respect of any additional cultivation area) to grow our medical cannabis using our cloned strains, subject to our security, supervision and quality assurance standards and the CMPR.
- We are a low-cost producer enabled by the favourable operating environment in Israel and Portugal, efficient cultivation cycles and drying processes, and advanced extraction techniques.
- Our facility in Israel is one of few facilities in the world that produces botanical cannabinoid-based APIs with pharmaceutical grade standards and GAP and IMC-GMP accreditations.
- We will seek to access new market opportunities through our ability to isolate seven unique cannabinoids, in addition to CBD and THC, which we expect could present new markets comparable to those of CBD and THC.

Cultivation

We have approximately 377,000 square feet of fully-operational greenhouses at our leased property in Revadim, Israel and are in the process of expanding into 3 million square feet of GSP certified cultivation areas, which will include 2.5 million square feet of GAP certified cultivation area. We are expanding into Portugal through an agreement we entered into in February 2019 for the purchase of 4.3 million square feet of cultivation area, subject to the receipt of applicable licences and payment of the purchase price.

We expect to commence growing our various strains in Portugal in the second half of 2019 and have our first harvest in the fourth quarter of 2019. We intend to obtain all necessary licences prior to shipping our products from Portugal, which licences we expect to obtain by the third quarter of 2019. We currently have an annualized dried cannabis cultivation capacity (run rate) of 7,000 kg, planned 2019 annualized dried cannabis cultivation capacity of 188,000 kg and planned 2020 annualized dried cannabis cultivation capacity of 328,000 kg. We are well-positioned to access cultivation area in Israel through the Zabar Kama Partnership Agreement (as defined below), which provides us access to a total of 26 million square feet of fields for future cultivation, including our current production area. We maintain high cultivation quality standards in accordance with GAP and our Israeli

facilities are subject to strict external inspections conducted seven times per year. We intend to undertake our cultivation in Portugal with similarly rigorous practices and standards. Our estimated future cultivation capacity of dried cannabis is as follows:

Own Cultivation (kg)

Cultivation Capacity Estimates	Current (Run Rate)	By the end of 2019 (Run Rate)	By the end of 2020 (Run Rate)
Dried Cannabis — Israel	7,000	108,000	164,000
Dried Cannabis — Portugal	—	80,000	164,000
Total	**7,000**	**188,000**	**328,000**

Note: These figures are forward-looking information. Current run rate capacity has been calculated by annualizing the capacity for the first quarter of 2019 based on the actual current capacity of each of our greenhouses. Run rate capacity by the end of 2019 and the end of 2020 has been calculated by annualizing the estimated capacity for the fourth quarter of 2019 and 2020, respectively. Estimated capacity is based on a number of assumptions including but not limited to the upgrade, enhancement and expansion of our cultivation areas, which assumes expansion to 2.5 million square feet, being the first phase expansion of our total available cultivation area of 26 million square feet in 2019, and assuming the full impact of such first phase expansion in 2020. In addition, these figures assume four harvest cycles per year in Israel (greenhouses) and two harvest cycles per year in Portugal (outdoors) and productivity of our cultivation cycles, the expansion of our greenhouses (in the expanded 2.5 million square feet) and outdoor facilities (4.3 million square feet) as anticipated and on schedule, and the licences for cultivation facilities being received in a timely manner as anticipated (see "Business Overview — Medical Cannabis Operations" and "Certain Regulatory Matters — Portuguese Medical Cannabis Regime — Licences"). See "Forward-Looking Information".

In addition to our own significant cultivation capacity, we expect to be able to contract local farmers in Israel and Portugal who grow on over 38 million square feet of land to grow strains from clones we provide under our strict security, supervision and quality assurance standards, as well as the CMPR, which we believe will allow us to scale rapidly in a cost-effective and capital-efficient manner. These local Israeli and Portuguese farmers can begin growing immediately upon engagement with limited investment by us. Furthermore, we have the opportunity to enlist additional farmers in Israel through our relationship with our strategic investor, Amir. Majority owned by the Israeli Farmer's Association, Amir is the leading distributor of agricultural products to private farmers in Israel with 26 sales and distribution centres across the country. Amir supports local farmers by providing financial support, farming inputs, and farming equipment and is an important strategic partner for us due to its relationships with farmers and the services it provides them. Amir currently services over 7,500 clients, 64% of which are independent farmers. We have entered into an agreement to secure dried cannabis supply from a cultivator in Portugal with 8 million square feet of cultivation area including a 300,000 square foot greenhouse, subject to receipt of applicable regulatory approvals.

Contract Growers (kg)

Cultivation Capacity Estimates	Current (Run Rate)	By the end of 2019 (Run Rate)	By the end of 2020 (Run Rate)
Dried Cannabis — Israel	9,000	90,000	180,000
Dried Cannabis — Portugal	—	64,000	328,000
Total	**9,000**	**154,000**	**508,000**

Note: These figures are forward-looking information. Current run rate capacity has been calculated by annualizing the capacity for the first quarter of 2019 based on our current agreement with a contract grower based on such contract grower's existing greenhouse capacity. Run rate capacity by the end of 2019 and the end of 2020 has been calculated by annualizing the estimated capacity for the fourth quarter of 2019 and 2020, respectively. Estimated capacity is based on a number of assumptions including but not limited to being able to enter into agreements with several contract growers covering an estimated cultivation area of approximately 3 million square feet in 2019 and an additional 3 million square feet in 2020 in Israel. In Portugal, this assumes expansion into 8 million square feet of cultivation area in 2019, with the full impact in 2020. In addition, these figures also assume approximately 3-4 harvest cycles per year by each of our contract growers in Israel and 2 harvest cycles per year for our contract growers in Portugal, the productivity of contract growers' cultivation cycles, there being no delays entering into agreements with our contract growers, and obtaining licences for our additional contract grower cultivation areas in a timely manner as anticipated (see "Business Overview — Medical Cannabis Operations" and "Certain Regulatory Matters — Portuguese Medical Cannabis Regime — Licences"). See "Forward-Looking Information".

We have an extensive collection of 230 different genetic varieties of cannabis, of which 13 varieties are proprietary and have been submitted for registration with the Israeli Ministry of Agriculture and Rural

Development. This supports our pharmaceutical product development as our clinical trials are based on specific strains. All processes are documented in a customized enterprise resource planning ("**ERP**") system which tracks every plant throughout each step from cultivation to finished product. We evaluate the data from our extensive quality assurance processes to improve future cultivation and manufacturing decisions, which enhances our performance in each stage of the value chain we participate in.

Manufacturing

We operate a state-of-the-art 65,000 square foot IMC-GMP-certified manufacturing facility in Revadim, Israel which was originally built for research and development and advanced agricultural production. Located within the manufacturing facility are 13,000 square feet of office space and a 6,000 square foot drying facility with current annual capacity of approximately 50,000 kg of dried cannabis per year. Upon the installation of newly acquired customized drying equipment expected to be operational in the second half of 2019, our annual drying capacity will expand to approximately 400,000 kg of dried cannabis based on an assumed machine capacity of 80 kg per hour operating 20 hours per day for 250 days per year. Our expansion into Portugal will include a 70,000 square foot manufacturing facility, which will provide a second source of manufacturing, diversifying our production capacity. Our Portugal facility will be outfitted with custom drying equipment that will have annual drying capacity of approximately 400,000 kg of dried cannabis by the end of 2019 based on the same assumptions as outlined in respect of the newly acquired drying equipment to be installed in our Israeli facility, and increasing to 800,000 kg by the end of 2020 when we expect to acquire and install a second drying tunnel unit in our Portugal facility. We expect first shipments from our Portugal facility to occur in the fourth quarter of 2019 which shipments will initially consist of dried flowers and will transition to primarily consist of cannabis-based finished products. See "Forward-Looking Information".

We benefit from having in-house extraction, isolation, and purification capabilities that provide complete process control. We use advanced super-critical CO_2 extraction, short path distillation technology, and super-critical fluid chromatography, which provide us with the capability to produce up to 99% pure isolates. Currently, we can isolate seven unique cannabinoids in addition to THC and CBD, which we expect could each present a new market comparable to those of THC and CBD. The seven additional cannabinoids that we can currently isolate include cannabidiolic acid ("**CBDA**"), cannabidivarin ("**CBDV**"), cannabigerol ("**CBG**"), cannabigerolic acid ("**CBGA**"), D9 tetrahydrocannabinolic acid ("**THCA**"), cannabichromene ("**CBC**") and cannabinol ("**CBN**").

Finished Goods

We have a large capacity for producing finished products due to our existing and planned additional highly automated modern equipment, short production cycles and experienced operators. Our estimated finished goods manufacturing capabilities include the following:

	Israel		
Production Capacity Estimates	**Current (Run Rate)**	**By the end of 2019 (Run Rate)**	**By the end of 2020 (Run Rate)**
Dried Flower 10g packages (#)	1,500,000	6,000,000	12,000,000
Medicated Drops (bottles)	4,000,000	13,000,000	26,000,000
APIs (kg)	150	2,000	4,000
Tablets (#)	250,000,000	250,000,000	250,000,000
Capsules (#)	100,000,000	100,000,000	100,000,000

Portugal			
Production Capacity Estimates	**Current (Run Rate)**	**By the end of 2019 (Run Rate)**	**By the end of 2020 (Run Rate)**
Dried Flower 10g packages (#)	—	6,000,000	12,000,000
Medicated Drops (bottles)	—	13,000,000	26,000,000
Tablets (#)	—	250,000,000	250,000,000
Capsules (#)	—	100,000,000	100,000,000

Note: These figures are forward-looking information. Current run rate capacity has been calculated by annualizing the capacity for the first quarter of 2019 based on actual drying capacity of approximately 50,000 kg, extraction capacity of approximately 20,000 kg and flower packaging capacity of approximately 15,000 kg in Israel. Run rate capacity by the end of 2019 and the end of 2020 has been calculated by annualizing the estimated capacity for the fourth quarter of 2019 and 2020, respectively. Estimated capacity is based on a number of assumptions including but not limited to delivery and installation of additional processing equipment to our Israel and Portugal facilities in 2019, increasing drying capacity to approximately 400,000 kg per year, extraction capacity to 300,000 kg per year and flower packaging capacity of 60,000 kg per year, each on the basis of 20 working hours of operations per day and 250 working days per year, installing an additional drying tunnel and high capacity extraction machine in our Portuguese facility in 2020, the expansion of our greenhouse and outdoor facilities continues on schedule, there are no delays executing agreements with farmers and the licences for cultivation facilities being received in a timely manner as anticipated (see "Business Overview — Medical Cannabis Operations" and "Certain Regulatory Matters — Portuguese Medical Cannabis Regime — Licences"). See "Forward-Looking Information".

Cannabinoid Pharmaceutical Product Development

Highlights

- Since 2013, we have been focused on the development of cannabinoid-based pharmaceutical products targeting central nervous system disorders (such as autism), pain and palliative care management, and inflammation and autoimmune disorders.
- We are developing product candidates using patented drug delivery technologies to create tailor made pharmacokinetic and pharmacodynamic properties suited for specific medical conditions.
- We are developing and planning to develop different combinations of cannabinoids in various formulations, including medicated drops, soft gel capsules, metered-dose inhalers, dermal applications, injections, ophthalmic solutions, and sublingual tablets.
- We collaborate with leading institutions to run our early to mid-stage clinical trials at competitive costs compared to clinical trials run in other developed markets.
- The regulatory regime in Israel promotes the efficient and timely approval of medical cannabis products that are in compliance with international regulations.
- We can take advantage of over a decade of research conducted in Israel's world leading hospitals on cannabinoid-based products.

Commercialization Strategy of the Product Development Portfolio

Our research and development strategy entails running Phase 2a clinical studies targeting indications in our therapeutic focus areas. We plan to progress our pharmaceutical product candidates to commercialization based on our assessment of the development pathway and commercial viability, either by developing the product in-house or partnering with pharmaceutical companies.

We have a three-stage development strategy:

1. Develop formulas from relatively simple combinations of THC and CBD in order to minimize time to market.
2. Develop formulas combining additional cannabinoids with innovative patented drug technology systems.
3. Develop products by combining cannabinoids with established drugs.

The therapeutic areas we currently focus on include:

1. Central nervous system disorders (such as autism) — product candidates targeting 10 indications
2. Pain and palliative care management — product candidates targeting 14 indications
3. Inflammation and autoimmune disorders — product candidates targeting 10 indications

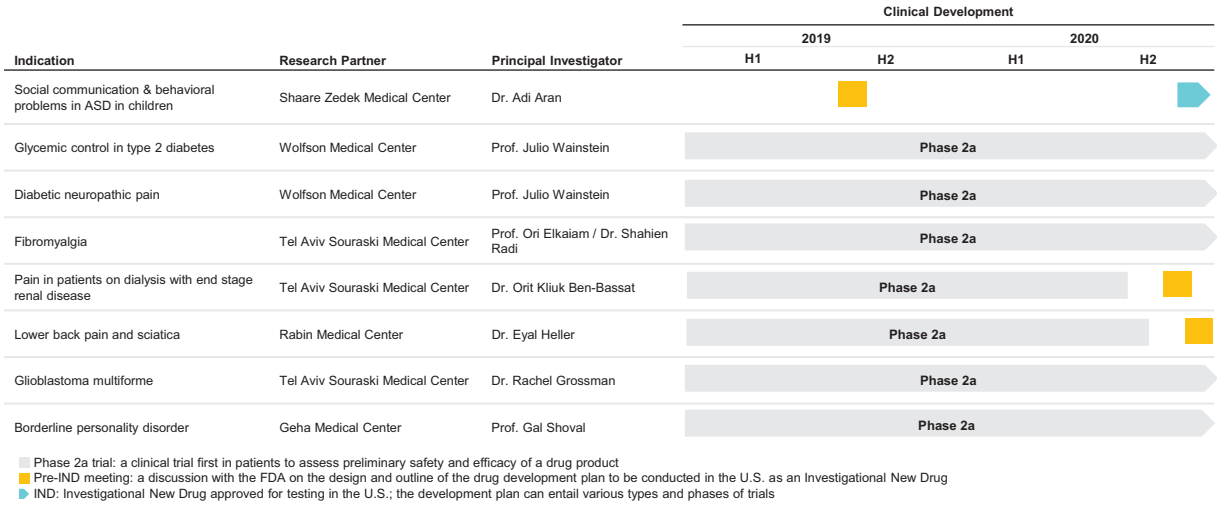
Product Candidates

Our ASD product candidate recently completed a Phase 2a clinical trial in Israel for the treatment of social communication and behavioural problems in children and adolescents with ASD. It compared the safety, tolerability, and efficacy of two compounds, a whole-plant extract and a mixture of purified cannabinoids (each of which had a 20:1 CBD to THC ratio), to a placebo in a randomized, double-blind, three-arm crossover trial. A total of 150 patients were enrolled. This clinical trial evaluated the efficacy of our pure cannabinoid ("**Pure**") and whole-plant extract ("**Whole-Plant**") compounds in improving disruptive behaviour and social communication problems.

Patients treated with our product candidate demonstrated improvement in social communication and disruptive behaviour over placebo, with an acceptable safety profile. See "Business Overview — Cannabinoid Pharmaceutical Product Development — Product Candidates" for further details regarding the methodology and results of this clinical trial. Based on these favourable results, we intend to progress with further development of this product candidate, and have submitted a request for a Pre-IND meeting. We expect to have a Pre-IND meeting with the FDA in the third quarter of 2019 to discuss the go-forward development plan.

Beyond our ASD product candidate, we are working on an extensive product pipeline to address 33 additional indications, of which seven are in active Phase 2a patient enrollment, 11 are scheduled to start Phase 2a patient enrollment by the end of 2019, and another 15 are expected to start Phase 2a patient enrollment by the end of the first half of 2020. In addition, we are conducting multiple PK Studies exploring the key pharmacokinetic characteristics of different dosage forms and formulations to support our commercial launches and clinical development program.

A summary of our most advanced Phase 2a clinical trials is included in the table below.



Note: These figures are forward-looking information. Estimated timing is based on a number of assumptions including but not limited to our ability to complete clinical trials on time and the responses of the applicable regulators. See "Forward-Looking Information".

Although we have not had any Pre-IND meetings with the FDA to discuss the regulatory pathways for our product candidates, we believe all these product candidates are following a development pathway for molecules that have been previously approved by the FDA or have already been proven to be safe and effective and therefore often require less development costs and expedited development trials (which is referred to in the industry as a "505(b)(2) regulatory pathway") and are in sublingual dosage form. We also have several programs in our pipeline for new chemical entities ("**NCEs**") that follow a 505(b)(1) pathway.

Drug Delivery Technologies: Trojan™ and Sedds™

We have leveraged the drug delivery technologies, Trojan™ and Sedds™, through our Exclusive Licences from the patent holder, to develop formulations that enhance absorption and improve dosing and shelf-stability. Products using these technologies can be produced with a smaller amount of active ingredient, allowing us to further reduce our production costs. Products using the Trojan™ drug delivery technology result in a fine powder end-product, consisting of double coated CBD and THC oil-core nano capsules. The nano capsules are made of resistant polymers, which protect the drug from degradation in the intestinal fluids and protect the CBD and THC from liver enzymatic metabolism. The nano capsules are absorbed by the lymphatic route, therefore circumventing liver degradation and progressively releasing the encapsulated drugs into the plasma. In preclinical studies, Trojan™ showed enhanced bioavailability of up to two-and-a-half times in CBD and up to ten times in THC compared to oil formulations. We plan to begin selling products using Trojan™ technology in the second quarter of 2020. Sedds™ is a self-emulsifying drug delivery technology which rapidly and spontaneously emulsifies in gastro-intestinal fluids to create fine oil / water emulsions increasing drug diffusion. In preclinical studies, Sedds™ showed enhanced bioavailability of up to ten times in CBD and up to three-and-a-half times in THC compared to oil formulations. We are positioned to begin selling products using Sedds™ technology in the second half of 2019. We have filed patent applications covering our topical, ophthalmic and injectable formulations.

Competitive Positioning

Israel's pharmaceutical environment, together with the Israeli government's favourable approach to medical cannabis research, facilitates accelerated medical cannabis research at universities and hospitals. The cost to conduct early-stage to mid-stage clinical trials in Israel is competitive compared to clinical trials run in other developed markets, enabling a broad exploration of product candidates. Data from having supplied over 15,000 patients in Israel with medical cannabis enables us to identify attractive therapeutic targets through the assessment of retrospective studies and approaches we receive from key opinion leaders looking to partner with

the leading supplier of cannabinoid-based APIs in Israel. Our in-house manufacturing of IMC-GMP qualified pharmaceutical-grade cannabinoid-based APIs positions us to become a leader in cannabinoid-based therapeutics.

Collaborations

We are able to leverage over a decade of research conducted in Israel's world leading hospitals on cannabinoid-based products. We have established a number of collaborations to develop cannabinoid-based therapeutics with leading medical centers and hospitals in Israel, including the Rabin Medical Center, the Shaare Zedek Medical Center, the Tel Aviv Souraski Medical Center and the Wolfson Medical Center, among others. Collaborations with these institutions provide us with access to some of the most progressive researchers in the study of cannabinoids as well as access to patients. This allows us to run our early to mid-stage clinical trials at competitive costs compared to clinical trials run in other developed markets. Our collaborations support our extensive product candidate pipeline and enable us to conduct numerous trials simultaneously. We own 100% of the intellectual property from product candidates we are progressing through clinical trials, including the study drugs and study results.

Medical Department & Scientific Advisory Board

We have an in-house medical department covering clinical development, clinical operations, and pharmacovigilance activities. Our cannabinoid-based therapeutics development expertise is augmented by an experienced scientific advisory board, which currently consists of 16 members. See "Business Overview — Medical Department & Scientific Advisory Board". Our scientific advisory board brings a wealth of knowledge and experience relevant to all aspects of our research and development, supports our clinical trials and provides guidance and oversight on research and development activities. This includes a deep understanding of the endocannabinoid system and its role in different physiological processes, potential therapeutic targets and the effects of the range of cannabinoid compounds and their combination, chemistry and formulation of various drug forms, clinical trial management, and regulatory affairs.

INDUSTRY OVERVIEW

Israel Medical Cannabis Domestic Market Overview

Cannabis for medical use was first approved in Israel by the Ministry of Health in 1992 and a formal national medical cannabis program was created in 2007. Israel recently transitioned to a new framework for medical cannabis regulation. Government Resolution No. 1587 — Cannabis for Medicinal Purposes and Research (CMPR) was issued by the Israeli government on June 26, 2016 and aims to increase medical cannabis accessibility and standardization. It was operating on a pilot basis since April of 2018 and went into effect on April 29, 2019. The medical cannabis market in Israel is expected to grow rapidly as a result of the implementation of the CMPR. The number of medical cannabis patients in Israel was approximately 12,500 in 2013, 30,000 in 2018, and we estimate will increase to 120,000 by 2022. In the Company's experience, in 2018, the average patient in Israel consumed approximately 30 to 35 grams of medical cannabis per month, which compares to the Canadian average of 30 grams of medical cannabis per month, according to the Government of Canada 2018 Canadian Cannabis Survey.

Some key aspects of the CMPR currently include:

- No fixed limit on the number of patients that may be prescribed medical cannabis;
- All growers must be GAP certified to propagate and cultivate cannabis plants;
- IMC-GMP-certified manufacturers are allowed to sell to pharmacies and/or to export;
- Additional physicians are allowed to prescribe medical cannabis;
- No permit is required by patients from the Israeli Ministry of Health;
- All pharmacies can be certified to distribute medical cannabis; and
- Patients pay per gram at a freely-determined market price.

All components of the medical cannabis supply chain in Israel under the CMPR must meet strict standards in accordance with Israel Medical Cannabis ("**IMC**") — Good Practices Procedures. These standards are intended to ensure the high quality of products. The Israeli standards were published by the Israeli Ministry of Health's Medical Cannabis Unit ("**MCU**") and were based on international standards.

The standards include:

Certifies security practices of all parties throughout the value chain

Certifies agricultural practices of propagation and cultivation farms

Certifies manufacturing processes

Practice for pharmacies, and pharmaceutical companies conducting clinical trials

Israel Medical Cannabis Export Market Overview

On January 27, 2019, the Israeli government approved the export of processed and finished medical cannabis products after examining the feasibility of exporting medical cannabis as part of the CMPR, which includes medical cannabis products authorized for sale under the CMPR. Pursuant to timelines specified in such approval, we expect to begin export shipments by the end of 2019. Authorization to export medical cannabis products will be subject to regulatory and/or administrative requirements, which have not yet been published, including approval by the Israeli Ministry of Health, the Israel Police department, IMC-GMP and GSP certifications, and the applicable required import approvals of the destination country. The Israeli government has not currently put any export quotas in place.

International Medical Cannabis Regulations

To successfully execute our export plan, we must adhere to all applicable laws and regulations in the countries to which we intend to export. Each country has different laws and regulations governing the import of cannabis into the country, and the use of cannabis within the country, which may be evolving or subject to change. For example, the United Kingdom previously required imports to be for single, predefined patients only, but recently changed the regulation so that medical cannabis can be imported in bulk to meet future demand at pharmacies; whereas Germany has allowed bulk import since 2017. Typically, the importing nation issues a permit that adheres to the regulatory structure of its medical laws. We are working cooperatively with regulators and within the relevant international regulatory frameworks to ensure compliance with applicable laws and regulations in the countries to which we intend to export medical cannabis.

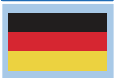
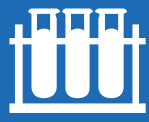
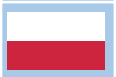
Global Medical Cannabis Market Size and Opportunity

We believe the global medical cannabis market is experiencing an evolution as new research leads to additional therapeutic applications for medical cannabis products and regulations around the world continue to develop. The number of countries where medical cannabis is legal under all applicable federal, state or provincial laws is now over 40.

Global CBD Health and Wellness Market Size and Opportunity

As CBD gains increasing awareness and interest from consumers for health and wellness purposes across numerous form factors, we believe there will be a substantial opportunity for us in the category. We expect the number of countries that allow for the purchase and sale of certain CBD-based products to continue to increase over time. We intend to develop products that address mainstream consumer preferences for CBD health and wellness offerings.

2028 Medical Cannabis Market — Currently Targeted Export Countries:

COUNTRY	MANAGEMENT COMMENTARY	2028 MEDICAL CANNABIS EST. MARKET SIZE (BN)	POPULATION (MM)	UPSIDE MARKET POTENTIAL BEYOND MEDICAL CANNABIS
 Germany	• Permitted bulk import of medical cannabis since 2017 • Existing medical cannabis market with registration scheme • Medical insurance reimbursement scheme • Registration here supports registration in other EU countries	US$8.6	82.2	 Health & Wellness
 United Kingdom	• Recent regulation change supports bulk importation of medical cannabis • CBD products gaining momentum in High Street chains • Registration here supports registration in other EU countries • Limited domestic production to meet demand	US$9.8	66.4	
 Italy	• Existing medical cannabis market with registration scheme • Medical cannabis program permits pharmacy (~19,000) sales • CBD products sold in ~300 pharmacies, limited supply • Limited domestic production to meet demand	US$8.4	60.5	 Pharmaceutical
 Poland	• Existing medical cannabis market with registration scheme • Medical cannabis program permits pharmacy (~20,000) sales • Gateway market to other southeastern European countries • Relationship with Super-Pharm – 40 locations in Poland	US$2.2	37.9	
 Australia	• Existing medical cannabis market with registration scheme • CBD market gaining momentum; sold in pharmacies • TGA registration system, gateway to Asian markets • Limited domestic production to meet demand	US$2.1	24.6	Billions in additional market potential
 Canada	• Strong commercial relationship between Israel and Canada • Strong demand from LPs seeking to uphold supply commitments • Regulatory similarities may ease the approval process to import from Israel	US$1.0	37.3	

Note: Market size estimates are based on retail pricing and exclude CBD-infused wellness products; estimates have been converted from EUR to US$ at an exchange rate of 1.116x and from C$ to US$ at an exchange rate of 0.743x. The estimate for Canada is for 2024.

Source: Prohibition Partners, "The European Cannabis Report" 4th Edition (January 2019)

Source: Prohibition Partners, "The Oceania Cannabis Report" (November 2018)

Source: Health Canada, "Regulatory Impact Analysis Statement" (December 2012)

Source: Statistics Canada, Table 17-10-0009-01 Population estimates, quarterly

Israel Pharmaceutical Drug Development Environment

Israel is a hub for innovative research and development, and a highly desired location for performing clinical trials. Its popularity as a site for clinical trials increased rapidly after the country received recognition as an approved site for FDA clinical trials in 1997. The current operating environment for pharmaceutical drug development in Israel is attractive due to several factors including its implementation of IMC-GMP certification and GCP practice through the U.S.-Israel Science and Technology Commission. The majority of Israel's population belongs to the same health maintenance organization ("**HMO**"), Kupat Holim Clalit, making patient tracking and follow-ups much more efficient. Additionally, its publicly funded national health insurance system covers all citizens and permanent residents.

Autism Spectrum Disorder Treatment Market Overview

ASD Disease and Treatment Overview

ASD is a neurodevelopmental disorder characterized by social and communication difficulties, repetitive behaviours and interests, sensory problems, and in many cases, cognitive impairment and disruptive behaviours. For children, adolescents and young adults with ASD, these deficits are often present in early childhood and lead to significant disability. In addition to demonstrating persistent deficits in social communication, many children with ASD present behavioural difficulties, including tantrums, noncompliance, aggression and

self-injury. The behavioural difficulties of children with ASD increases their social isolation and often cause more distress to caregivers than the core autistic symptoms. The core symptoms of ASD consist of deficits in social communication and restrictive patterns of behaviour. Maladaptive behaviours also limit the child's ability to benefit from intervention efforts and thereby impact the long-term prognosis.

The current ASD treatment consists of both educational and psychopharmacological therapies. Educational interventions, such as applied behaviour analysis ("**ABA**") therapy, the process of systematically applying learning theory to change behaviour of social significance, aims to foster communication skills, reduce maladaptive behaviours, and facilitate daily-living and academic skills. Medicinal therapies are often used in conjunction with education-based approaches to address disruptive behaviours or co-occurring conditions like attention deficit hyperactivity disorder or depression. While ABA therapy may help improve patient outcomes, there are currently no drugs available to treat core symptoms of ASD. Bristol-Myers Squibb Company's Abilify® and Johnson & Johnson's Risperdal® are the only two psychopharmacological agents approved by the FDA for treatment of autism-related irritability. However, safety concerns restrict the use of these antipsychotic drugs, which have been associated with serious side effects such as neuroleptic malignant syndrome, seizures, and tardive dyskinesia, among others. Thus, there is a significant and persisting medical need for the medicinal treatment of core symptoms and disruptive behaviour associated with ASD. We believe our ASD product candidate has the potential to address that gap and introduce a new treatment paradigm for ASD.

Market Size and Opportunity

According to LifeSci Advisors, the ASD global addressable market for treatments is estimated to be US$3.4 billion in 2019 and is projected to grow at a 13% compound annual growth rate ("**CAGR**") to US$11.4 billion in 2029 as a result of increased prevalence and new treatment options. According to the Autism Community in Action, a patient support group, prevalence estimates of ASD in U.S. children grew from 1 in 1,000 in 1995 to 1 in 59 in 2018. Once considered a rare disorder, the number of patients diagnosed with ASD is increasing in many developed countries due to increased awareness, changes in diagnostic criteria over time, and better screening of young children.

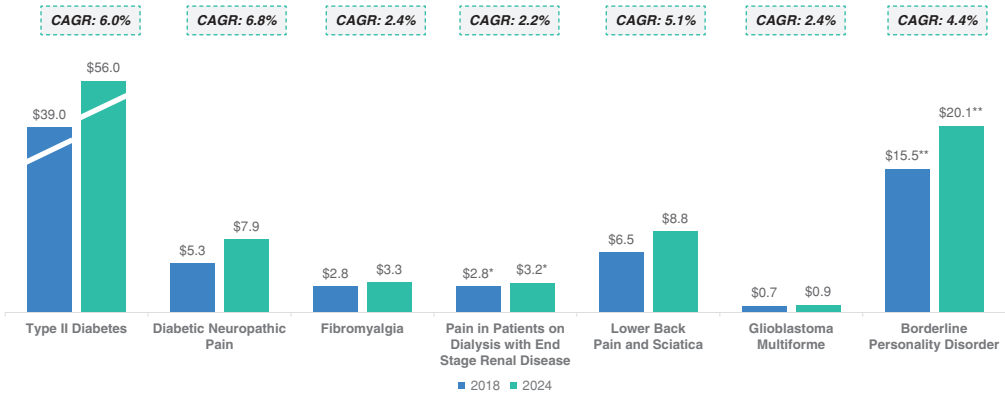
Based on a study conducted by LifeSci Advisors, the estimated U.S. autism treatment market in 2017 was approximately US$1.9 billion. ABA therapy programs and drug therapies were projected to account for approximately US$1.1 billion (approximately 57%) and US$800 million (approximately 43%) of the U.S. ASD treatment market, respectively. However, the ASD drug therapy market remains largely underserved, as current drugs are not approved to treat the core symptoms, which impact the majority of the patient population. Numerous generic psychotropic drugs are prescribed to ASD patients to treat autism-related irritability. Our ASD product candidate, which has demonstrated efficacy in improving social communication and disruptive behaviour in a recently completed Phase 2a trial, is positioned to potentially address a large portion of the underserved ASD patient population and provide patients with an efficacious and safer therapeutic alternative.

Indications in Phase 2a Patient Enrollment: Market Size and Opportunity

We are targeting indications for markets with significant opportunity for growth and unmet needs, including glycemic control in type II diabetes, diabetic neuropathic pain, fibromyalgia, pain in patients on dialysis with end

stage renal disease, lower back pain and sciatica, glioblastoma multiforme and borderline personality disorder. The chart below outlines the current and projected market-size and opportunity for such indications:

Market Size and Opportunity by Indication
(in US$ billions)



* Represents sales of on-label prescription anemic drugs for end stage renal disease ("**ESRD**") patients. According to LifeSci Advisors, sales of on-label prescription anemic drugs for ESRD patients represent a reasonable benchmark for ESRD patients experiencing pain, although it is important to note that research suggests the percentage of dialysis patients experiencing anemia is likely greater than the percentage experiencing pain.

** Represents antipsychotic market size. According to LifeSci Advisors, the antipsychotic market is a reasonable benchmark for borderline personality disorder market as the vast majority of on-label prescription drug sales for that market fall into the "schizophrenia" category.

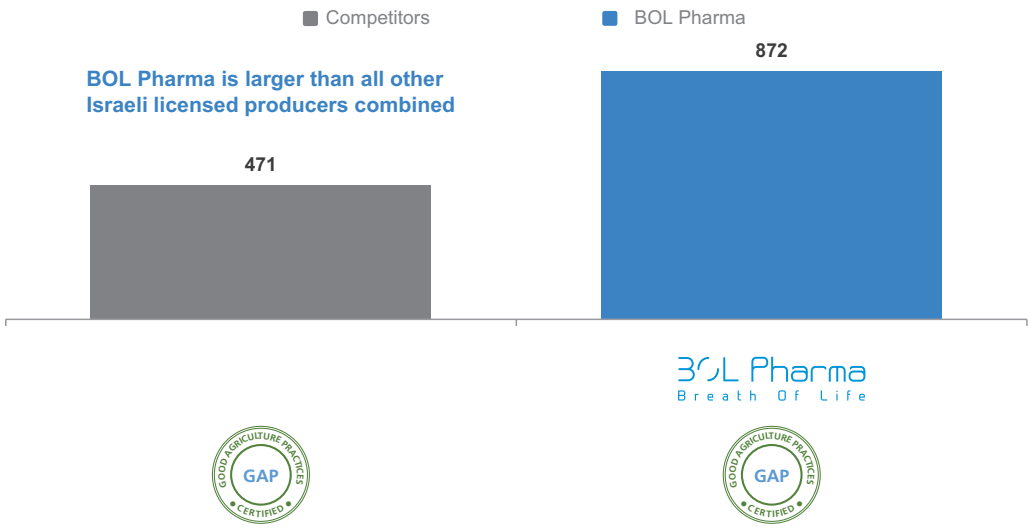
Source: Analytic commercial assessment conducted by LifeSci Advisors regarding market sizing and treatable patients for seven specified indications, as commissioned by the Company from February through April 2019.

INVESTMENT HIGHLIGHTS

Well-Established Leadership Position in Israel

Israel is a pioneer in the research and development of medical cannabis and we are the largest cultivator of medical cannabis with the largest IMC-GMP-certified cannabis manufacturing facility in Israel. In addition, we are the only cannabis company in Israel accredited with both GAP for propagation and cultivation and IMC-GMP for manufacturing of finished products. Further, our agreement with SLE, a subsidiary of Teva, supports the distribution of medical cannabis to Israeli pharmacies. Following the full implementation of the CMPR, management expects the number of medical cannabis patients in Israel to rapidly grow at a CAGR of 41% to approximately 120,000 by 2022. We are well-positioned to participate in this growth as we have arrangements in place to increase our available cultivation area to over 26 million square feet in Israel, and expect to have an annual manufacturing capacity of over 360,000 kg of dried cannabis in Israel by the end of 2020, giving us a significant advantage over our competitors.

Licensed GAP Facilities
(in thousands of sq. ft.)



Source: Management estimates.

Note: Our GAP certified operational facility size (as shown in the chart above) includes greenhouses, offices, service rooms, post-harvest facilities, logistics areas, roads and open areas.

Scalable Production Footprint with International Reach

We believe that we are well-positioned to scale our operations in Israel and our planned operations in Portugal to address the demand for medical cannabis in the rest of the world. We are targeting near-term exports into countries like Germany, the United Kingdom, Italy, Poland, Australia and Canada.

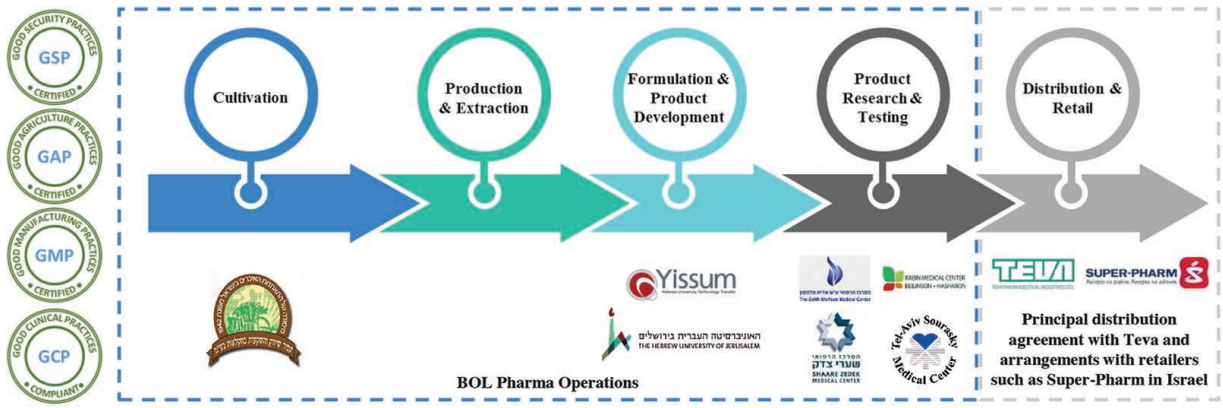
- ***Israel:*** As a result of our strategic relationship with Zabar Kama, we can rapidly scale production through arrangements that we have in place to increase our available cultivation area to a total of over 26 million square feet in Israel. In addition, we are pursuing agreements to enlist the services of local Israeli farmers who grow on over 30 million square feet of land in the near-term for the cultivation of our cannabis. Our current manufacturing footprint will be capable of processing all cannabis cultivated and purchased from this square footage.
- ***Portugal:*** We have an agreement in place which will allow us to purchase 4.3 million square feet of cultivation area in Portugal, which we expect to become GAP certified in the second half of 2019 and be capable of producing up to 164,000 kg of dried cannabis per year by the end of 2020. We have also entered into an agreement to secure all of the dried cannabis produced by a cultivator who owns an

additional 8 million square feet of cultivation area in Portugal, subject to the receipt of applicable regulatory approvals. Along with our cultivation capabilities in Portugal, our expansion into Portugal will include a 70,000 square foot manufacturing facility, which we expect will be capable of processing all cannabis cultivated and purchased from this square footage.

- ***Technology that Enhances our Scalability*:** In addition to our cost leadership and economies of scale in respect of cultivation, manufacturing, and export capabilities, we are also able to leverage our extensive management knowhow and Exclusive Licences in respect of the patented drug delivery technologies, Trojan™ and Sedds™, to provide further scalability. These delivery technologies provide the same efficacy with smaller doses, increasing the number of finished products with the same level of input.

Unique, Fully Integrated Platform with Key Strategic Partners

We are currently the only company in Israel that is fully accredited under the CMPR throughout the main elements of the value chain, from cultivation through production and extraction, formulation and product development, and product research and testing. Only IMC-GMP-certified companies like us are able to distribute cannabis domestically to pharmacies and will be able to export internationally. We have formed a number of strategic partnerships / relationships with key players throughout the value chain, including Zabar Kama, Amir, the Hebrew University of Jerusalem and Shaare Zedek Medical Center, among others. These relationships allow us to secure cultivation capacity, conduct research and clinical trials, and distribute our products, all of which positions us to become a leading medical cannabis and cannabinoid-based pharmaceutical company.



- ***Cultivation:*** We have over 10 years of cultivation experience in Israel and have compiled an extensive collection of 230 different genetic varieties of cannabis, of which 13 varieties are proprietary and have been submitted for registration with the Israeli Ministry of Agriculture and Rural Development. Our GAP certified production facilities enable highly scalable, low-cost production that we believe will provide attractive margins while retaining consistent high-quality standards.
- ***Drying:*** We have developed a drying technique using low humidity and temperature which significantly reduces drying time, while maintaining high quality products.
- ***Production & Extraction:*** Our state-of-the-art manufacturing facility in Revadim, Israel is the largest cannabis producing IMC-GMP-certified facility in the country. In addition, we have signed an agreement for the purchase of a manufacturing facility in Portugal to support our expansion into the EU. We utilize efficient in-house drying, advanced extraction, fluid chromatography, distillation, capping, labeling and other capabilities, allowing us to deliver various high-quality products, including ultra-pure cannabinoid-based APIs.
- ***Formulation & Product Development:*** We have developed dosage form capabilities, including medicated drops, sublingual tablets, capsules, metered dose inhalers, topical creams, ocular solutions, reconstituted oral emulsions, and injectables for use in the medical cannabis, health and wellness and pharmaceutical markets.

- ***Product Research:*** We have formed multiple research and development collaborations with leading medical centers and research facilities in Israel and are able to leverage data from having supplied medical cannabis to over 15,000 patients in Israel to identify attractive therapeutic targets and medical products for research.
- ***Lab Testing:*** We are one of the only companies in Israel with large-scale, state-of-the-art, in-house lab-testing capabilities for medical cannabis, with laboratories which have recently passed an audit for GMP certification with no deficiencies and for which we expect to receive GMP-certification in the near future. This enables us to produce high quality products and enhanced performance at each phase of the value chain.
- ***Distribution:*** We have a distribution agreement with SLE, a subsidiary of Teva and the main supplier of medical cannabis to pharmacies in Israel, as well as a retail arrangement with Super-Pharm, the leading pharmacy chain in Israel.

Well-Positioned to Penetrate the Cannabinoid-based Pharmaceutical Market

We believe we are a leading innovator of cannabinoid-based pharmaceutical drug development based on our access to data, leadership in clinical development of cannabinoid-based pharmaceutical products, exclusively-licensed and innovative drug delivery technologies, and commercialization strategy.

- ***Leadership in Clinical Development of Cannabinoid-Based Pharmaceutical Products:*** We believe we have a leadership position in clinical trials in Israel due to our ability to access data, produce GMP-qualified pharmaceutical-grade cannabinoid-based APIs and benefit from the supportive medical regulatory environment and the availability of GCP-compliant sites in Israel. Our leadership position in the Israeli market allows us to conduct cost effective, high quality early-stage-to mid-stage clinical trials in Israel, in an expedited time frame, which we believe will be accepted by all major international regulatory authorities, including the FDA.
- ***Innovative Drug Delivery Technologies:*** Our Exclusive Licences from the patent owners for the drug delivery technologies, Trojan™ and Sedds™, enable the development of formulations that enhance absorption and improve dosing and shelf-stability, allowing us to further reduce our production costs.
- ***Optimized Product Development Methodology with Flexible Commercialization Strategy:*** Data from having supplied medical cannabis to over 15,000 patients in Israel allows us to identify attractive therapeutic targets through the assessment of retrospective studies and approaches we receive from key opinion leaders looking to partner with the leading supplier of cannabinoid-based APIs in Israel. After assessing the data received from the initial Phase 2a studies, we will evaluate the probability of success, the specific characteristics of the indication, including size of potential patient population, assessment of need (unmet or not) and the potential clinical benefit (breakthrough or not), regulatory pathway, as well as the commercial potential. We will then outline the development plan, cost, and the required resources for research and development and market success. Based on this information, we will determine whether to continue developing the product candidate in-house or to partner with pharmaceutical companies.
- ***Extensive Pipeline of Product Candidates:*** We have completed one Phase 2a trial and have product candidates for an additional 33 indications expected to enter Phase 2a by the end of the first half of 2020. We believe that most of these product candidates could be developed using the 505(b)(2) regulatory pathway allowing for an expedited and relatively more cost-effective path to approval. We also have several NCE programs in our pipeline that follow 505(b)(1) pathways. Our initial clinical pipeline focuses on indications in the central nervous system, pain, and inflammation therapeutic areas that we believe have significant commercial potential.
- ***Product Candidate Targeting the Over US$11 Billion Global ASD Market:*** Our ASD product candidate, which is our most progressed product candidate, will have its full development plan discussed in the Pre-IND meeting with the FDA targeted for the third quarter of 2019. In a Phase 2a trial, both our Pure and Whole Plant ASD product candidates showed favourable efficacy data as compared to the placebo in improving both core symptoms and disruptive behaviours associated with ASD. Currently, there are no approved drugs on the market to treat core ASD symptoms. We believe that our ASD product candidate

has the potential to treat core symptoms as well as challenging behaviours associated with ASD. According to LifeSci Advisors, the ASD global addressable market for drug therapies is estimated at US$3.4 billion in 2019 and is projected to grow at a 13% CAGR to US$11.4 billion in 2029 as a result of increased prevalence and new treatment options.

Highly Experienced Leadership Team with a Proven Track Record Supported by a Leading Scientific Advisory Board

Our management team is comprised of industry professionals with a diverse set of relevant expertise, relationships and experience. They have over 10 years of growing / cultivation experience in Israel as well as a wealth of knowledge and experience from previous roles at global pharmaceutical companies such as Teva, Novartis International AG, Allergan plc, Bayer AG, Merck Sharp & Dohme Corp, and Perrigo Company plc. We believe our team has the necessary skills to execute on our strategy, including cultivation, manufacturing, drug development, pharmacovigilance, finance, marketing and medical affairs. Our board of directors also brings together a wealth of experience and expertise in agriculture, cultivation, manufacturing, clinical research, pharmaceuticals, finance, and marketing.

Our management team and board of directors are supported by a scientific advisory board that is comprised of individuals with extensive industry expertise and relationships in strategically valuable fields. Members of our advisory board hold positions at leading universities, medical institutions and research centres around the world, and are instrumental in helping us develop partnerships of choice with the medical establishment with foremost experts. Our advisory board provides us with legitimacy rarely achieved by cannabis companies and facilitates development initiatives that give us a unique competitive advantage.

GROWTH STRATEGIES

We aim to become the global leader in medical cannabis and the cannabinoid-based pharmaceutical and health and wellness industries by implementing the following strategies:

- Maintain a strong leadership position in Israel's growing medical cannabis market;
- Invest in capacity expansion to establish an early mover advantage in order to meet global medical cannabis and CBD product demand;
- Become the global partner of choice and engage in new strategic relationships with established licensed producers, retailers, distributors, researchers, pharmaceutical companies, and innovators;
- Continue to work collaboratively with physicians and regulators worldwide; and
- Lead the industry in research and development and innovation of cannabinoid-based pharmaceutical products with our proprietary formulations and exclusively-licensed drug delivery systems.

OUR OFFERING

Issuer:	Breath of Life International Ltd.
Offering Price:	It is anticipated that the Offering Price will be between C$27 and C$32 per Offered Share
Offering Size:	Approximately C$150 million (approximately C$172.5 million if the Over-Allotment Option is exercised in full)
Over-Allotment Option:	The Company has granted to the Underwriters an option, exercisable in whole or in part, at any time for a period of 30 days after the Closing Date, to purchase up to an additional 15% of the aggregate number of the Offered Shares issued under the Offering at the Offering Price solely to cover over-allotments, if any, and for market stabilization purposes. See "Plan of Distribution".
Shares Outstanding:	Based on the midpoint of the Offering Price range and upon completion of the Pre-Closing Capital Changes and closing of the Offering an aggregate of 34,023,664 Common Shares (36,688,475 on a fully-diluted basis) (34,786,375 Common Shares (37,451,186 on a fully-diluted basis) if the Over-Allotment Option is exercised in full) will be issued and outstanding.
Use of Proceeds:	The aggregate net proceeds to be received by the Company from the Offering are estimated to be approximately C$● (C$● if the Over-Allotment Option is exercised in full), after deducting the Underwriters' Fee in connection with the Offering and the expenses of the Offering which are estimated to be C$●. We intend to use the net proceeds of the Offering to fund the expansion of production at our Revadim Facility (as defined in the Glossary), to build and develop our production facilities in Portugal, to fund further research and development and for general corporate purposes. See "Use of Proceeds".
Description of Share Capital:	Upon completion of the Offering, our authorized share capital will consist of ● Common Shares with a par value of NIS 0.10 per Common Share. See "Description of Share Capital". Our Common Shares are subject to certain Approval Requirements imposed by the MCU prohibiting any Holder from directly or indirectly acquiring, holding or maintaining control or direction over 5% or more of our Outstanding Shares without MCU Approval. Accordingly, our Articles will include provisions that will limit the aggregate ownership or control or direction over ownership interests or voting rights of any Holder to no more than 4.99% of the Company's Outstanding Shares on a non-diluted basis. To the extent a Holder acquires, becomes the Holder of or obtains control or direction over Common Shares in excess of 4.99% of the Company's Outstanding Shares, such excess number of Common Shares will automatically become Dormant Shares, which Dormant Shares shall not have attached to them any rights, privileges or benefits attached to the Common Shares during the period they are dormant, including the right to vote, the right to receive dividends or the right to participate in the liquidation and distribution of the Company's assets upon dissolution. See "Description of Share Capital — Israeli Cannabis Law Approval Requirements in Respect of our Shares".

Principal Shareholder:	Based on the midpoint of the Offering Price range and upon completion of the Offering, it is expected that the Principal Shareholder, either directly or indirectly, will own an aggregate of 14,459,434 of our Common Shares, representing an approximately 42.50% interest in the Company (or representing an approximately 41.57% interest in the Company if the Over-Allotment Option is exercised in full). As a result, the Principal Shareholder will have a significant influence on the Company. See "Principal Shareholder" and "Risk Factors".
Dividend Policy:	We currently intend to retain any future earnings to fund the development and growth of our business and do not currently anticipate paying dividends on the Common Shares. Any determination to pay dividends in the future will be determined by our Board of Directors and will be based upon conditions then existing, including, among others, our results of operations, financial condition, current and anticipated cash needs, contractual restrictions and other conditions and factors that our Board may deem relevant. See "Dividend Policy".
Lock-Up Arrangements:	In connection with the completion of the Offering, each of us, our executive officers and directors, the Principal Shareholder and certain of our other shareholders have agreed that we, he, she or it will not, directly or indirectly, without the prior written consent of the Joint Bookrunners, on behalf of the Underwriters, such consent not to be unreasonably withheld, issue, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any of our equity securities, or other securities convertible or exchangeable into or otherwise exercisable into our equity securities or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our equity securities, or agree or publicly announce any intention to do any of the foregoing for a period commencing on the date hereof and ending 180 days after the Closing Date, subject to certain limited exceptions, including the sale of our Common Shares pursuant to the exercise of the Over-Allotment Option, or the issuance of our Common Shares pursuant to or in connection with our equity incentive compensation plans. Holders of approximately 95% of the Company's issued and outstanding Common Shares following the completion of the Pre-Closing Capital Changes but prior to completion of the Offering will be subject to these lock-up arrangements. See "Plan of Distribution — Lock-Up Arrangements".

Risk Factors:	An investment in the Offered Shares is speculative and involves a high degree of risk. These risks include, but are not limited to, risks related to: • dependence on licences and our GSP, GAP and IMC-GMP certifications • 5% ownership approval requirement in respect of our Common Shares • dependence on compliance with regulatory and other requirements • inherent risks associated with an agricultural business • reliance on one key facility • reliance on key components of the production process and associated costs • manufacturing difficulties, disruptions or delays • environmental, health and safety regulations and risks • dependence on our quality control systems • inability to renew our leases • dependence on the success of product candidates • cost, uncertainty and timing of clinical trials and regulatory pathway approval process • product candidates may not materialize into saleable products • negative results from clinical trials or studies conducted by others • reliance on third parties to conduct a significant portion of preclinical and clinical development activities • failure to identify, licence or discover additional products • unfavourable publicity or consumer perception • market acceptance of pharmaceutical cannabinoid and other product candidates • introduction of new products or technologies • exposure to product liability claims, regulatory action and litigation • failure to obtain insurance coverage • presence of THC in our CBD products or other products not intended to contain THC • product recalls • reliance on management and loss of key employees or inability to hire key personnel • limited experience of senior management in managing a public company • fraudulent or illegal activity by employees, contractors and consultants • reliance on contractors and consultants for several key functions, such as regulatory

- shareholder rights will be governed by Israeli law
- political, economic and military conditions in Israel
- negative labour conditions in Israel and the obligations of personnel to perform military service
- enforcing a Canadian judgment or asserting Canadian securities law claims in Israel
- provisions of our Articles and Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us
- Israeli government funding may impose limitations on our manufacturing activities
- reliance on intellectual property and inability to protect intellectual property rights worldwide
- claims for remuneration or royalties for assigned service invention rights by employees
- breaches of security at our facilities or in respect of information systems, electronic documents and data storage
- forward-looking information
- volatility of the market price of our Common Shares
- potential dilution of Common Shares
- ability of AKC, our officers and directors to control matters affecting the business
- lack of an active, liquid and orderly trading market for Common Shares
- failure of securities or industry analysts to publish research or publish inaccurate or unfavourable research about the issuer
- inability or unwillingness to pay dividends
- management may be unable to use the proceeds of the Offering effectively
- ownership of our shares may be considered unlawful in some jurisdictions
- The valuation of our biological assets is subject to certain assumptions and estimates.
- exchange rate fluctuations between the Canadian dollar, the U.S. dollar, the Euro and other foreign (non-Israeli) currencies in relation to the New Israeli Shekel
- competition in our industry
- failure to develop products that compete successfully and to acquire and retain physicians who prescribe our drugs once developed and patients who use them

See "Risk Factors" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Offered Shares.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected historical financial information as at December 31, 2018 and 2017, for the years ended December 31, 2018, 2017 and 2016, as at March 31, 2019 and 2018, and for the three-month periods ended March 31, 2019 and 2018. The historical financial information should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 (the "**Annual Consolidated Financial Statements**"), including the notes thereto, appearing elsewhere in this prospectus as well as our unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2019 (the "**Interim Financial Statements**"), appearing elsewhere in this prospectus, as well as "About this Prospectus — Non-IFRS Financial Measures", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds", "Consolidated Capitalization", "Description of Material Indebtedness" and "Description of Share Capital" included elsewhere in this prospectus. The Annual Consolidated Financial Statements and Interim Financial Statements are, in each case, prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Annual Consolidated Financial Statements have been audited by our auditors, E&Y.

IFRS Measures

Selected Results and Earnings (in thousands of U.S. dollars, except share and per share data)	Three-month period ended March 31, (unaudited)		Year ended December 31,		
	2019	2018	2018	2017	2016
Revenues	$ 1,121	$ 917	$ 3,516	$ 3,010	$ 2,273
Gross profit (loss) before fair value adjustments	$ (239)	$ (871)	$ (2,267)	$ 486	$ 1,930
Gross profit (loss) after fair value adjustments	$ 19	$ (1,500)	$ (2,083)	$ 434	$ 2,628
Total operating expenses	$ (10,038)	$ (983)	$ (19,084)	$ (4,895)	$ (1,959)
Operating profit (loss)	$ (10,019)	$ (2,483)	$ (21,167)	$ (4,461)	$ 669
Finance expenses, net	$ (4,713)	$ (211)	$ (8,227)	$ (1,905)	$ (67)
Net income (loss)	$ (14,732)	$ (2,694)	$ (29,394)	$ (6,366)	$ 602
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	$ (57)	$ (168)	$ 541	$ (9)	$ (23)
Total comprehensive income (loss) attributable to equity holders of the Company	$ (13,690)	$ (2,666)	$ (27,132)	$ (5,825)	$ 579
Basic and diluted net income (loss) per share (in U.S. dollars)	$ (1.14)	$ (0.22)	$ (2.39)	$ (0.51)	$ 0.05
Weighted average number of shares — basic and diluted	11,953,856	11,543,948	11,598,109	11,457,846	11,199,125

Consolidated statements of financial position (in thousands of U.S. dollars)	As at the three-month period ended March 31, (unaudited)		As at the year ended December 31,	
	2019	2018	2018	2017
Assets:				
Cash and cash equivalents	$ 19,376	$ 3,178	$15,485	$ 19
Biological assets	$ 1,714	$ 94	$ 611	$ 213
Inventories	$ 3,003	$ 544	$ 2,398	$ 1,235
Total assets	$ 46,947	$ 7,245	$27,789	$ 4,772
Liabilities:				
Current and long-term debt and bank credit	$ 46,103	$ 6,765	$29,789	$ 5,385
Current and long-term lease liabilities	$ 10,503	—	—	—
Other long-term liabilities	$ 361	$ 484	$ 331	$ 473
Equity (deficiency) attributable to shareholders of the Company	$(15,050)	$(5,248)	$(8,208)	$(5,072)
Total equity (deficiency)	$(15,102)	$(4,855)	$(7,161)	$(5,079)

Non-IFRS Financial Measures — Reconciliations[(1)]

Calculation of cash cost per gram and gram equivalent sold (in thousands of U.S. dollars, unless otherwise indicated, other than gram and gram equivalent amounts)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Total reported cost of revenues	$1,360	$1,788	$5,783	$2,524	$ 343
Less:					
Depreciation and amortization, included in cost of revenues	$ (68)	$ (36)	$ (260)	$ (37)	—
Depreciation of right-of-use assets, included in cost of revenues	$ (208)	—	—	—	—
Cash cost of revenues	**$1,084**	**$1,752**	**$5,523**	**$2,487**	**$ 343**
Cash cost per gram and gram equivalent sold (in U.S. dollars)	$ 2.21	$ 4.24	$ 3.05	$ 2.39	$ 0.32
Less:					
Shipping and packaging costs	$ (83)	$ (16)	$ (106)	$ (59)	$ (50)
Cash cost of revenues (as adjusted)	$1,001	$1,736	$5,417	$2,428	$ 293
Adjusted cash cost per gram and gram equivalent sold (in U.S. dollars)	**$ 2.04**	**$ 4.20**	**$ 2.99**	**$ 2.33**	**$ 0.28**
Grams and gram equivalent sold in the period (expressed in kg)	490	413	1,810	1,041	1,062

Adjusted EBITDA (in thousands of U.S. dollars)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Operating profit (loss)	**$(10,019)**	**$(2,483)**	**$(21,167)**	**$(4,461)**	**$ 669**
IFRS non-cash accounting related to biological assets and inventory:					
Unrealized change in fair value of biological assets	$ (736)	$ (61)	$ (1,210)	$(1,080)	$(1,957)
Realized fair value adjustments on inventory sold in the period	$ 478	$ 690	$ 1,026	$ 1,132	$ 1,259
Impairments of property plant and equipment	—	—	—	$ 343	—
Share-based compensation	$ 6,848	—	$ 12,835	—	—
Depreciation and amortization	$ 122	$ 75	$ 445	$ 157	$ 119
Depreciation of right-of-use assets	$ 208				
Adjusted EBITDA	**$ (3,099)**	**$(1,779)**	**$ (8,071)**	**$(3,909)**	**$ 90**

Note:

(1): These measures do not have any standardized meaning under IFRS. Therefore, they may not be comparable to similar measures presented by other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Financial Measures".

BUSINESS OVERVIEW

Our Vision and Strategy

We are a leading producer of medical cannabis and cannabis products in Israel, supplying patients, pharmacies and other participants in the medical cannabis and pharmaceutical industries. We plan to become a global leader in producing medical cannabis and innovative cannabis products, including new pharmaceutical drugs. These new drugs are in various stages of development and are intended to address unmet medical needs of patients in therapeutic areas including central nervous system disorders, pain and palliative care management, and inflammation and autoimmune disorders.

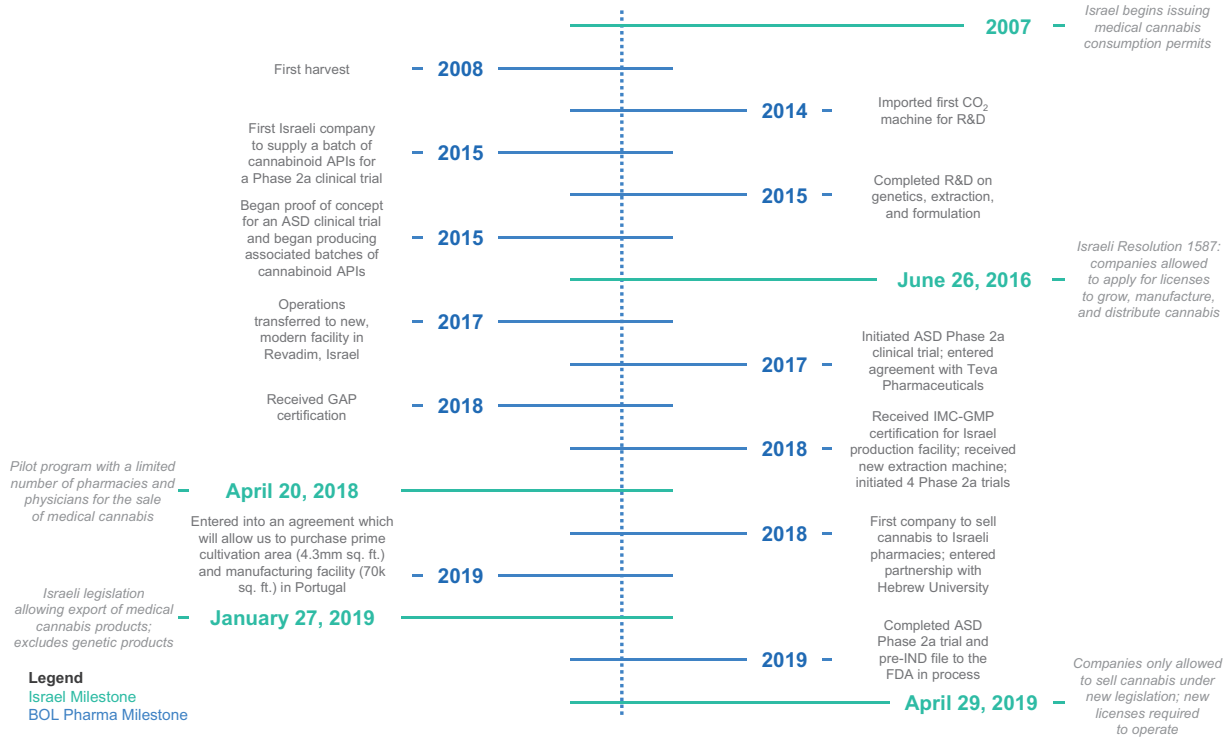
We intend to become one of the largest medical cannabis companies in the world by continuing to capitalize on our economies of scale, cost leadership, innovative drug delivery technologies and pharmaceutical strategy:

- **Economies of scale:** We have arrangements in place to increase our available cultivation area to over 26 million square feet in Israel and over 4 million square feet in Portugal, with an expected annual manufacturing capacity of over 870,000 kg of dried cannabis in Israel and Portugal combined by the end of 2020, giving us a significant advantage over our competitors.
- **Cost leadership:** We benefit from a cost-effective structure compared to our competitors enabled by the favourable operating environment in Israel and Portugal, our efficient cultivation cycles and drying processes, and advanced extraction techniques.
- **Innovative drug delivery technologies:** We have Exclusive Licences to incorporate patented drug delivery technologies in our products, including advanced formulations that enhance absorption and improve dosing and shelf-stability, allowing us to further reduce our production costs.
- **Long-term pharmaceutical strategy anchored in strategic partnerships to conduct rigorous clinical trials:** Our existing collaborations with some of Israel's leading hospitals and universities allow us to conduct randomized, controlled clinical trials which are aimed at positioning us to be a leader in the pharmaceutical cannabis field.

Overview

We are a vertically integrated company in the medical cannabis and cannabinoid-based pharmaceutical industries with operations spanning the value chain from cultivation through production and extraction, formulation and product development, and product research and testing. We have cultivation and manufacturing operations in Israel and are expanding our operations to Portugal. We were one of the first licensed medical cannabis cultivators in Israel and have been at the forefront of the Israeli medical cannabis industry since 2008. Our commitment to research and development and our well-established partnerships with key universities, medical centers, and corporations is rooted in a culture of innovation. We are currently the only company in Israel accredited by the Ministry of Health with both GAP Israeli certification for propagation and cultivation and IMC-GMP Israeli certification for manufacturing of finished products. These GAP and IMC-GMP certifications conform to the standards of Government Resolution No. 1587 — CMPR, the regulatory regime for medical cannabis in Israel that was operating on a pilot basis since April of 2018 and went into effect on April 29, 2019. These certifications authorize us to have our medical cannabis sold in pharmacies in Israel and we expect will provide us a competitive advantage to obtain approvals for cannabis export under the CMPR.

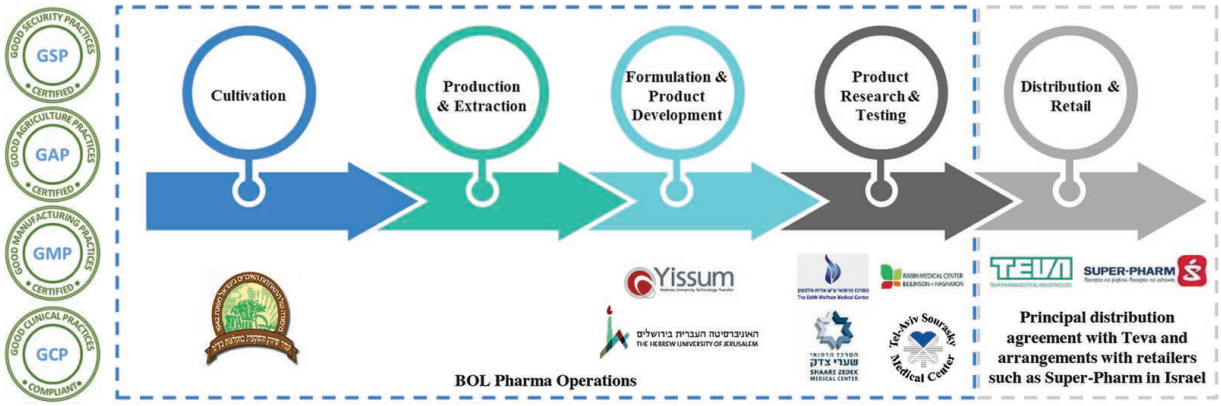
The following outlines certain key milestones we have achieved since the implementation of the medical cannabis regime in Israel:



Our business spans the production and sale of medical cannabis products, medical cannabis, botanical cannabinoid active pharmaceutical ingredients ("**APIs**") and the development of cannabinoid-based pharmaceutical products. A range of our medical cannabis products are sold in Israel, including products containing THC and CBD, CBD being a non-psychoactive component of cannabis. Our extraction capabilities allow us to produce products that contain highly concentrated doses of THC, which we believe positions us favourably to take advantage of the growing medical cannabis market by selling a wide variety of products using different methods of administration. Products derived from CBD present additional opportunities for sales of CBD health and wellness products in Europe, Latin America and Australia. Many countries are developing separate regulatory regimes for products that are based on CBD, which contain less than a prescribed maximum amount of THC. These CBD health and wellness products are expected to be authorized for sale in many jurisdictions through broader distribution channels, and with fewer regulatory restrictions, than products containing higher amounts of THC.

An important component of our vertically integrated business strategy is our strategic partnerships and other relationships with key players throughout the value chain. This includes our relationships with Zabar Kama and Amir, for our cultivation related needs; the Hebrew University of Jerusalem with whom we collaborate for formulation and product development; various medical centres including the Rabin Medical Center, the Shaare Zedek Medical Center, the Tel Aviv Souraski Medical Center and the Wolfson Medical Center for product research and testing; and SLE, a subsidiary of Teva, and the Israeli pharmacy chain Super-Pharm, who are our main distribution and retail partners for the Israeli market. We believe we are currently the largest supplier of medical cannabis to pharmacies in Israel. Each of the institutions or medical centers with which we have partnered are arms length third parties and do not have any common directors, officers or insiders with the Company. Prof. Simon Benita, a former Director of the Institute for Drug Research and the School of Pharmacy at the Hebrew University of Jerusalem, is a director of BOL Nano Solutions, a subsidiary of BPL.

Our Participation Spanning the Value Chain Enhances Our Performance in Each Stage of Operations



We intend to export our products around the world upon receiving approval from each of the Israeli government and the Portuguese government, respectively, for export and subject to approval from the destination country for import. On January 27, 2019, the Israeli government approved a regulatory regime under the CMPR that will allow IMC-GMP-certified manufacturers to apply for authorization to export domestically-grown medical cannabis products to countries where the importation and sale is legal, subject to receiving all applicable Israeli regulatory and administrative authorizations and approvals and import authorizations from the applicable country. We believe that we will be among the first applicants to obtain an authorization from the Israeli government to export medical cannabis products to another country under this regime and we expect to be authorized to export by the end of 2019. We have agreements, letters of intent, and ongoing negotiations with a number of companies to supply medical cannabis internationally, subject to receipt of applicable export and import approvals. We expect to start selling products in countries such as Germany, the United Kingdom, Italy, Poland, Australia and Canada in the near-term. We will not cultivate, extract, refine, or distribute cannabis or cannabis products in any country where such activities are not fully legal under all applicable federal, state, or provincial laws.

In addition, we are currently in the process of obtaining a pharmaceutical-grade GMP certification from the Ministry of Health for our manufacturing processes, in respect of which the Ministry of Health completed its initial audit of our facilities on May 2, 2019. We continue to work with the Ministry of Health to address all remaining requirements prior to being issued the certification. A pharmaceutical-grade GMP represents an additional standard of certification to the IMC-GMP certification and is recognized by the EU under the existing mutual recognition agreement with Israel.

Our current portfolio of marketed and planned products includes:

Product Type	Number of Varieties	Timeline	Relevant Milestones for Planned Products
Medicated drops	11	• All currently marketed	• N/A
Sublingual tablets	3	• All planned to be marketed in second half of 2019	• Completion of PK Study and submission to MCU
Capsules	2	• Planned to be marketed in 2020	• Complete formulation development by end of 2019 • Completion of PK Study by the end of Q2 2020 • Submission to MCU by the end of Q3 2020
Cannabinoid-based APIs for drug development	9	• All currently marketed	• N/A
Medical cannabis flower products	24	• 12 currently marketed • 12 planned to be marketed in second half of 2019	• To be marketed depending on market demand

These products are used to treat pain, nausea, epilepsy, and various other ailments and diseases. We sell our currently marketed products to pharmacies, research organizations, and pharmaceutical companies in Israel.

We benefit from Israel's national medical cannabis program, which launched in 2007 and was implemented by the Israeli government to incentivize research and development in medical cannabis. This cooperative regulatory environment in Israel provides us with a stable base of medical cannabis patients in Israel, and we believe we are well-positioned for significant global growth as the regulatory environment in other jurisdictions continues to evolve. Within Israel, under the CMPR, most of our finished products are delivered to pharmacies by our distributor, SLE, a subsidiary of Teva. We believe we have been the main supplier of medical cannabis products to the Israeli pharmacy chain Super-Pharm since May 2018 when we began marketing medical cannabis at 14 Super-Pharm branches following the commencement of the CMPR pilot program. We have since scaled to 41 pharmacy branches, including private pharmacies and branches associated with other chains, and we expect that the number of pharmacies in Israel in which our products will be sold will continue to increase.

We plan to sell a range of medical cannabis products, including THC-based products and CBD-based health and wellness products, some of which we have developed and others which are currently under development, into Europe, Latin America, and Australia through wholesalers, distributors and retailers, in addition to producing products for sale under the brand names of other retailers (white label contract manufacturing). We have engaged in assessments of the legality and regulatory regimes in each of these markets, including through local counsels and meetings with senior members of applicable regulatory agencies in certain countries in these regions, many of which subsequently sent delegations of senior officials and professionals to meet with us at our facility in Israel. Our medical cannabis and health and wellness products are expected to include topicals, drops, tablets, and capsules, which we intend to produce in both Israel and Portugal. We believe we are well-positioned to meet the growing demand for medical cannabis products and have devoted half of our current cultivation area in Israel to the development of CBD-rich cannabis strains.

Additionally, we have a pipeline of cannabinoid-based pharmaceutical products under development across a range of 34 indications, including central nervous system disorders (such as autism), pain and palliative care management, and inflammation and autoimmune disorders. Our ASD pharmaceutical product candidate recently completed a Phase 2a clinical trial for the treatment of social communication and behavioural problems in children and adolescents with ASD in Israel, in respect of which we have filed a request for a Pre-IND meeting. We expect to have a Pre-IND meeting with the FDA in the third quarter of 2019 to discuss the results of the Phase 2a clinical trial conducted in Israel and the future development plan for this product candidate. Subsequent to the Pre-IND meeting with the FDA, we plan to incorporate any feedback from the FDA and

submit the IND for our ASD pharmaceutical product candidate. We are currently conducting another seven Phase 2a trials in Israel, with an additional 11 clinical trials scheduled to start Phase 2a patient enrollment by the end of 2019, and 15 more expected to start Phase 2a patient enrollment by the end of the first half of 2020. We are also conducting multiple PK Studies exploring the key pharmacokinetic characteristics of different dosage forms and formulations to support our clinical development programs. Our clinical trials benefit from the highly supportive medical cannabis policies of the Israeli government toward medical cannabis innovation and research, the significant amount of empirical data we have collected from the treatment of over 15,000 patients with medical cannabis over the past 10 years, and the stable supply of pharmaceutical-grade, cannabinoid-based APIs that we extract in-house. Our extensive pipeline is supported by our collaboration with leading medical centers and research facilities in Israel, including the Rabin Medical Center, the Shaare Zedek Medical Center, the Tel Aviv Souraski Medical Center and the Wolfson Medical Center.

We have collaborated with the Hebrew University of Jerusalem in the development of its patented drug delivery technologies, Trojan™ and Sedds™, in respect of which we have Exclusive Licences for commercial exploitation. Trojan™ is a technology that primarily helps the body absorb more THC, while Sedds™ primarily helps the body absorb more CBD. These formulations enhance absorption and improve dosing and shelf-stability, allowing us to further reduce our production costs. We plan to begin selling products using Trojan™ technology in the first half of 2020 and are positioned to begin selling products using Sedds™ technology before the end of 2019.

Medical Cannabis Operations

We are the largest medical cannabis producer in Israel and are positioned to become one of the largest producers in the world with arrangements in place to increase our available cultivation area to over 26 million square feet of cultivation area in Israel and over 4 million square feet of cultivation area in Portugal. We can increase our production capacity rapidly and inexpensively by engaging third party farmers (who will operate under licences to be obtained by us in respect of any additional cultivation area) to grow our medical cannabis using our cloned strains, subject to our security, supervision and quality assurance standards and the CMPR. We are a low-cost producer enabled by the favourable operating environment in Israel and Portugal, efficient cultivation cycles and drying processes, and advanced extraction techniques. Our operations in Israel and Portugal are located in optimal environments for growing cannabis, as these regions provide an abundance of natural sunlight and other favourable climate conditions. We maintain a fully controlled environment in our greenhouses for precise and repeatable cultivation. Our facility in Israel is one of few facilities in the world that produces botanical cannabinoid-based APIs with pharmaceutical grade standards and GAP and IMC-GMP accreditations. These standards ensure we are providing a high level of quality assurance, making us a partner of choice, and most importantly, will allow us to participate in the Israeli export market upon receiving all necessary approvals. Currently, we can isolate seven unique cannabinoids in addition to THC and CBD, which we expect could each present a new market comparable to those of CBD and THC. We will seek to access new market opportunities through our ability to isolate seven unique cannabinoids, in addition to CBD and THC, which we expect could present new markets comparable to those of CBD and THC.

Cultivation

We have approximately 377,000 square feet of fully-operational greenhouses at our leased property in Revadim, Israel and are in the process of expanding into 3 million square feet of GSP certified cultivation areas, which will include 2.5 million square feet of GAP certified cultivation area. We are expanding into Portugal through an agreement we entered into in February 2019 for the purchase of 4.3 million square feet of cultivation area, subject to the receipt of applicable licences and payment of the purchase price. We expect to commence growing our various strains in Portugal in the second half of 2019 and have our first harvest in the fourth quarter of 2019. We intend to obtain all necessary licences prior to shipping our products from Portugal, which licences we expect to obtain by the third quarter of 2019. We currently have an annualized dried cannabis cultivation capacity (run rate) of 7,000 kg, planned 2019 annualized dried cannabis cultivation capacity of 188,000 kg and planned 2020 annualized dried cannabis cultivation capacity of 328,000 kg. We are well-positioned to access cultivation area in Israel through the Zabar Kama Partnership Agreement, which provides us access to a total of 26 million square feet of fields for future cultivation, including our current production area. We maintain high

cultivation quality standards in accordance with GAP and our Israeli facilities are subject to strict external inspections conducted seven times per year. We intend to undertake our cultivation in Portugal with similarly rigorous practices and standards. Our estimated future cultivation capacity of dried cannabis is as follows:

Own Cultivation (kg)

Cultivation Capacity Estimates	Current (Run Rate)	By the end of 2019 (Run Rate)	By the end of 2020 (Run Rate)
Dried Cannabis — Israel	7,000	108,000	164,000
Dried Cannabis — Portugal	—	80,000	164,000
Total	**7,000**	**188,000**	**328,000**

Note: These figures are forward-looking information. Current run rate capacity has been calculated by annualizing the capacity for the first quarter of 2019 based on the actual current capacity of each of our greenhouses. Run rate capacity by the end of 2019 and the end of 2020 has been calculated by annualizing the estimated capacity for the fourth quarter of 2019 and 2020, respectively. Estimated capacity is based on a number of assumptions including but not limited to the upgrade, enhancement and expansion of our cultivation areas, which assumes expansion to 2.5 million square feet, being the first phase expansion of our total available cultivation area of 26 million square feet in 2019, and assuming the full impact of such first phase expansion in 2020. In addition, these figures assume four harvest cycles per year in Israel (greenhouses) and two harvest cycles per year in Portugal (outdoors) and productivity of our cultivation cycles, the expansion of our greenhouses (in the expanded 2.5 million square feet) and outdoor facilities (4.3 million square feet) as anticipated and on schedule, and the licences for cultivation facilities being received in a timely manner as anticipated (see "Business Overview — Medical Cannabis Operations" and "Certain Regulatory Matters — Portuguese Medical Cannabis Regime — Licences"). See "Forward-Looking Information".

In addition to our own significant cultivation capacity, we expect to be able to contract local farmers in Israel and Portugal who grow on over 38 million square feet of land to grow strains from clones we provide under our strict security, supervision and quality assurance standards, as well as the CMPR, which we believe will allow us to scale rapidly in a cost-effective and capital-efficient manner. These local Israeli and Portuguese farmers can begin growing immediately upon engagement with limited investment by us. Furthermore, we have the ability to enlist additional farmers in Israel through our relationship with our strategic investor, Amir. Majority owned by the Israeli Farmer's Association, Amir is the leading distributor of agricultural products to private farmers in Israel with 26 sales and distribution centres across the country. Amir supports local farmers by providing financial support, farming inputs, and farming equipment and is an important strategic partner for us due to its relationships with farmers and the services it provides them. Amir currently services over 7,500 clients, 64% of which are independent farmers. We have entered into an agreement to secure dried cannabis supply from a cultivator in Portugal with 8 million square feet of cultivation area including a 300,000 square foot greenhouse, subject to receipt of applicable regulatory approvals.

Contract Growers (kg)

Cultivation Capacity Estimates	Current (Run Rate)	By the end of 2019 (Run Rate)	By the end of 2020 (Run Rate)
Dried Cannabis — Israel	9,000	90,000	180,000
Dried Cannabis — Portugal	—	64,000	328,000
Total	**9,000**	**154,000**	**508,000**

Note: These figures are forward-looking information. Current run rate capacity has been calculated by annualizing the capacity for the first quarter of 2019 based on our current agreement with a contract grower based on such contract grower's existing greenhouse capacity. Run rate capacity by the end of 2019 and the end of 2020 has been calculated by annualizing the estimated capacity for the fourth quarter of 2019 and 2020, respectively. Estimated capacity is based on a number of assumptions including but not limited to being able to enter into agreements with several contract growers covering an estimated cultivation area of approximately 3 million square feet in 2019 and an additional 3 million square feet in 2020 in Israel. In Portugal, this assumes expansion into 8 million square feet of cultivation area in 2019, with the full impact in 2020. In addition, these figures also assume approximately 3-4 harvest cycles per year by each of our contract growers in Israel and 2 harvest cycles per year for our contract growers in Portugal, the productivity of contract growers' cultivation cycles, there being no delays entering into agreements with our contract growers, and obtaining licences for our additional contract grower cultivation areas in a timely manner as anticipated (see "Business Overview — Medical Cannabis Operations" and "Certain Regulatory Matters — Portuguese Medical Cannabis Regime — Licences"). See "Forward-Looking Information".

We have multiple propagating programs in place including classic propagating (fertilization of male and female cells occurring in the flower or by fusion outside the flower), genetically modified organisms (gene transfer or gene direct modification), and biological genetic markers (identification of traits using markers specific to the genes or proteins in the plant). Although seasonality typically limits outdoor cultivation to two cycles per year, our greenhouse cultivation has allowed us to achieve three to four cycles per year.

We have an extensive collection of 230 different genetic varieties of cannabis, of which 13 varieties are proprietary and have been submitted for registration with the Israeli Ministry of Agriculture and Rural Development. This supports our pharmaceutical product development as our clinical trials are based on specific strains. All processes are documented in a customized ERP system which tracks every plant throughout each step from cultivation to finished product. We evaluate the data from our extensive quality assurance processes to improve future cultivation and manufacturing decisions, which enhances our performance in each stage of the value chain we participate in.

Manufacturing

We operate a state-of-the-art 65,000 square foot IMC-GMP-certified manufacturing facility in Revadim, Israel which was originally built for research and development and advanced agricultural production. Located within the manufacturing facility are 13,000 square feet of office space and a 6,000 square foot drying facility with current annual capacity of approximately 50,000 kg of dried cannabis per year. Upon the installation of newly acquired customized drying equipment expected to be operational in the second half of 2019, our annual drying capacity will expand to approximately 400,000 kg of dried cannabis based on an assumed machine capacity of 80 kg per hour operating 20 hours per day for 250 days per year. Our expansion into Portugal will include a 70,000 square foot manufacturing facility, which will provide a second source of manufacturing, diversifying our production capacity. Our Portugal facility will be outfitted with custom drying equipment that will have annual drying capacity of approximately 400,000 kg of dried cannabis by the end of 2019 based on the same assumptions as outlined in respect of the newly acquired drying equipment to be installed in our Israeli facility, and increasing to 800,000 kg by the end of 2020 when we expect to acquire and install a second drying tunnel unit in our Portugal facility. We expect first shipments from our Portugal facility to occur in the fourth quarter of 2019 which shipments will initially consist of dried flowers and will transition to primarily consist of cannabis-based finished products. See "Forward-Looking Information".

We benefit from having in-house extraction, isolation, and purification capabilities that provide complete process control. We use advanced super-critical CO_2 extraction, short path distillation technology, and super-critical fluid chromatography, which provide us with the capability to produce up to 99% pure isolates. Currently, we can isolate seven unique cannabinoids in addition to THC and CBD, which we expect could each present a new market comparable to those of THC and CBD. The seven additional cannabinoids that we can currently isolate include CBDA, CBDV, CBG, CBGA, THCA, CBC and CBN. Markets are already developing for CBN and CBG.

Finished Goods

We have a large capacity for producing finished products due to our existing and planned additional highly automated modern equipment, short production cycles and experienced operators. Our estimated finished goods manufacturing capabilities include the following:

	Israel		
Production Capacity Estimates	**Current (Run Rate)**	**By the end of 2019 (Run Rate)**	**By the end of 2020 (Run Rate)**
Dried Flower 10g packages (#)	1,500,000	6,000,000	12,000,000
Medicated Drops (bottles)	4,000,000	13,000,000	26,000,000
APIs (kg)	150	2,000	4,000
Tablets (#)	250,000,000	250,000,000	250,000,000
Capsules (#)	100,000,000	100,000,000	100,000,000

Portugal			
Production Capacity Estimates	**Current (Run Rate)**	**By the end of 2019 (Run Rate)**	**By the end of 2020 (Run Rate)**
Dried Flower 10g packages (#)	—	6,000,000	12,000,000
Medicated Drops (bottles)	—	13,000,000	26,000,000
Tablets (#)	—	250,000,000	250,000,000
Capsules (#)	—	100,000,000	100,000,000

Note: These figures are forward-looking information. Current run rate capacity has been calculated by annualizing the capacity for the first quarter of 2019 based on actual drying capacity of approximately 50,000 kg, extraction capacity of approximately 20,000 kg and flower packaging capacity of approximately 15,000 kg in Israel. Run rate capacity by the end of 2019 and the end of 2020 has been calculated by annualizing the estimated capacity for the fourth quarter of 2019 and 2020, respectively. Estimated capacity is based on a number of assumptions including but not limited to delivery and installation of additional processing equipment to our Israel and Portugal facilities in 2019, increasing drying capacity to approximately 400,000 kg per year, extraction capacity to 300,000 kg per year and flower packaging capacity of 60,000 kg per year, each on the basis of 20 working hours of operations per day and 250 working days per year, installing an additional drying tunnel and high capacity extraction machine in our Portuguese facility in 2020, the expansion of our greenhouse and outdoor facilities continues on schedule, there are no delays executing agreements with farmers and the licences for cultivation facilities being received in a timely manner as anticipated (see "Business Overview—Medical Cannabis Operations" and "Certain Regulatory Matters—Portuguese Medical Cannabis Regime—Licences"). See "Forward-Looking Information".

Cannabinoid Pharmaceutical Product Development

Since 2013, we have been focused on the development of cannabinoid-based pharmaceutical products targeting central nervous system disorders (such as autism), pain and palliative care management, and inflammation and autoimmune disorders. We are developing product candidates using patented drug delivery technologies to create tailor made pharmacokinetic and pharmacodynamic properties suited for specific medical conditions. We are developing and planning to develop different combinations of cannabinoids in various formulations, including medicated drops, soft gel capsules, metered-dose inhalers, dermal applications, injections, ophthalmic solutions, and sublingual tablets. We collaborate with leading institutions to run our early to mid-stage clinical trials at competitive costs compared to clinical trials run in other developed markets. The regulatory regime in Israel promotes the efficient and timely approval of medical cannabis products that are in compliance with international regulations. We can take advantage of over a decade of research conducted in Israel's world leading hospitals on cannabinoid-based products.

Commercialization Strategy of the Product Development Portfolio

Our research and development strategy entails running Phase 2a clinical studies targeting indications in our therapeutic focus areas. We plan to progress our pharmaceutical product candidates to commercialization based on our assessment of the development pathway and commercial viability, either by developing the product in-house or partnering with pharmaceutical companies.

We have a three-stage development strategy:

1. Develop formulas from relatively simple combinations of THC and CBD in order to minimize time to market.
2. Develop formulas combining additional cannabinoids with innovative patented drug technology systems.
3. Develop products by combining cannabinoids with established drugs.

The therapeutic areas we currently focus on include:

1. Central nervous system disorders (such as autism) — product candidates targeting 10 indications
2. Pain and palliative care management — product candidates targeting 14 indications
3. Inflammation and autoimmune disorders — product candidates targeting 10 indications

Product Candidates

Our ASD product candidate recently completed a Phase 2a clinical trial in Israel for the treatment of social communication and behavioural problems in children and adolescents with ASD. It compared the safety, tolerability, and efficacy of two compounds, a whole-plant extract and a mixture of purified cannabinoids (each

of which had a 20:1 CBD to THC ratio), to a placebo in a randomized, double-blind, three-arm crossover trial. A total of 150 patients were enrolled, of which 147 participants, aged 5-21 years and with ASD and moderate to severe refractory behavioural and social communication problems, were treated orally with Pure, Whole-Plant, or a placebo. After 12 weeks of treatment ("**Treatment Period 1**") and four weeks of washout, each participant was treated for another 12 weeks ("**Treatment Period 2**") with one of the two other compounds. This clinical trial evaluated the efficacy of our pure cannabinoid and whole-plant extract compounds in improving disruptive behaviour based on:

- Changes from baseline Home Situations Questionnaire-Autism Spectrum Disorder ("**HSQ-ASD**") score, a parent or primary caregiver rated assessment of disruptive behaviour (range 0-9), after 12 weeks of treatment, and;
- Changes from baseline Clinical Global Impress-Improvement ("**CGI-I**") score, a clinical rated assessment of improvement in disruptive behaviour (range 1-7), after 12 weeks of treatment.

Under the HSQ-ASD, a positive response to treatment was defined as at least a 25% decrease in HSQ-ASD score after 12 weeks of treatment, and under the CGI-I, a positive response to treatment was defined as a rating of "much improved" or "very much improved" after 12 weeks of treatment.

In addition, the clinical trial also evaluated the efficacy of our pure cannabinoid and whole-plant extract compounds in improving social communication, a core symptom of ASD, based on:

- Changes from baseline Social Responsiveness Scale ("**SRS-t**"), a parent or teacher rated assessment of severity of social deficit, after 12 weeks of treatment.

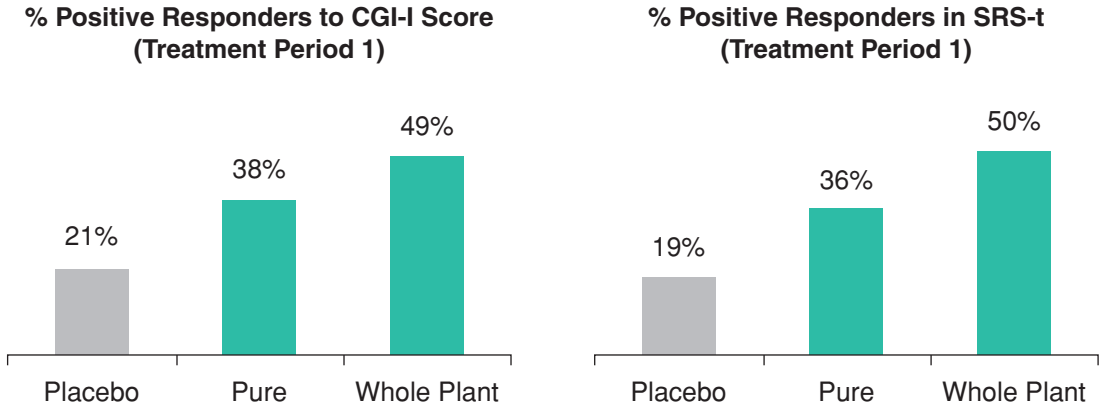
Under the SRS-t, a positive response to treatment was defined as at least a 15% decrease in SRS-t total raw score after 12 weeks of treatment.

As the study design prevented full crossover and randomization in Treatment Period 2, we conducted the efficacy analysis based on the response proportion per treatment arm in Treatment Period 1.

Under the HSQ-ASD, there was no significant difference in the proportion of Treatment Period 1 positive responders between the three arms, with a positive response rate of 46%, 55% and 53% in the placebo, Pure and Whole-Plant arms, respectively.

In Treatment Period 1, 21%, 38% and 49% of the subjects demonstrated a positive improvement in disruptive behaviour according to the CGI-I in the placebo, Pure, and Whole-Plant arms, respectively. Accordingly, the active treatment arms (Pure and Whole-Plant) showed statistically significant improvement in CGI-I over placebo, with a p omnibus of 0.0185.

With respect to the change in SRS-t, which assessed the improvement in social communication, 19%, 36% and 50% of subjects demonstrated positive improvement in Treatment Period 1 in the placebo, Pure and Whole-Plant arms, respectively. Accordingly, the active treatment arms (Pure and Whole-Plant) showed statistically significant improvement in SRS-t over placebo, with a p omnibus of 0.0244.



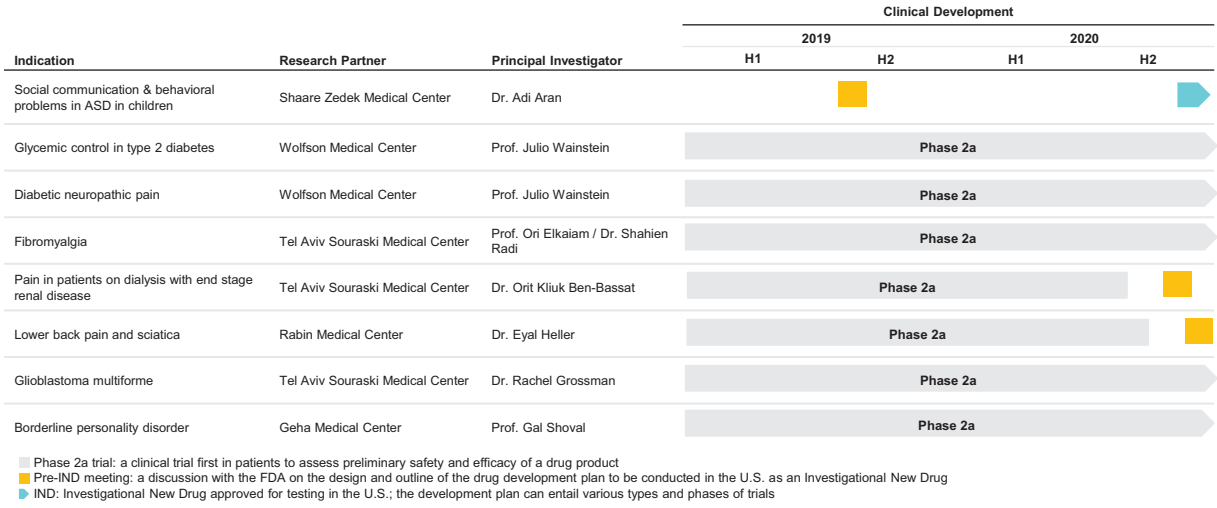
The active treatment arms (Pure and Whole Plant compounds) demonstrated statistically significant improvement in CGI-I (p omnibus = 0.0185) and SRS-t (p omnibus = 0.0244) in Treatment Period 1

Both the Pure and Whole-Plant appeared to be well tolerated and safe in children and young adults with ASD. The most frequently reported adverse events were behavioural changes, sleep disorders, and changes in appetite, which are known to be related with cannabis.

Patients treated with our product candidate demonstrated improvement in social communication and disruptive behaviour over placebo, with an acceptable safety profile. Based on these favourable results, we intend to progress with further development of this product candidate, and have filed a request for a Pre-IND meeting. We expect to have a Pre-IND meeting with the FDA in the third quarter of 2019 to discuss the go-forward development plan.

Beyond our ASD product candidate, we are working on an extensive product pipeline to address 33 additional indications, of which seven are in active Phase 2a patient enrollment, 11 are scheduled to start Phase 2a patient enrollment by the end of 2019, and another 15 are expected to start Phase 2a patient enrollment by the end of the first half of 2020. In addition, we are conducting multiple PK Studies exploring the key pharmacokinetic characteristics of different dosage forms and formulations to support our commercial launches and clinical development program.

A summary of our most advanced Phase 2a clinical trials is included in the table below.



Note: These figures are forward-looking information. Estimated timing is based on a number of assumptions including but not limited to our ability to complete clinical trials on time and responses of the applicable regulators. See "Forward-Looking Information".

Although we have not had any Pre-IND meetings with the FDA to discuss the regulatory pathways for our product candidates, we believe all these product candidates are following a development pathway for molecules that have been previously approved by the FDA or have already been proven to be safe and effective and therefore often require less development costs and expedited development trials (which is referred to in the industry as a "505(b)(2) regulatory pathway") and are in sublingual dosage form. We also have several programs in our pipeline for NCEs that follow a 505(b)(1) pathway.

A Drug Master File will be created based on clinical research data compiled to date. All future clinical trials using the same API's (CBD, THC or combinations of CBD and THC) will be able to rely on such data, allowing such development to be expedited.

Drug Delivery Technologies: Trojan™ and Sedds™

We have leveraged the drug delivery technologies, Trojan™ and Sedds™, through our Exclusive Licences from the patent holder, to develop formulations that enhance absorption and improve dosing and shelf-stability. Products using these technologies can be produced with a smaller amount of active ingredient, allowing us to further reduce our production costs. Products using the Trojan™ drug delivery technology result in a fine powder end-product, consisting of double coated CBD and THC oil-core nano capsules. The nano capsules are made of resistant polymers, which protect the drug from degradation in the intestinal fluids and protect the CBD and THC from liver enzymatic metabolism. The nano capsules are absorbed by the lymphatic route, therefore circumventing liver degradation and progressively releasing the encapsulated drugs into the plasma. In preclinical studies, Trojan™ showed enhanced bioavailability of up to two-and-a-half times in CBD and up to ten times in THC compared to oil formulations. We plan to begin selling products using Trojan™ technology in the second quarter of 2020. Sedds™ is a self-emulsifying drug delivery technology which rapidly and spontaneously emulsifies in gastro-intestinal fluids to create fine oil / water emulsions increasing drug diffusion. In preclinical studies, Sedds™ showed enhanced bioavailability of up to ten times in CBD and up to three-and-a-half times in THC compared to oil formulations. The emulsion droplets lead to a faster and more uniform distribution of the drug in the gastrointestinal tract. In preclinical studies, Sedds™ showed enhanced bioavailability of up to ten times in CBD and up to three-and-a-half times in THC compared to oil formulations. We are positioned to begin selling products using Sedds™ technology in the second half of 2019. We have filed patent applications covering our topical, ophthalmic and injectable formulations.

Competitive Positioning

Israel's pharmaceutical environment, together with the Israeli government's favourable approach to medical cannabis research, facilitates accelerated medical cannabis research at universities and hospitals. The cost to conduct early-stage to mid-stage clinical trials in Israel is competitive compared to clinical trials run in other developed markets, enabling a broad exploration of product candidates. Data from having supplied over 15,000 patients in Israel with medical cannabis enables us to identify attractive therapeutic targets through the assessment of retrospective studies and approaches we receive from key opinion leaders looking to partner with the leading supplier of cannabinoid-based APIs in Israel. Our in-house manufacturing of IMC-GMP qualified pharmaceutical-grade cannabinoid-based APIs positions us to become a leader in cannabinoid-based therapeutics.

Collaborations

We are able to leverage over a decade of research conducted in Israel's world leading hospitals on cannabinoid-based products. We have established a number of collaborations to develop cannabinoid-based therapeutics with leading medical centers and hospitals in Israel, including the Rabin Medical Center, the Shaare Zedek Medical Center, the Tel Aviv Souraski Medical Center and the Wolfson Medical Center, among others. Collaborations with these institutions provide us with access to some of the most progressive researchers in the study of cannabinoids as well as access to patients. This allows us to run our early to mid-stage clinical trials at competitive costs compared to clinical trials run in other developed markets. Our collaborations support our extensive product candidate pipeline and enable us to conduct numerous trials simultaneously. We own 100% of the intellectual property from product candidates we are progressing through clinical trials, including the study drugs and study results.

Medical Department & Scientific Advisory Board

We have an in-house medical department covering clinical development, clinical operations, and pharmacovigilance activities. Our cannabinoid-based therapeutics development expertise is augmented by an experienced scientific advisory board, which currently consists of 16 members. See "Business Overview — Medical Department & Scientific Advisory Board". Our scientific advisory board brings a wealth of knowledge and experience relevant to all aspects of our research and development, supports our clinical trials and provides guidance and oversight on research and development activities. This includes a deep understanding of the endocannabinoid system and its role in different physiological processes, potential therapeutic targets and the effects of the range of cannabinoid compounds and their combination, chemistry and formulation of various drug forms, clinical trial management, and regulatory affairs.

Our scientific advisory board currently consists of the following people grouped by their principal area of specialty:

Central Nervous System

Prof. Francisco Xavier Castellanos

Prof. Castellanos is a pioneer in the study of the structure and function of the brain in neurodevelopmental disorders such as Attention-Deficit/Hyperactivity Disorder and Autism Spectrum Disorder. He is a professor in the Department of Child and Adolescent Psychiatry, Hassenfeld Children's Hospital at NYU Langone, and Professor of Radiology and Neuroscience at the NYU Langone Health School of Medicine.

Dr. Adi Aran

Dr. Aran is the Head of the Pediatrics Neurology Department at Shaare Zedek Medical Center in Jerusalem. Dr. Aran has also focused efforts on understanding the therapeutic effects of CBD-based medical cannabis in neurocognitive disorders, including ASD. Dr. Aran initiated studies exploring the effects of medical cannabis on epilepsy and ASD and is the lead researcher of the world's first clinical study on the efficacy and safety of cannabis for treatment of ASD. Dr. Aran serves as a consultant to the Ministry of Health for medical cannabis indications and use in children and devotes time educating physicians and lay audiences on the subject.

He trained at the Hebrew University-Hadassah Medical School, Jerusalem, Israel and the Biochemistry Department of Psychiatry, Stanford University.

Dr. Rachel Grossman

Dr. Grossman is Vice-President of the Neurosurgery Department of Tel Aviv Sourasky Medical Centre is a leading investigator at the Brain Cancer Research Lab at the Sourasky Medical Center. She has vast clinical and basic research experience in Glioblastoma and has published multiple articles in peer reviewed journals. She has trained at the Sheba Medical Center, completed a Postdoctoral Fellowship at the Lawrence National Laboratory, University of California, Berkeley, and completed a Neurosurgical Fellowship at Johns Hopkins University School of Medicine, Baltimore.

Pain and Palliative Care

Prof. Howard Amital

Prof. Amital has produced hundreds of peer reviewed publications in various fields of autoimmunity research. Mr. Amital is the Head of the Department of Medicine 'B' and The Zabludowicz Center for Autoimmune Diseases at the Sheba Medical Center. Mr. Amital's papers mainly focus on autoimmunity research primarily in new avenues for the roles of vitamin D, use of biological therapy, pain and comorbidities of fibromyalgia and epidemiological studies based on Health Maintenance Organization databases.

Dr. Itay Gur-Arie

Dr. Gur-Arie is the Director of the Pain Clinic at the Sheba Medical Center in Tel Hashomer. He serves as an executive board member of the Israeli Pain Association and a member of the Executive board of the Israeli Medical Cannabis Association and has played a key part in defining the regulations and indications of medical cannabis use in Israel. He has extensive clinical experience with Cannabis and has conducted and published numerous studies in the Cannabis area. He trained in Anesthesia and Pain Management at Beth Israel Hospital, Harvard Medical School.

Dr. Silviu Brill

Dr. Brill is a Director at the Institute of Pain Medicine, Department of Anesthesiology and Intensive Care at the Tel Aviv Sourasky Medical Centre. Dr. Brill is also an executive member of the Israeli Pain Association and serves as the General Secretary of the executive board of the pain division of the Israeli Anesthesia Association. He also served as Co-Chair of the European Pain Federation task force on Cannabinoids and as Honorary Secretary, EFIC (European Federation of IASP Chapters). He runs one of the leading pain management clinics in Israel and has extensive clinical and scientific experience in the cannabis field.

Dr. Dror Robinson

Dr. Robinson serves as the Head of the Foot and Ankle Department and Head of the Orthopedic Research Unit at Hasharon Hospital at the Rabin Medical Center. He previously served as Chairman of the Orthopedics Department at Hasharon Hospital and as Head of the Orthopedic Oncology Unit at Assaf Harofe Hospital. Dr. Robinson is a senior lecturer in the Department of Orthopedic Surgery at Tel Aviv University's Sackler School of Medicine. His research concentrates on the repair of cartilage injuries using autologous cells, either cultured chondrocytes or mesenchymal cells. He has conducted numerous animal and human trials and published many articles in peer-reviewed journals.

Prof. Ido Wolf

Prof. Wolf serves as the Head of the Oncology Division at the Tel Aviv Sourasky Medical Center and is an Associate Professor at the Tel Aviv University. He serves as a member of the National Committee for the Prevention and Treatment of Malignant Diseases, of the Israel Ministry of Health, and the Israeli National Committee for Clinical Trials. He has received numerous awards for his scientific work covering both basic

research and clinical aspects of solid tumors. Professor Wolf completed his Postdoctoral Fellowship at the Division of Hematology Oncology, Cedar-Sinai Medical Center, UCLA School of Medicine.

Inflammatory Diseases

Prof. Itamar Raz

Prof. Raz is a Professor of Internal Medicine at Hadassah University Hospital, and currently serves as the Head of the Israeli National Council of Diabetes and is the initiator and leader of the National Diabetes Prevention and Care Plan in Israel. Additionally, Prof. Raz is President of D-Cure, a non-profit organization that promotes and funds scientific research in Israel for finding a cure and better treatments for diabetes. He previously served as president of the Israel Diabetes Association. Prof. Raz has performed numerous animal and clinical studies in Diabetes and published them in peer reviewed journals. Prof. Raz studied at the Hadassah Hebrew University Medical School in Jerusalem.

Prof. Oren Shibolet

Prof. Shibolet is the Head of the Liver Unit in the Department of Gastroenterology and Liver Disease at the Tel Aviv Sourasky Medical Center. He is a principal investigator with research grants from the Israeli academy of Science, Israel Association of Cancer Research and the Bi-national Science Foundation and a reviewer for multiple journals and funding agencies. He Trained at the Hadassah Medical Center in Internal Medicine and Gastroenterology and Hepatology and did his Research Fellowship at Massachusetts General in Boston.

Prof David Soriano

Prof. Soriano is a world-recognized expert in obstetrics, gynaecology and infertility and is the Founder and the Director of the first and the biggest Israeli multi-disciplinary Centre for Endometriosis at the Sheba Medical Centre. Prof. Soriano is the author of numerous articles on gynaecological and endometriosis surgery. He was previously President of the Israel Society of Gynaecological Endoscopy. Prof. Soriano is a Professor of Obstetrics and Gynaecology at the Sackler School of Medicine at Tel Aviv University. He is a member of the European Society of Human Reproduction and Embryology and takes part in defining the treatment guidelines on Endometriosis.

Drug Development

Prof. Simon Benita

Prof. Simon Benita is the former Director of the Institute for Drug Research and the School of Pharmacy at the Hebrew University of Jerusalem, where he received his Ph.D. in Pharmacy. His research is focused on polymeric nano and microparticulate and lipid-based drug delivery systems aimed at improving ocular bioavailability, dermal penetration and drug targeting. Prof. Benita formed and supervises a large research lab, has published numerous research articles and book chapters and has multiple patents and patent applications. Prof. Benita has served as a member of the Board of Pharmaceutical Sciences of the International Pharmacy Federation and Governor of the Controlled Release Society.

Prof. Avraham Domb

Prof. Domb is the Head of the School of Pharmacy at the Hebrew University of Jerusalem and is a Professor for Medicinal Chemistry and Biopolymers. He was also previously the R&D Manager at Nova Pharm. Co. His research focuses on biodegradable polymers, pharmaceutical formulations, drug delivery systems and medicinal chemistry, and has resulted in several products, including: Gliadel, Superfloc, Deximmune, Bioprotect, Inspace, Canker Cover, OraMoist and MAZE. Prof. Domb earned his Bachelor's degrees in Chemistry, Pharmaceutics and Law Studies, as well as a PhD degree in Chemistry from the Hebrew University of Jerusalem. He did his postdoctoral training at MIT and Harvard University.

Prof. Amnon Hoffman

Prof. Hoffman serves as the Chairman of the Division of Clinical Pharmacy and the Head of the Drug Delivery Systems Lab at the Hebrew University of Jerusalem. He has over 15 years of experience in the field of pharmacokinetics and pharmacodynamics, specializing in the biological aspects of drug delivery systems. He has conducted many PK and PD studies, has authored multiple book chapters and holds several patents. Specifically, he published a study on "Affecting Intestinal First Pass Metabolism Processes of Orally Administered Drugs by Pharmaceutical Methodology: The Cannabinoids Paradigm".

Prof. Ron Kohen

Prof. Kohen is the former Head of Hebrew University's School of Pharmacy and the Institute for Drug Research. His research focuses on anti-oxidants and he studies specifically cannabinoids as antioxidants in biological systems; modulation of the skin defense mechanism against stress by cannabinoids, topical nano-delivery of cannabinoids (gold nano particles and microemulsion). He has authored numerous research articles and reviews proceedings, abstracts and book chapters.

Amir Malka, Adv.

Mr. Malka is an expert in clinical trials and data management, with over 20 years of work experience in the life science industry. He founded Bioforum Applied Knowledge Center, an international faculty of life-sciences, and Bioforum the Data Masters, a global data-focused CRO, and IMP, clinical supply chain manager. Mr. Malka is a member of several life science and clinical trial associations and is an active advocate in helping break down barriers to help further advance these medical industries in Israel.

Israel Medical Cannabis Domestic Market Overview

Cannabis for medical use was first approved in Israel by the Ministry of Health in 1992 and a formal national medical cannabis program was created in 2007. Israel recently transitioned to a new framework for medical cannabis regulation. Government Resolution No. 1587 — Cannabis for Medicinal Purposes and Research (CMPR) was issued by the Israeli government on June 26, 2016 and aims to increase medical cannabis accessibility and standardization. It was operating on a pilot basis since April of 2018 and went into effect on April 29, 2019. The medical cannabis market in Israel is expected to grow rapidly as a result of the implementation of the CMPR. The number of medical cannabis patients in Israel was approximately 12,500 in 2013, 30,000 in 2018, and we estimate will increase to 120,000 by 2022. In the Company's experience, in 2018, the average patient in Israel consumed approximately 30 to 35 grams of medical cannabis per month, which compares to the Canadian average of 30 grams of medical cannabis per month according to the Government of Canada 2018 Canadian Cannabis Survey.

In respect of medical cannabis, some key differences between the Israeli regulatory framework before and after the implementation of the CMPR include:

Prior Regulation	Government Resolution No. 1587 (CMPR)
Limited the number of medical cannabis patients in Israel	No fixed limit on the number of patients that may be prescribed medical cannabis
All growers were allowed to sell directly to patients.	All growers must be GAP certified to propagate and cultivate cannabis plants; IMC-GMP-certified manufacturers are allowed to sell to pharmacies and/or to export.
Patients were required to consult with a physician to get a prescription prior to applying for a medical cannabis permit from the Israeli Ministry of Health.	As per prior regulation, patients need a prescription, but additional physicians are allowed to prescribe medical cannabis and no permit is required by patients from the Israeli Ministry of Health.
Distribution limited to home delivery and a small number of physical locations.	Pharmacies are permitted to distribute medical cannabis; home delivery of medical cannabis is also permitted.
Patients payed a flat monthly fee for unlimited medication (approximately US$100).	Patients pay per gram at a freely-determined market price.

All components of the medical cannabis supply chain in Israel under the CMPR must meet strict standards in accordance with IMC — Good Practices Procedures. These standards are intended to ensure the high quality of products. The Israeli standards were published by the MCU and were based on international standards.

The standards include:

Certifies security practices of all parties throughout the value chain

Certifies agricultural practices of propagation and cultivation farms

Certifies manufacturing processes

Practice for pharmacies, and pharmaceutical companies conducting clinical trials

Israel Medical Cannabis Export Market Overview

On January 27, 2019, the Israeli government approved the export of processed and finished medical cannabis products after examining the feasibility of exporting medical cannabis as part of the CMPR, which

includes medical cannabis products authorized for sale under the CMPR. Pursuant to timelines specified in such approval, we expect to begin export shipments by the end of 2019. Authorization to export medical cannabis products will be subject to regulatory and/or administrative requirements, which have not yet been published, including approval by the Israeli Ministry of Health, the Israel Police department, IMC-GMP and GSP certifications, and the applicable required import approvals of the destination country. The Israeli government has not currently put any export quotas in place.

International Medical Cannabis Regulations

To successfully execute our export plan, we must adhere to all applicable laws and regulations in the countries to which we intend to export. Each country has different laws and regulations governing the import of cannabis into the country, and the use of cannabis within the country, which may be evolving or subject to change. For example, the United Kingdom previously required imports to be for single, predefined patients only, but recently changed the regulation so that medical cannabis can be imported in bulk to meet future demand at pharmacies; whereas Germany has allowed bulk import since 2017. Typically, the importing nation issues a permit that adheres to the regulatory structure of its medical laws. We are working cooperatively with regulators and within the relevant international regulatory frameworks to ensure compliance with applicable laws and regulations in the countries to which we intend to export medical cannabis.

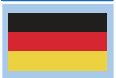
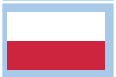
Global Medical Cannabis Market Size and Opportunity

We believe the global medical cannabis market is experiencing an evolution as new research leads to additional therapeutic applications for medical cannabis products and regulations around the world continue to develop. The number of countries where medical cannabis is legal under all applicable federal, state or provincial laws is now over 40.

Global CBD Health and Wellness Market Size and Opportunity

As CBD gains increasing awareness and interest from consumers for health and wellness purposes across numerous form factors, we believe there will be a substantial opportunity for us in the category. We expect the number of countries that allow for the purchase and sale of certain CBD-based products to continue to increase over time. We intend to develop products that address mainstream consumer preferences for CBD health and wellness offerings.

2028 Medical Cannabis Market — Currently Targeted Export Countries:

COUNTRY	MANAGEMENT COMMENTARY	2028 MEDICAL CANNABIS EST. MARKET SIZE (BN)	POPULATION (MM)	UPSIDE MARKET POTENTIAL BEYOND MEDICAL CANNABIS
 Germany	• Permitted bulk import of medical cannabis since 2017 • Existing medical cannabis market with registration scheme • Medical insurance reimbursement scheme • Registration here supports registration in other EU countries	US$8.6	82.2	 Health & Wellness
 United Kingdom	• Recent regulation change supports bulk importation of medical cannabis • CBD products gaining momentum in High Street chains • Registration here supports registration in other EU countries • Limited domestic production to meet demand	US$9.8	66.4	
 Italy	• Existing medical cannabis market with registration scheme • Medical cannabis program permits pharmacy (~19,000) sales • CBD products sold in ~300 pharmacies, limited supply • Limited domestic production to meet demand	US$8.4	60.5	 Pharmaceutical
 Poland	• Existing medical cannabis market with registration scheme • Medical cannabis program permits pharmacy (~20,000) sales • Gateway market to other southeastern European countries • Relationship with Super-Pharm – 40 locations in Poland	US$2.2	37.9	
 Australia	• Existing medical cannabis market with registration scheme • CBD market gaining momentum; sold in pharmacies • TGA registration system, gateway to Asian markets • Limited domestic production to meet demand	US$2.1	24.6	Billions in additional market potential
 Canada	• Strong commercial relationship between Israel and Canada • Strong demand from LPs seeking to uphold supply commitments • Regulatory similarities may ease the approval process to import from Israel	US$1.0	37.3	

Note: Market size estimates are based on retail pricing and exclude CBD-infused wellness products; estimates have been converted from EUR to US$ at an exchange rate of 1.116x and from C$ to US$ at an exchange rate of 0.743x. The estimate for Canada is for 2024.

Source: Prohibition Partners, "The European Cannabis Report" 4th Edition (January 2019)

Source: Prohibition Partners, "The Oceania Cannabis Report" (November 2018).

Source: Health Canada, "Regulatory Impact Analysis Statement" (December 2012)

Source: Statistics Canada, Table 17-10-0009-01 Population estimates, quarterly

Israel Pharmaceutical Drug Development Environment

Israel is a hub for innovative research and development, and a highly desired location for performing clinical trials. Its popularity as a site for clinical trials increased rapidly after the country received recognition as an approved site for FDA clinical trials in 1997. The current operating environment for pharmaceutical drug development in Israel is attractive due to several factors including its implementation of IMC-GMP certification and GCP practice through the U.S.-Israel Science and Technology Commission. The majority of Israel's population belongs to the same HMO, Kupat Holim Clalit, making patient tracking and follow-ups much more efficient. Additionally, its publicly funded national health insurance system covers all citizens and permanent residents.

Cannabinoid Science Overview

Biotechnology companies are keen to capitalize on the anticipated growth of the cannabis-based pharmaceutical market by leveraging a growing body of empirical evidence research showing the therapeutic effects of medical cannabis on cannabinoid receptors throughout the human body. Cannabinoid receptors are some of the most prevalent receptor types and stimulation of cannabinoid receptors in the human body can affect numerous physiological processes, depending on the receptors targeted and molecules utilized.

Initial academic research in the field of cannabinoids focused almost exclusively on THC as a result of wide publication in scientific literature that THC has pain suppression, anti-spasmodic, anti-tremor, anti-inflammatory, appetite stimulating, and anti-nausea properties. Recent research and development, however, has focused primarily on exploring cannabinoids other than THC and identifying their potential therapeutic applications. The new research has focused particularly on CBD and its potential anti-inflammatory, anti-convulsant, anti-psychotic, anti-oxidant, neuroprotective, and immunomodulatory effects.

Although our research focused on the effects of both CBD alone and in combination with THC in the past, we are planning to broaden our research to include the study of additional, innovative cannabinoids such as CBDA, CBG, CBGA, CBC, THCA, and CBN. These additional cannabinoids may present new opportunities as pharmaceutical companies seek to isolate and test the effects of specific cannabinoids.

Autism Spectrum Disorder Treatment Market Overview

ASD Disease and Treatment Overview

ASD is a neurodevelopmental disorder characterized by social and communication difficulties, repetitive behaviours and interests, sensory problems, and in many cases, cognitive impairment and disruptive behaviours. For children, adolescents and young adults with ASD, these deficits are often present in early childhood and lead to significant disability. In addition to demonstrating persistent deficits in social communication, many children with ASD present behavioural difficulties, including tantrums, noncompliance, aggression and self-injury. The behavioural difficulties of children with ASD increases their social isolation and often cause more distress to caregivers than the core autistic symptoms. The core symptoms of ASD consist of deficits in social communication and restrictive patterns of behaviour. Maladaptive behaviours also limit the child's ability to benefit from intervention efforts and thereby impact the long-term prognosis.

The current ASD treatment consists of both educational and psychopharmacological therapies. Educational interventions, such as ABA therapy, the process of systematically applying learning theory to change behaviour of social significance, aims to foster communication skills, reduce maladaptive behaviours, and facilitate daily-living and academic skills. Medicinal therapies are often used in conjunction with education-based approaches to address disruptive behaviours or co-occurring conditions like attention deficit hyperactivity disorder or depression. While ABA therapy may help improve patient outcomes, there are currently no drugs available to treat core symptoms of ASD. Bristol-Myers Squibb Company's Abilify® and Johnson & Johnson's Risperdal® are the only two psychopharmacological agents approved by the FDA for treatment of autism-related irritability. However, safety concerns restrict the use of these antipsychotic drugs, which have been associated with serious side effects such as neuroleptic malignant syndrome, seizures, and tardive dyskinesia, among others. Thus, there is a significant and persisting medical need for the medicinal treatment of core symptoms and disruptive behaviour associated with ASD. We believe our ASD product candidate has the potential to address that gap and introduce a new treatment paradigm for ASD.

Market Size and Opportunity

According to LifeSci Advisors, the ASD global addressable market for treatments is estimated to be US$3.4 billion in 2019 and is projected to grow at a 13% CAGR to US$11.4 billion in 2029 as a result of increased prevalence and new treatment options. According to the Autism Community in Action, a patient support group, prevalence estimates of ASD in U.S. children grew from 1 in 1,000 in 1995 to 1 in 59 in 2018. Once considered a rare disorder, the number of patients diagnosed with ASD is increasing in many developed countries due to increased awareness, changes in diagnostic criteria over time, and better screening of young children.

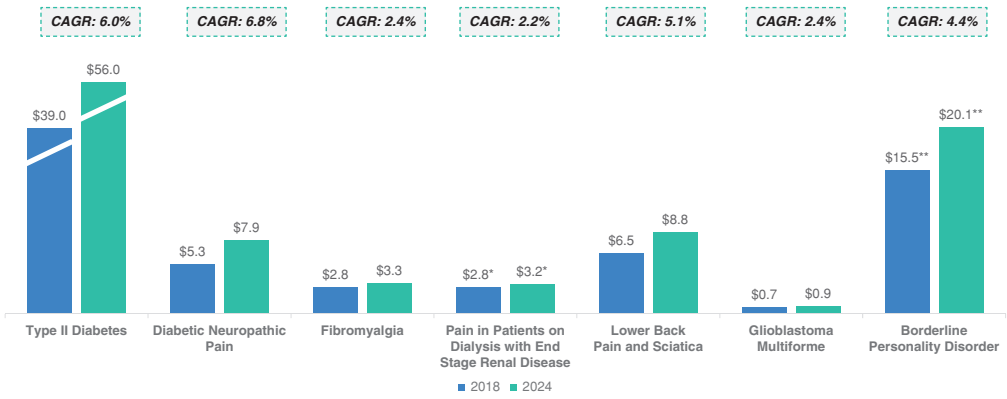
Based on a study conducted by LifeSci Advisors, the estimated U.S. autism treatment market in 2017 was approximately US$1.9 billion. ABA therapy programs and drug therapies were projected to account for approximately US$1.1 billion (approximately 57%) and US$800 million (approximately 43%) of the U.S. ASD treatment market, respectively. However, the ASD drug therapy market remains largely underserved, as current drugs are not approved to treat the core symptoms, which impact the majority of the patient population. Numerous generic psychotropic drugs are prescribed to ASD patients to treat autism-related irritability. Our ASD product candidate, which has demonstrated efficacy in improving social communication and disruptive

behaviour in a recently completed Phase 2a trial, is positioned to potentially address a large portion of the underserved ASD patient population and provide patients with an efficacious and safer therapeutic alternative.

Indications in Phase 2a Patient Enrollment: Market Size and Opportunity

We are targeting indications for markets with significant opportunity for growth and unmet needs, including glycemic control in type II diabetes, diabetic neuropathic pain, fibromyalgia, pain in patients on dialysis with end stage renal disease, lower back pain and sciatica, glioblastoma multiforme and borderline personality disorder. The chart below outlines the current and projected market-size and opportunity for such indications:

Market Size and Opportunity by Indication
(in US$ billions)



* Represents sales of on-label prescription anemic drugs for ESRD patients. According to LifeSci Advisors, sales of on-label prescription anemic drugs for ESRD patients represent a reasonable benchmark for ESRD patients experiencing pain, although it is important to note that research suggests the percentage of dialysis patients experiencing anemia is likely greater than the percentage experiencing pain.

** Represents antipsychotic market size. According to LifeSci Advisors, the antipsychotic market is a reasonable benchmark for borderline personality disorder market as the vast majority of on-label prescription drug sales for that market fall into the "schizophrenia" category.

Source: Analytic commercial assessment conducted by LifeSci Advisors regarding market sizing and treatable patients for seven specified indications, as commissioned by the Company from February through April 2019.

From February through April 2019, LifeSci Advisors conducted a study commissioned by the Company to determine the market size and opportunity for these indications in the United States and in five countries in Europe (Germany, Italy, France, Spain and the United Kingdom (the "**EU5**")) as summarized below:

Type II Diabetes Market Size and Opportunity

Our pipeline product, indicated for glycemic control in Type II Diabetes, has an estimated global addressable market of US$39 billion, with a predicted CAGR of 6.0% to reach US$56 billion by 2024. According to the CDC, in 2017, the prevalence of diabetes in the U.S. and EU is estimated to be at 9.4% and 8.5% of the population, with Type II Diabetes accounting for approximately 92.5% of these patients. The 2019 U.S. and EU5 patient population is projected to be approximately 22.0 million and approximately 16.4 million, respectively. The on-label Prescription Oral Antidiabetic Drug ("**OAD**") market is predicted to be approximately US$18.4 billion in 2018 and to maintain approximately the same value in 2024. The on-label OAD market is currently fragmented with sales of Merck's Januvia®, Merck's Janumet®, Boehringer Ingelheim's Tradjenta® and Astrazeneca's Farxiga® making up approximately 48% of the 2018 OAD global market. The on-label OAD landscape is projected to change by 2024, with these four drugs only making up approximately 31% of the on-label OAD global market.

Sciatica Market Size and Opportunity

The 2018 global sciatica market is estimated to be US$6.5 billion, with a forecasted CAGR of 5.1% to reach US$8.8 billion by 2024. According to epidemiology reports, the prevalence of sciatica ranges from 1-5% of the global population. The 2019 U.S. and EU5 patient population is projected to be approximately 10.0 million and approximately 8.2 million, respectively. The on-label prescription drugs for low back pain market is estimated to be US$506 million in 2018, with a projected CAGR of 9.3% to reach US$865 million by 2024. The on-label market is currently made up of Bayer's Aspirin (97% market share) and Pfizer's Celebrex (3% market share). This is projected to change by 2024, with new drugs expected to be introduced to the market, such as Mesoblast's MPC- 06-ID and Axsome's AXS-02.

Diabetic Neuropathic Pain Market Size and Opportunity

The 2018 diabetic neuropathic pain market is estimated to be US$5.3 billion, with a predicted CAGR of 6.8% to reach US$7.9 billion by 2024. According to epidemiology reports, the prevalence of diabetic neuropathic pain ranges from 10-20% of patients with diabetes. The 2019 U.S. and EU5 patient population is projected to be approximately 4.7 million and approximately 3.5 million, respectively. The on-label prescription diabetic neuropathic pain drug market is estimated to be US$3.2 billion in 2018, decreasing to US$1.2 billion by 2024. Pfizer's Lyrica currently has approximately 97% market share of the diabetic neuropathic pain market. However, with Lyrica's loss of exclusivity and new product launches the market is expected to be significantly more diversified by 2024.

Fibromyalgia Market Size and Opportunity

The 2018 fibromyalgia market is estimated to be US$2.8 billion, with a projected CAGR of 2.4% to reach US$3.3 billion by 2024. According to epidemiology reports, the prevalence of fibromyalgia ranges from 3-5% of the global population. The 2019 U.S. and EU5 patient population is estimated to be approximately 11.6 million and approximately 9.6 million, respectively. The on-label fibromyalgia drug market is estimated to be US$1.3 billion in 2018, decreasing to US$254 million by 2024, driven by Lyrica's loss of exclusivity. The current on-label market landscape is made up of Pfizer's Lyrica (84% market share), Allergan's Savella (seven percent market share) and Eli Lilly's Cymbalta (nine percent market share).

Borderline Personality Disorder Market Size and Opportunity

LifeSci Advisors believes the antipsychotic market is a reasonable benchmark for borderline personality disorder ("**BPD**") market as the vast majority of on-label prescription drug sales from EvaluatePharma are assigned to the "schizophrenia" category. The 2018 antipsychotic market is estimated to be US$15.5 billion, with a projected CAGR of 4.4% to reach US$20.1 billion by 2024. According to epidemiology reports, BPD prevalence varies between 0.5-1.4% of the total U.S. population and approximately 1.6% of the EU population. The 2019 U.S. and EU5 patient population is estimated to be approximately 3.2 million and approximately 4.4 million, respectively. The on-label prescription psychotic disorder drug market is estimated to be US$8.9 billion in 2018, with a potential CAGR of 2.2% to reach US$10.1 billion by 2024. The on-label market is currently fragmented with sales of Johnson & Johnson's Invega Sustenna®, Otsuka's Abilify®, Johnson & Johnson's Invega Trinza®, Sumitomo Dainippon's Latuda®, and Alkermes' Aristada®, making up approximately 69% of the 2018 on-label prescription psychotic disorder drug global market. The on-label landscape is projected to change by 2024, with these five drugs only making up approximately 57% of the on-label prescription psychotic disorder drug global market.

Pain in Patients on Dialysis with End Stage Renal Disease Market Size and Opportunity

The ESRD market represents a subset of the total chronic kidney disease ("**CKD**") market. Patients with ESRD are in the most advanced stage of CKD and require chronic dialysis or a kidney transplant to survive. ESRD patients suffer from pain arising from the kidney disease itself, background diseases such as diabetic nephropathy, or complications of treatment with dialysis, among others, which significantly decrease their quality of life. LifeSci Advisors believes that sales of on-label prescription anemic drugs for ESRD patients on dialysis is a reasonable benchmark for ESRD patients experiencing pain, although it is important to note that research suggests the percentage of dialysis patients experiencing anemia is likely greater than the percentage experiencing pain. Accordingly, sales of on-label prescription anemic drugs for ESRD patients on dialysis is estimated to be US$2.82 billion in 2018 and is predicted to grow at a CAGR of 2.3% to reach US$3.22 billion by 2024.

Glioblastoma Multiforme Market Size and Opportunity

The 2018 glioblastoma multiforme market is estimated to be US$747 million, with a predicted CAGR of 2.4% to reach US$860 million by 2024. According to epidemiology reports, aggressive malignant primary brain tumor has an incidence rate of 3.19 per 100,000 persons with a median age of 64 years; the survival rate of glioblastoma multiforme is 14-15 months following diagnosis. The 2019 U.S. and EU5 patient population is

predicted to be approximately 11.6 thousand and approximately 9.5 thousand, respectively. The on-label prescription glioblastoma multiforme drug market is estimated to be US$197 million in 2018, with a projected CAGR of 48.7% to reach US$2.1 billion by 2024. The current on-label market landscape is made up of Merck's Temodar (98% market share) and Magforce's NanoTherm. The on-label market landscape is expected to diversify by 2024, due to potential new product launches including Deciphera's DCC-2618, Northwest Biotherapeutics' DCVax-L, and Ziopharm's Ad-RTS-hIL-12.

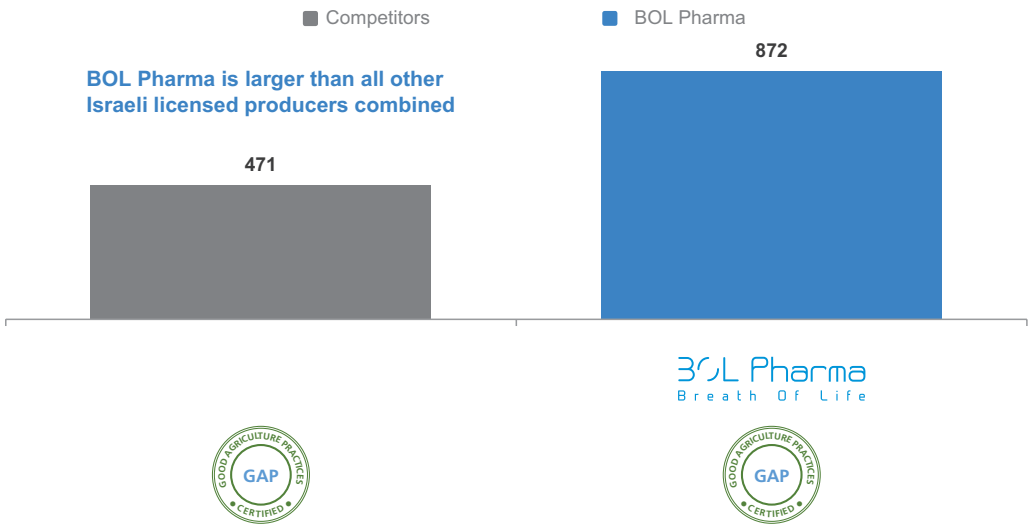
Product Candidate Targeting the Over US$11 Billion Global Addressable ASD Market

According to LifeSci Advisors, the ASD global addressable market for treatments is estimated at US$3.4 billion in 2019 and is projected to grow at a 13% CAGR to US$11.4 billion in 2029 as a result of increased prevalence and new treatment options. Currently, there are no approved drugs on the market to treat core ASD symptoms. Our ASD product candidate, which is our most progressed product candidate, recently completed a Phase 2a trial, where it demonstrated favourable efficacy data compared to placebo in improving both core ASD symptoms and challenging behaviours associated with ASD. We expect to discuss the development plan for the product candidate in a Pre-IND meeting with the FDA targeted for the third quarter of 2019.

Well-Established Leadership Position in Israel

Israel is a pioneer in the research and development of medical cannabis and we are the largest cultivator of medical cannabis with the largest IMC-GMP-certified cannabis manufacturing facility in Israel. In addition, we are the only cannabis company in Israel accredited with both GAP for propagation and cultivation and IMC-GMP for manufacturing of finished products. Further, our agreement with SLE, a subsidiary of Teva, supports the distribution of medical cannabis to Israeli pharmacies. Following the full implementation of the CMPR, management expects the number of medical cannabis patients in Israel to rapidly grow at a CAGR of 41% to approximately 120,000 by 2022. We are well-positioned to participate in this growth as we have arrangements in place to increase our available cultivation area to over 26 million square feet in Israel, and expect to have an annual manufacturing capacity of over 360,000 kg of dried cannabis in Israel by the end of 2020, giving us a significant advantage over our competitors.

Licensed GAP Facilities
(in thousands of sq. ft.)



Source: Management estimates.

Note: Our GAP certified operational facility size (as shown in the chart above) includes greenhouses, offices, service rooms, post-harvest facilities, logistics areas, roads and open areas.

Scalable Production Footprint with International Reach

We believe that we are well-positioned to scale our operations in Israel and our planned operations in Portugal to address the demand for medical cannabis in the rest of the world. We are targeting near-term exports into countries like Germany, the United Kingdom, Italy, Poland, Australia and Canada.

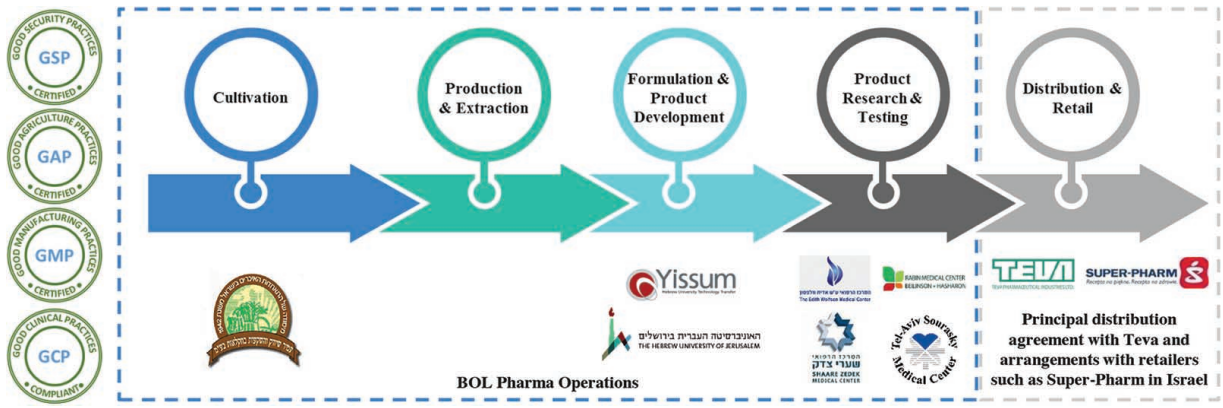
- ***Israel:*** As a result of our strategic relationship with Zabar Kama, we can rapidly scale production through arrangements that we have in place to increase our available cultivation area to a total of over 26 million square feet in Israel. In addition, we are pursuing agreements to enlist the services of local Israeli farmers who grow on over 30 million square feet of land in the near-term for the cultivation of our cannabis. Our current manufacturing footprint will be capable of processing all cannabis cultivated and purchased from this square footage.
- ***Portugal:*** We have an agreement in place which will allow us to purchase 4.3 million square feet of cultivation area in Portugal, which we expect to become GAP certified in the second half of 2019 and be capable of producing up to 164,000 kg of dried cannabis per year by the end of 2020. We have also entered into an agreement to secure all of the dried cannabis produced by a cultivator who owns an

additional 8 million square feet of cultivation area in Portugal, subject to the receipt of applicable regulatory approvals. Along with our cultivation capabilities in Portugal, our expansion into Portugal will include a 70,000 square foot manufacturing facility, which we expect will be capable of processing all cannabis cultivated and purchased from this square footage.

- ***Technology that Enhances our Scalability***: In addition to our cost leadership and economies of scale in respect of cultivation, manufacturing, and export capabilities, we are also able to leverage our extensive management knowhow and Exclusive Licences in respect of the patented drug delivery technologies, Trojan™ and Sedds™, to provide further scalability. These delivery technologies provide the same efficacy with smaller doses, increasing the number of finished products with the same level of input.

Unique, Fully Integrated Platform with Key Strategic Partners

We are currently the only company in Israel that is fully accredited under the CMPR throughout the main elements of the value chain, from cultivation through production and extraction, formulation and product development, and product research and testing. Only IMC-GMP-certified companies like us are able to distribute cannabis domestically to pharmacies and will be able to export internationally. We have formed a number of strategic partnerships / relationships with key players throughout the value chain, including Zabar Kama, Amir, the Hebrew University of Jerusalem and Shaare Zedek Medical Center, among others. These relationships allow us to secure cultivation capacity, conduct research and clinical trials, and distribute our products, all of which positions us to become a leading medical cannabis and cannabinoid-based pharmaceutical company.



Cultivation

We have over 10 years of cultivation experience in Israel and have compiled an extensive collection of 230 different genetic varieties of cannabis, of which 13 varieties are proprietary and have been submitted for registration with the Israeli Ministry of Agriculture and Rural Development. Our GAP certified production facilities enable highly scalable, low-cost production that we believe will provide attractive margins while retaining consistent high-quality standards. We have approximately 377,000 square feet of GAP certified active greenhouses in Israel that are currently capable of producing 7,000 kg of medical cannabis per year. In addition, we have arrangements in place to increase our available cultivation area to over 26 million square feet in Israel, through Zabar Kama, for future cultivation. We are also pursuing agreements to enlist the services of local Israeli farmers who grow on over 30 million square feet of land in the near-term. Furthermore, our strategic investor, Amir, has relationships with approximately 300 additional local farmers who we also have the opportunity to approach over the longer term to pursue similar arrangements to access additional cultivation area, with minimal capital investment from us. In Portugal, we have an agreement in place which will allow us to purchase 4.3 million square feet of cultivation area, which we expect to become GAP and GSP certified. We have also entered into an agreement to secure all of the dried cannabis produced by a cultivator who owns an additional 8 million square feet of cultivation area, capable of producing 328,000 kgs of medical cannabis per year, subject to receipt of applicable regulatory approvals.

Drying

We have developed a drying technique using low humidity and temperature which significantly reduces drying time, while maintaining high quality products.

Production & Extraction

Our state-of-the-art manufacturing facility in Revadim, Israel is the largest cannabis producing IMC-GMP-certified facility in the country. In addition, we have signed an agreement for the purchase of a manufacturing facility in Portugal to support our expansion into the EU We utilize efficient in-house drying, advanced extraction, fluid chromatography, distillation, capping, labeling and other capabilities, allowing us to deliver various high quality products, including ultra-pure cannabinoid-based APIs.

Formulation & Product Development

We have developed dosage form capabilities, including medicated drops, sublingual tablets, capsules, metered dose inhalers, topical creams, ocular solutions, reconstituted oral emulsions, and injectables for use in the medical cannabis, health and wellness and pharmaceutical markets.

The table below shows the different methods used to administer our products:

Overview of Dosage Form Capabilities

		Medicated Drops	Sublingual Tablets	Capsules *Coming Soon*	Metered Dose Inhaler *Coming Soon*	Topical Creams *Coming Soon*	Ocular Solutions	Reconstituted Oral Emulsions	Injectables
	Product								
	Overview	Medicated drops with different ratios of cannabinoids and enhanced stability and bioavailability	Enhanced bioavailability and ability to use low dosage cannabinoids	Propriety nano-emulsion with high bioavailability and extended release	Highly efficient delivery method, with a reliable administration of 2 mg or 5 mg per inhaled puff	Increased permeation to deep skin layers allows long lasting alleviation of symptoms by topical administration	Advanced nano-sized oil droplets facilitate cannabinoid actives to elicit efficacious anti-inflammatory effect	Reconstituted oral emulsions allow increased bioavailability and exhibit less inter- and intra-subject variability	Intra-articular injections of cannabinoids are designed to exert anti-inflammatory response in joints
Capabilities	Formulation	✓	✓	✓	✓	✓	✓	✓	✓
	Manufacturing	✓	✓	✓*	✓*	✓*	-	✓	-

* Manufacturing capability expected prior to being marketed. Metered dose inhaler product development currently in research and development stage.

Product Research

We have formed multiple research and development collaborations with leading medical centers and research facilities in Israel and are able to leverage data from having supplied medical cannabis to over 15,000 patients in Israel to identify attractive therapeutic targets and medical products for research.

We have completed one Phase 2a trial and have product candidates for an additional 33 indications expected to enter Phase 2a by the end of the first half of 2020. Our ASD product candidate recently completed a Phase 2a clinical trial in Israel for the treatment of social communication and behavioural problems in children and adolescents with ASD. In the Phase 2a trial, patients treated with our product candidate demonstrated improvement in social communication and disruptive behaviour over placebo, with an acceptable safety profile. Beyond our ASD product candidate, we are working on an extensive product pipeline to address 33 additional indications, of which seven are in active Phase 2a patient enrollment, 11 are scheduled to start Phase 2a patient enrollment by the end of 2019, and another 15 expected to start Phase 2a patient enrollment by the end of the

first half of 2020. In addition, we are conducting multiple PK Studies exploring the key pharmacokinetic characteristics of different dosage forms and formulations to support our commercial launches and clinical development program.

Lab Testing

We are one of the only companies in Israel with large-scale, state-of-the-art, in-house lab-testing capabilities for medical cannabis, with laboratories which have recently passed an audit for IMC-GMP certification with no deficiencies and for which we expect to receive IMC-GMP-certification in the near future. This enables us to produce high quality products and enhanced performance at each phase of the value chain. We have highly qualified personnel with years of experience in the pharmaceutical industry who carry out our testing activities applying strict controls that comply with IMC-GMP standards. Our facility has cutting edge services and capabilities such as high-performance liquid chromatography (HPLC) analysis, gas chromatography triple quad mass spectrometer (GC-MS/MS) analysis, general chemistry testing and analysis, and microbiology. These capabilities enable us to safeguard production, reduce response times, and provides our company with continuous learning throughout the production value chain. The internal lab capabilities contribute to higher efficiencies and a shorter cycle time for testing all products through during the manufacturing process. The internal lab also performs stability testing on our products ensuring the product quality through its shelf life. Our focus on quality testing ensures compliance with the high regulatory standards and, consequently, that our clients receive high quality products on time.

Distribution

We believe we are currently the largest supplier of medical cannabis to pharmacies in Israel. We have a distribution agreement with SLE, a subsidiary of Teva and the main supplier of medical cannabis to pharmacies in Israel, as well as a retail arrangement with Super-Pharm, the leading pharmacy chain in Israel. We expect the number of medical cannabis patients in Israel to grow by approximately four times to 120,000 by 2022 under the CMPR, providing further opportunity for growth in our patient base.

Well-Positioned to Penetrate the Cannabinoid-based Pharmaceutical Market

We believe we are a leading innovator of cannabinoid-based pharmaceutical drug development based on our access to data, leadership in clinical development of cannabinoid-based pharmaceutical products, exclusively-licensed and innovative drug delivery technologies, and commercialization strategy.

Leadership in Clinical Development of Cannabinoid-Based Pharmaceutical Products

We believe we have a leadership position in clinical trials in Israel due to our ability to access data, produce GMP-qualified pharmaceutical-grade cannabinoid-based APIs and benefit from the supportive medical regulatory environment and the availability of GCP-compliant sites in Israel. Our leadership position in the Israeli market allows us to conduct cost effective, high quality early-stage to mid-stage clinical trials in Israel, in an expedited time frame, which we believe will be accepted by all major international regulatory authorities, including the FDA.

Innovative Drug Delivery Technologies

Our Exclusive Licences from the patent owners for the drug delivery technologies, Trojan™ and Sedds™, enable the development of formulations that enhance absorption and improve dosing and shelf-stability, allowing us to further reduce our production costs.

Optimized Product Development Methodology with Flexible Commercialization Strategy

Data from having supplied medical cannabis to over 15,000 patients in Israel allows us to identify attractive therapeutic targets through the assessment of retrospective studies and approaches we receive from key opinion leaders looking to partner with the leading supplier of cannabinoid-based APIs in Israel. After assessing the data received from the initial Phase 2a studies, we will evaluate the probability of success, the specific characteristics of the indication, including size of potential patient population, assessment of need (unmet or not) and the

potential clinical benefit (breakthrough or not), regulatory pathway, as well as the commercial potential. We will then outline the development plan, cost, and the required resources for research and development and market success. Based on this information, we will determine whether to continue developing the product candidate in-house or to partner with pharmaceutical companies.

Extensive Pipeline of Product Candidates

We have completed one Phase 2a trial and have product candidates for an additional 33 indications expected to enter Phase 2a by the end of the first half of 2020. We believe that most of these product candidates could be developed using the 505(b)(2) regulatory pathway allowing for an expedited and relatively more cost-effective path to approval. We also have several NCE programs in our pipeline that follow 505(b)(1) pathways. Our initial clinical pipeline focuses on indications in the central nervous system, pain, and inflammation therapeutic areas that we believe have significant commercial potential.

Product Candidate Targeting the Over US$11 Billion Global ASD Market

Our ASD product candidate, which is our most progressed product candidate, will have its full development plan discussed in the Pre-IND meeting with the FDA targeted for the third quarter of 2019. Currently, there are no approved drugs on the market to treat core ASD symptoms. Our ASD product candidate has the potential to treat core symptoms, as well as other challenging behaviours associated with ASD. In a Phase 2a trial, our ASD product candidate showed favourable efficacy data as compared to the placebo. According to LifeSci Advisors, the ASD global addressable market for drug therapies is estimated at US$3.4 billion in 2019 and is projected to grow at a 13% CAGR to US$11.4 billion in 2029 as a result of increased prevalence and new treatment options.

Highly Experienced Leadership Team with a Proven Track Record Supported by a Leading Scientific Advisory Board

Our management team is comprised of industry professionals with a diverse set of relevant expertise, relationships and experience. They have over 10 years of growing / cultivation experience in Israel as well as a wealth of knowledge and experience from previous roles at global pharmaceutical companies such as Teva, Novartis International AG, Allergan plc, Bayer AG, Merck Sharp & Dohme Corp, and Perrigo Company plc. We believe our team has the necessary skills to execute on our strategy, including cultivation, manufacturing, drug development, pharmacovigilance, finance, marketing and medical affairs. Our board of directors also brings together a wealth of experience and expertise in agriculture, cultivation, manufacturing, clinical research, pharmaceuticals, finance, and marketing.

Our management team and board of directors are supported by a scientific advisory board that is comprised of individuals with extensive industry expertise and relationships in strategically valuable fields. Members of our advisory board hold positions at leading universities, medical institutions and research centres around the world, and are instrumental in helping us develop partnerships of choice with the medical establishment with foremost experts. Our advisory board provides us with legitimacy rarely achieved by cannabis companies and facilitates development initiatives that give us a unique competitive advantage.

GROWTH STRATEGIES

We aim to become the global leader in medical cannabis and the cannabinoid-based pharmaceutical and health and wellness industries by implementing the following strategies:

Maintain a strong leadership position in Israel's growing medical cannabis market.

We expect to retain a leading market share in Israel's medical cannabis market, which growth we expect to be driven by an increasing number of prescribing physicians and an increasing number of medical cannabis patients. As the only medical cannabis producer in Israel that is currently both GAP and IMC-GMP-certified, we believe we will continue to be the partner of choice with Israel's leading pharmaceutical distributor, Teva, and Israel's leading pharmacy chains, including Super-Pharm.

Invest in capacity expansion to establish an early mover advantage in order to meet global medical cannabis and CBD product demand.

Given the increasing global demand for medical cannabis and CBD products and our expected ability to export certain products around the world, we will continue to invest heavily in our domestic and international production and processing capacity and capabilities to deliver our products to customers worldwide, in accordance with applicable laws. We are a low-cost medical cannabis cultivator and are confident that we will be able to develop our undeveloped acreage into future cultivation facilities. We are establishing a cultivation presence in Portugal, where we have signed an agreement for the purchase of a cultivation facility and have also entered into an agreement to secure all of the dried cannabis produced by a cultivator who owns an additional 8 million square feet of cultivation area, both subject to the receipt of applicable regulatory approvals. We expect to continue to employ proprietary cultivation techniques and capture efficiencies as we grow our cultivation operations.

Become the global partner of choice and engage in new strategic relationships with established licensed producers, retailers, distributors, researchers, pharmaceutical companies, and innovators.

We believe that establishing further partnerships with pharmaceutical and drug distributors, retailers, researchers and licensed medical cannabis producers in legal markets across the globe is crucial for effectively exporting our medical cannabis. Subject to approval by the Israeli authorities, which we expect to receive by the end of 2019, we have agreements and letters of intent in place to export medical cannabis products and are in negotiations to establish additional partnerships in jurisdictions that allow the purchase of our products. We believe that we will continue to prevail as the partner of choice given our cost leadership, economies of scale, innovative drug delivery technologies, focus on research and development and product quality and proven production capabilities as an IMC-GMP-certified producer with significant capacity potential. We believe that these partnerships will enable us to grow our export revenue over time.

Continue to work collaboratively with physicians and regulators worldwide.

Our key employees are highly qualified personnel with years of experience in the pharmaceutical industry and our management team and board of directors also supported by a scientific advisory board that is comprised of individuals with extensive industry expertise and relationships in strategically valuable fields. With this foundation, we believe that we will be a global leader in the development of cannabinoid-based pharmaceutical products and as such, a trusted resource for governments aiming to shape the medical cannabis regulatory landscape. We believe that we will be able to grow our reputation as a valuable partner to medical experts around the globe, including physicians and regulators through our commitment to innovative research in medical cannabis.

Lead the industry in research and development and innovation of cannabinoid-based pharmaceutical products with our proprietary formulations and exclusively-licensed drug delivery systems.

Our focus on professional research and development of medical cannabis is core to our operations. We are a trusted IMC-GMP-certified supplier of APIs to leading pharmaceutical companies, universities and research partnerships and have proprietary production procedures for several isolated cannabinoids (THC, CBD, CBN,

CBG and CBDV, among others). Our Exclusive Licences for the patented drug delivery technologies, Trojan™ and Sedds™, which enhance absorption and improve dosing and shelf-stability while reducing our production costs, will allow us to target specific indications. Our ASD product candidate recently completed a Phase 2a clinical trial in Israel for the treatment of social communication and behavioural problems in children and adolescents with ASD. In the Phase 2a trial, patients treated with our product candidate demonstrated improvement in social communication and disruptive behaviour over placebo, with an acceptable safety profile. Beyond our ASD product candidate, we are working on an extensive product pipeline to address 33 additional indications, of which seven are in active Phase 2a patient enrollment (LBP, ESRD, Glycemic Control, Diabetic Neuropathy, GBM, Borderline Personality and Fibromyalgia), 11 are scheduled to start Phase 2a patient enrollment by the end of 2019, and another 15 are expected to start Phase 2a patient enrollment by the end of the first half of 2020. In addition, we are conducting multiple PK Studies to support our commercial launches and clinical development program. We have completed a Phase 2a clinical trial for autism spectrum disorder for which we are planning to schedule a Pre-IND meeting with the FDA for the third quarter of 2019. We are developing product candidates using patented drug delivery technologies to create tailor made pharmacokinetic and pharmacodynamic properties suited for specific medical conditions.

CERTAIN REGULATORY MATTERS

Israeli Medical Cannabis Regime

The following contains a summary discussion of Israeli laws and regulations currently in effect relating to medical cannabis, including the Dangerous Drugs Ordinance, and certain other regulations and directives issued by the Israeli government which are applicable to us with respect to the growing, breeding, cultivating, manufacturing, operations, extraction, distribution and sale of cannabis and cannabis-related products. It does not purport to contain a comprehensive description or discussion of all aspects relating to cannabis legislation in Israel.

Background

Medical cannabis was first approved for use in Israel by the Ministry of Health in 1992 and a formal national medical cannabis program was created in 2007. Over the past decade, the Israeli government has continued to develop Israel's approach to and the regulation of the medical cannabis industry through the adoption of various government resolutions, culminating in the development of the CMPR which Israel is currently transitioning to as its new framework for medical cannabis regulation. The CMPR was operating on a pilot basis since April of 2018 and went into effect on April 29, 2019. Underlying the CMPR are two main goals: (1) the "medicalization" of the cannabis industry in Israel; and (2) the creation of a standardized source of supply of cannabis for medical use.

Our medical cannabis activities are regulated by the Israeli Dangerous Drugs Ordinance New Version 5733-1973 and regulations promulgated thereunder (the "**Dangerous Drugs Ordinance**"), as well as directives and guidelines issued from time to time by the MCU, including the CMPR (collectively "**Israeli Cannabis Law**"), all developed in accordance with the guiding principles outlined in the Single Convention on Narcotic Drugs, 1961, as amended in 1972 (the "**Convention**"). In February 2011, in accordance with government directives, the Israeli government established the MCU as the unit under the Ministry of Health responsible for the regulation of cannabis for medical use and research purposes, including, among other things, delegating to the MCU all responsibility for the licensing of operations, the determination of principles for examining medical indications, streamlining supply processes, the appointment of authorized doctors and accessibility of services to patients.

The recreational use of cannabis in Israel is currently prohibited.

Development of the Regulatory Framework in Israel

Pursuant to the Dangerous Drugs Ordinance, cannabis is classified as a "dangerous drug", and is prohibited for use, including growing, manufacturing, production, transportation, extraction, import and export unless a licence is granted. The Dangerous Drugs Ordinance also sets out the penalties for the violation of its provisions, up to and including imprisonment.

Signed in 1961 and amended in 1972, the Convention united all previously existing international agreements pertaining to the prohibition of drug trafficking and the growth and processing of plants used in the production of narcotic drugs and established the international regulatory framework for the holding, use, trade, distribution, import, export and production of drugs to be used exclusively for medical and scientific purposes, including cannabis. 184 countries are currently signatories to the Convention, including Israel.

On February 7, 2011, the Israeli government adopted Government Resolution No. 3609, as reaffirmed by Government Resolution No. 1050 on December 15, 2013, which determined that the Ministry of Health is the sole body authorized to supervise, control and regulate the use of medical cannabis. Pursuant to Government Resolution No. 3609, the Ministry of Health established and delegated its authority to the MCU to oversee the regulation of cannabis for medical use and research purposes.

In addition, Government Resolution No. 1050 implemented an initial framework for the use of medical cannabis which coincided with an increase in the number of patients seeking approval for the use of medical cannabis. Since the adoption of these Government Resolutions, the Ministry of Health or the MCU, as applicable, has expanded the number of indications allowed for treatment with medical cannabis.

On June 26, 2016, the Israeli government adopted Government Regulation No. 1587, which outlines the regulation of the production and use of medical cannabis and served as the basis of the CMPR, which was operating on a pilot basis since April of 2018 and went into effect on April 29, 2019.

The CMPR consolidates the various Government Resolutions related to the production, distribution and use of medical cannabis in Israel and establishes a regime with the goal of enabling patient access to qualified sources of cannabis for medicinal use while preserving public health, security and welfare and preventing any diversion or illicit use of cannabis for non-medicinal purposes. Some of the key principles include:

1. **Medicalization**: Implementing a framework for the use of cannabis exclusively for medical purposes (not the legalization or decriminalization of cannabis);
2. **Medical Indications**: Setting standards for the prescription of cannabis and cannabis-related products by healthcare practitioners;
3. **Training:** Training healthcare practitioners to treat patients with medical cannabis using a systematic method of medical practice to ensure they have adequate knowledge and experience to prescribe medical cannabis in accordance with the guidelines for the prescription of narcotic medicinal products. Currently, 82 physicians have been granted permits to prescribe medical cannabis;
4. **Standardization:** Standardizing medical cannabis products to ensure consistency among product groups so healthcare practitioners can safely prescribe such products;
5. **Specialized pharmacy assistance**: Ensuring standardized medical cannabis products are sold exclusively in pharmacies where pharmacists have undergone special training on various aspects of the maintenance and issuance of prescribed medical cannabis;
6. **Supervision:** Supervising compliance with GSP security standards to ensure the prevention of the illicit distribution of medical cannabis and the adequacy of medical practices;
7. **Research and development**: Researching and developing alternative delivery methods of medical cannabis to reduce the use of smoking of medical cannabis as a means of administration of medicinal treatment; and
8. **Patient training kits**: Developing and making available patient training kits in respect of medical cannabis, including training films, leaflets and instructions on restrictions of use in public.

In addition, the CMPR requires that every segment throughout the value chain, including propagation, growing, producing, distributing, transporting, laboratory testing and issuance, shall comply with the provisions of all applicable law including requiring operators in each segment of the value chain to obtain a specific licence in respect of the segment of the value chain in which they operate. Under the CMPR, operators are required to maintain corporate separation between the various segments throughout the value chain (other than propagation and cultivation); however, any ultimate beneficial owner is permitted to own multiple distinct operators operating in segments across the value chain.

In order to maintain the level of standardization and uniformity necessary for products of a medical nature, all segments of the value chain, including the propagation, growing, manufacture, distribution and supply of cannabis products, are conducted under the strict supervision and control of the MCU and subject to standards of good practices. Every segment of the value chain must adhere to applicable regulations and well-defined, uniform work processes based on standardized work protocols. Regular and periodic testing must be performed at each stage of the value chain to ensure that applicable cannabis products meet the quality standards required by the CMPR.

Security Requirements

Under the CMPR, all operators throughout the medical cannabis value chain must adhere to GSP standards and receive a GSP certification from the MCU prior to being granted any licence or extension thereof by the MCU. In order to apply for a GSP certification, an applicant must submit a "Security Plan" to the MCU which adheres to the directive set forth in the GSP guidelines published by the MCU and which must be

approved by the MCU's head of security (the "**MCU SM**"). The Security Plan must address the electronic and physical security measures to be applied by the applicant at the specific site. As a condition to the grant of a GSP certification, the MCU SM will visit the site in order to verify the applicant's compliance with the Security Plan and GSP guidelines. The Security Plan must be validated by the MCU SM once a year as a condition to the continued operation of the site and each site will be subject to scheduled and unscheduled audits by the MCU SM and the Israeli Police throughout the term of the GSP. The MCU SM may require the operator of a site to implement changes to the Security Plan and the security measures implemented at a site, including demanding the stationing of additional security guards or the implementation of other electronic and physical measures to ensure the required security standards are met. Failure to comply with GSP standards at any time during the term of the licence may result in the revocation of a licence holder's GSP certification, the closing of the licence holder's site or facility and/or the suspension of any conveyances to and from such site or facility, in each case depending on the severity of the deficiencies identified by the MCU SM or Israeli Police during a site visit or unscheduled audit. Each site must have appointed a chief security officer which meets the standards and requirements dictated by the Israeli Police with respect to chief security officers. A transporter of medical cannabis will be required to appoint a chief security officer only if the amount it transports exceeds certain thresholds detailed in the GSP guidelines. Pharmacies and labs will not be required to appoint a chief security officer unless the MCU, in its discretion after taking into account the nature and scope of activity of such applicant, has determined otherwise. The chief security officer must report to the MCU on each material deviation from the Security Plan and on each material breach of security. Armed security guards and other security measures must be active on a 24/7 basis unless the Security Plan stipulates otherwise. Each Security Plan will require a safe be located on-site for the storage of medical cannabis products, a fence with touch sensors (other than with respect to pharmacies and labs), comprehensive CCTV coverage of the site (other than with respect to pharmacies and labs) and facilities and a central control unit (other than with respect to pharmacies and labs). No unauthorized entrance to a medical cannabis site will be permitted without the prior approval of the MCU. At any time medical cannabis is transported, each transporter must obtain the required permits from the Israelei police prior to transport. The GSP guidelines applicable to such permitholders set forth the security measures required, which security measures vary depending on the amount medical cannabis transported and may include the hiring of armed security personnel, the use of armored vehicles and other security measures.

We received GSP certification in respect of our leased property and operations in Revadim, Israel in November 2017, which certification has since been extended until December 31, 2019. Our facility in Revadim is equipped with state-of-the-art security systems and is secured 24/7 by armed and trained security guards provided by a third-party service provider with a high degree of experience and expertise. Our security arrangements were designed by our Chief Security Officer who is a former officer of the Israeli Police, in full cooperation with the MCU and the Israeli Police department to ensure that our security is managed in a manner compliant with MCU guidelines and GSP standards. Our risk assessment and security profile were developed in collaboration with the MCU and the Israeli Police department based on, among other things, a risk survey prepared by us in accordance with the requirements of the CMPR.

Licences

The process of obtaining a licence can generally be described in four stages:

1. An applicant submits an initial request for preliminary approval to the MCU.
2. The MCU examines the applicant's compliance with certain threshold conditions, and subject to that examination grants the applicant temporary preliminary approval and a unique Practice Code (as such term is defined in the CMPR).
3. The applicant constructs the relevant site or facility on the basis of the MCU's preliminary approval and, upon completion of the proposed site or facility, the Ministry of Health, or a representative thereof, will examine the facility in order to determine compliance with GSP and other applicable good practice requirements (i.e. GAP, IMC-GMP or GDP, as applicable). In addition, an applicant must also enter into an agreement (which may be conditional upon receipt of final licence approval) with an operator in the adjacent segments of the value chain as a prerequisite to the receipt of the licence.

4. Subject to that examination, the applicant obtaining the applicable good practice certifications and the applicant having entered into an agreement with an operator in the next segment of the value chain, the applicant submits its application for final approval, which will be reviewed, among others, by the Israeli Police. Under certain circumstances, following review by the Israeli Police, a special committee established under the Israeli Cannabis Law will make its recommendation as to whether the applicant will be granted the licence. To the extent such committee does not provide its recommendation in accordance with the time frames set out under Israeli Cannabis Law, the MCU will have the authority to determine whether to grant such licence or not.

If the licence is granted, it will be valid for a period not to exceed three years, subject to renewal. Any renewal of an existing licence will be subject to the restrictions and conditions of the CMPR, including but not limited to timely audit requirements and compliance with applicable Israeli law, including Israeli Cannabis Laws.

Notwithstanding an applicant meeting all necessary requirements of the MCU, under the CMPR, the Ministry of Health and the Israel Police department have the discretion to recommend against the granting of a licence if, among other things, it determines that increasing the number of licence holders in Israel would compromise public security and will have the right to revoke a licence if the Israeli Police determine that security requirements for a licence are breached and such breach may endanger public safety.

Each licence holder must provide notice to the MCU prior to making any changes to (i) its address, ownership, management, or authorized signatories, (ii) its licence particulars, (iii) any approvals or authorizations required to manage the business, or (iv) any data submitted to the MCU as part of the licence holder's initial application for preliminary approval.

A licence holder must report to the MCU, among other things, the following information:

- any excess cannabis or cannabis-related products produced or processed above the amounts permitted under the terms of their licence;
- any intention to make a material change in the terms of production relating to the licence holder's product portfolio;
- any attempted thefts or loss of product;
- the amount of trash transported to a destruction site;
- if medical cannabis in its possession is exposed to abnormal temperatures (meaning either three minutes of exposure above 8°C or to a temperature below 2°C for preparations sensitive to freezing);
- methods of production and flow charts in respect thereof, which will be submitted for validation to the MCU; and
- data on product stability and proof of compliance with each product's specifications throughout its shelf life.

Each licence holder must keep records and documentation of the pesticides used at its licensed facilities, including the name and quantity of any pesticides used and the name and quantity of any related pests, and must further keep records of any regimes implemented in respect of contaminants and waste management.

In addition to the mandatory reporting requirements, licence holders must remain compliant with the requirements and restrictions of their licence, which generally include, among other things, that:

(a) the licence shall be used exclusively for the purposes described therein, which activities shall be carried out in accordance with the Dangerous Drugs Ordinance and solely for medical purposes;

(b) the licence is temporary and not transferable, and no one other than the holder of the licence shall be permitted to conduct the actions described in the licence;

(c) the holder of the licence will be required to maintain records of all growth cycles, as applicable, including the amount and kind of cannabis plants grown and any parts of cannabis plants exterminated;

(d) the licence holder shall not be permitted to undergo any change in its ownership, management, or authorized signatories. For the purposes of this restriction, a "change in ownership" is defined as a transfer of shares in any way of 5% or more of the share capital of the licence holder (with respect to either voting interests or equity interests) or a beneficial holder thereof;

(e) the licence holder shall at all times act in accordance with GSP security standards; and

(f) the licence holder must authorize the MCU to conduct periodic, unscheduled audits to ensure compliance with the applicable good practice standards.

To the extent a licence holder is found in breach of any such licence requirements, the MCU will have the right to impose sanctions, including, among other things, the revocation of such holder's licence. Under the CMPR, the MCU has discretion to permit licence holders to exceed the maximum amounts stipulated under the terms of their licence in order to permit such licence holders to meet growing demand. BOL Pharma has not received any notices of violation or citations from the MCU or any other regulatory agency relating to its business.

Although no formal approval is required, we have obtained both an acknowledgement from the MCU with respect to the Offering and approval from the MCU of all current shareholders of the Company that will hold 5% or more of the Company's Outstanding Shares immediately after the closing of the Offering, as well as for each individual who will act as a director of the Company. This approval process generally entails the provision by each proposed director of prescribed declarations and information and the completion of a satisfactory criminal background check by the Israeli Police. Following the Offering, MCU approval will be required for any person to become an Interested Party or an Effective Interested Party (each as defined in the Glossary). See "Description of Share Capital — Israeli Cannabis Law Restrictions on Share Ownership".

Types of Licences

Each stage in the value chain requires a separate licence from the MCU, including: (i) a licence to operate a propagation facility (a "**propagation licence**"); (ii) a licence to operate a growing farm (a "**growing licence**"); (iii) a licence to operate a production facility (a "**manufacturing licence**"); (iv) a licence to operate a storage site and distribute medical cannabis (a "**distribution licence**"); and (v) a licence to operate a pharmacy which dispenses cannabis or cannabis-related products (a "**pharmacy licence**"). The MCU is also responsible for the issuance of licences for the operation of a cannabis destruction site, the operation of a cannabis testing lab and ad hoc research licences and permissions.

Operation of a Propagation Facility

A propagation licence permits a licence holder to operate a propagation farm in compliance with GAP standards, including the planting, propagation of seedlings, seeds and cannabis plants. Each propagation licence will describe the applicable facility in which the licence holder is permitted to propagate and possess cannabis, as well as the maximum amounts permitted.

In order to carry out propagation procedures in accordance with the CMPR, all cannabis source materials must have been developed in accordance with GAP standards. Where such GAP-certified source material is unavailable domestically, the materials must be imported from abroad in the form of plant or plant substances (e.g. seeds, cuttings, tissue cultures, etc.) in accordance with MCU requirements and other legislation generally applicable to the import and export of agricultural products. We imported our initial inventory of GAP-compliant cannabis source material in February 2018. The GAP seeds we imported were planted and grown in quarantine under the inspection of the Israeli Agricultural office. Following cultivation of such planted seeds, all such plants underwent several rounds of testing, and only following successful passing of such testing were we allowed to use the clones (being genetically identical offspring of a plant created by taking plant cuttings from a mother plant and rooting such plant cuttings in soil) for cultivation purposes.

Operation of a Growing Facility

A growing licence permits a licence holder to operate a growth farm and to cultivate post-harvest inflorescence and cannabis plants in compliance with GAP standards. Each growing licence shall describe the facility in which the licence holder is permitted to grow and possess cannabis, as well as the forms and maximum amounts of cannabis that may be cultivated.

All GAP-certified licence holders (whether licensed for propagation or growing) are subject to strict external inspections conducted seven times per year by the MCU. In addition, in accordance with the Israeli Rural Settlement Law (Qualifications for the Use of Land and Water), 5727-1967 and guidelines published in connection thereto (the "**Agriculture Land Regulation**"), any person holding or entitled to hold agricultural lands and to receive water allocations from the Government of Israel (the "**Land Lessor**") is generally prohibited from transferring or assigning such allocations. In order for a Land Lessor to transfer or assign its rights, an approved permit use must be obtained from the Israeli Ministry of Agriculture and Rural Development. We have obtained such permit in connection with BOL Agro-Tech's propagation and cultivation activities in Revadim.

Operation of a Production Plant

A manufacturing licence permits a licence holder to operate a production facility and to produce cannabis products in compliance with IMC-GMP standards. Each manufacturing licence describes the facility in which the licence holder is permitted to produce cannabis products and to possess the parts of the cut plant for cultivation into cannabis products or oil extracts, as well as the maximum amounts. Under the CMPR, a licence holder is authorized to produce and sell only those products of suitable quality for medical use, and where the concentrations of their active substances are known and have been tested in accordance with the guidelines of the MCU. In addition, only the following types of cannabis-related products are currently approved for distribution: (i) dried and packaged cannabis in which the total weight of cannabis (net) in each pack is 10 grams; (ii) dried cannabis rolled in the form of cigarettes with a filter or end for grip, in packages in which the total weight of cannabis (net) in each package is 10 grams; and (iii) oil and cannabis extracts mixed with oil, which are packed in bottles in which the total volume of the diluted cannabis extract (net) is 10 ml. In addition, on a case-by-case basis, the MCU will consider and, in their sole discretion, approve additional medical cannabis products or methods of delivery if such products meet the MCU's standards of efficacy and safety. As of the date hereof, we have submitted requests to perform a safety and tolerance study of additional medical cannabis products in the form of capsules to the MCU and expect receipt of approval from the MCU for marketing of capsules in the first half of 2020. Prior to renewal of any IMC-GMP-certification, the MCU will conduct an audit to ensure compliance will IMC-GMP standards.

To the best of our knowledge, as of the date hereof, there are three IMC-GMP-certified companies in Israel, of which we believe we are the only vertically integrated company participating throughout the propagation, growth and productions segments of the value chain and the largest IMC-GMP-certified producer.

Operation as a Storage Facility and Distribution of Medical Cannabis

A distribution licence permits a licence holder to store, transport and distribute finished cannabis products to licensed pharmacies, destruction sites and certain patients in compliance with GDP and GSP standards. Each distribution licence describes the storage facility in which the licence holder is permitted to store cannabis products, as well as the maximum amounts permitted. Licence holders may only distribute cannabis products produced by IMC-GMP-certified manufacturers. In addition, all vehicles used in the distribution of cannabis products much meet threshold quality and security standards and must be operated in accordance with all directives of the Ministry of Health applicable to the transportation of medicinal drugs. Medical cannabis products must be stored and distributed at room temperature and in compliance with all directives issued by the Ministry of Health with respect to storage and distribution of medical products. Distribution of medical cannabis products must be made in accordance with an organized plan and in full coordination with the receiving party. The MCU may perform scheduled and unscheduled audits of the distribution facility at its discretion.

Operation of a Cannabis-Dispensing Pharmacy

A pharmacy licence permits a licence holder (which must be a pharmacy) to dispense cannabis products to patients who have been prescribed cannabis for medical purposes by a permitted healthcare practitioner. A licensed pharmacy may only purchase medical cannabis products from a licensed distributer of medical cannabis products and must keep a sufficient inventory to allow regular and available treatment for patients. The issuance of medical cannabis products to patients by a licensed pharmacy must be done in compliance with all Ministry of Health directives applicable to medical products in Israel. Medical cannabis products must only be issued to

patients under the supervision of an approved pharmacist or through delivery services provided the patient has visited the pharmacy on a prior occasion and received guidance from a pharmacist. The MCU may perform scheduled and unscheduled audits of any licensed pharmacy at its discretion.

Our Certifications and Licences

Propagation Certification and Licence

BOL Agro-Tech received GAP certification of its propagation farm on April 12, 2018, which certification remains valid until April 11, 2020. BOL Agro-Tech subsequently received its propagation licence on September 20, 2018 (the "**Propagation Licence**"), which Propagation Licence remains valid until March 30, 2020.

Growing Certification and Licence

BOL Agro-Tech received GAP certification of its growing and cultivation facilities on April 12, 2018, which certification remains valid until April 11, 2020. BOL Agro-Tech subsequently received its growing licence on September 20, 2018 (the "**Growing Licence**"), which Growing Licence remains valid until March 30, 2020.

Manufacturing Certification and Licence

BOL Manufacturing received IMC-GMP certification for its production facility on April 28, 2018, which certification remains valid until July 31, 2019. BOL Manufacturing subsequently received its manufacturing licence on September 20, 2018 (the "**Manufacturing Licence**"), which Manufacturing Licence remains valid until March 30, 2020.

As used elsewhere in this prospectus, the Propagation Licence, Growing Licence and Manufacturing Licence are collectively referred to herein as our "**Licences**". Please see "Material Contracts" and "Risk Factors — Risks Related to Regulatory Matters". Although the terms of our Licences may stipulate certain maximum amounts of medical cannabis and cannabis products that we are permitted to propagate, grow or manufacture, as applicable, such amounts are subject to adjustment on an ongoing basis in cooperation with the MCU to meet the growing market demand for medical cannabis and cannabis products. In addition, from time to time, we will also conduct ad hoc research projects related to medical cannabis, which projects require specific licences from the MCU. Prior to undertaking such research projects, we will apply for and obtain all necessary licences. Such licences typically expire within one year of issuance, subject to extension, if required. In addition, notwithstanding the implementation of the CMPR, during the transition period in which patient permits under the Old Cannabis Regulation (as defined in the Glossary) shall expire, we have been granted a temporary, non-renewable licence to continue to supply medical cannabis products to such patients in accordance with the old regime (i.e., directly to the patient and not through pharmacies) through Sheifa. This temporary licence extends until June 30, 2019, but only with respect to the issuance of products to patients and not for cultivation and production.

Regulations Regarding Cannabis Export

On December 25, 2018, the Dangerous Drugs Ordinance was amended, among other things, to permit the export of cannabis by approved producers, subject to the adoption of further authorizing regulations, subsequent to which, on January 27, 2019, the Israeli cabinet approved the export of finished medical cannabis products through the adoption of Government Resolution No. 4490 (the "**Export Approval**").

According to the Export Approval, export of medical cannabis genetics of any kind is prohibited. In addition, cannabis export is only permitted to countries that are a party to the Convention and expressly permit the import and use of such products.

For a producer to be permitted to export cannabis products, it must be approved by the Ministry of Health and the Israel Police department, have IMC-GMP and GSP certifications and a manufacturing licence under the CMPR and the producer must have obtained all applicable import permits or approvals in the destination country.

It is expected that the actual export of cannabis products under the CMPR will commence approximately nine months from the date of adoption of the Export Approval, subject to the amendment and adoption of further authorizing regulations.

Clinical Trials in Israel

To conduct clinical testing on humans in Israel, authorization must first be obtained from the ethics committee (the "**Ethics Committee**") of the institution in which the clinical studies are scheduled to be conducted, as required under the guidelines for clinical trials in human subjects implemented pursuant to the *Israeli Public Health Regulations (Clinical Trials in Human Subjects), 1980*, as amended from time to time, and other applicable legislation and ICH standards of Good Clinical Practices ("**ICH-GCP**"), as well as approval from the Ministry of Health in certain instances. The Ethics Committee must, among other things, evaluate the anticipated benefits that are likely to be derived from the project to determine if it justifies the risks and inconvenience to be imposed on the human subjects, and must ensure that adequate protection exists for both the rights and safety of the participants as well as the accuracy of the information gathered in the course of the clinical testing in accordance with ICH-GCP.

In addition, in order to conduct a clinical trial which involves the use of medical cannabis, the approval of the MCU must be obtained. In order to obtain the approval of the MCU, an initial request for preliminary approval must be submitted to the MCU, which application will include general information with respect to the contemplated trial, including how the applicant intends to ensure public safety in the course of such trial. All such applications are brought to a special research and development committee within the MCU (the "**R&D Committee**") for approval. The R&D Committee reviews the application and, if approved, it issues a preliminary approval which may require certain changes to the trials as a condition to its approval. In the next stage, the applicant must submit a more detailed and comprehensive application to the Ministry of Health (Clinical Trials Division) and the MCU which must include the preliminary approval, detailed information applicable to the cannabis product to be used in the trial, patient consent forms (including confidentiality waivers and agreements to receive a permit to use medical cannabis), trial protocols and a form detailing all medicines which are not allowed for consumption during the course of the trial. The application shall be reviewed by the Ministry of Health with respect to aspects of regulation and ethics and by the MCU with respect to medical cannabis. The approval of the MCU must be obtained in order to receive final approval of the Ministry of Health for the trial. After the receipt of approvals from the MCU and the Ministry of Health, as applicable, the applicant will apply for final approval of the Ethics Committee, following receipt of which, the applicant will finally apply to the MCU to receive personal licences for the use of medical cannabis for all trial participating subjects. Any sponsor of a clinical trial shall ensure that the investigational products (including active comparators and placebo, if applicable) are characterized as appropriate to the stage of development of the products, are manufactured in accordance with any applicable GMP, and are coded and labelled in a manner that protects the blinding, if applicable. In addition, the labelling must comply with applicable regulatory requirements.

Medical Device Registration in Israel

In Israel, medical devices, including vaporizers for medical cannabis use, are regulated by the Unit of Medical Device and Accessories under the Ministry of Health, also known as the "**AMAR**" unit, under the Israeli Medical Equipment Law, 5772-2012. The AMAR unit is responsible for registering and supervising medical equipment and monitoring the marketing of medical devices in Israel. All medical products, whether they are manufactured in Israel or imported, must be registered with the AMAR unit. In order to be registered with the AMAR unit, the medical device needs to comply with either of the following two requirements: (i) the AMAR unit must have examined and approved effectiveness and quality of the medical product or device, or (ii) the medical product or device must comply with the standards of, and be marketed in, a recognized western country. Manufacturers that have already obtained approval for their devices in those markets can rely on those registrations to satisfy most of the domestic medical device regulatory approval requirements. Certain medical devices also require validation and certification by the Standards Institution of Israel in order to ensure product quality and safety. Where such medical product or device is a cannabis or cannabis-related device, the approval of the MCU will also be required, such approval to be obtained in a similar manner as set out above in respect of clinical trials.

Portuguese Medical Cannabis Regime

The following contains a summary discussion of Portuguese laws and regulations currently in effect relating to medical cannabis, including Law No.33/2018, and certain other regulations and directives issued by the Portuguese government which are applicable to us with respect to the cultivation, manufacturing, operations, extraction, and distribution of cannabis and cannabis-related products. It does not purport to contain a comprehensive description or discussion of all aspects of cannabis legislation in Portugal.

Our Future Operations in Portugal

As described elsewhere in this prospectus, our expansion into Portugal remains in its preliminary stages and we do not have any operations or licences to cultivate or produce medical cannabis or cannabis products in Portugal as of the date hereof. As such, the application of the Portuguese cannabis regulatory regime to our operations is prospective and qualified entirely by the requirements that may be in place at the time we apply for any such licences in due course as our expansion continues to develop.

Development of Regulatory Framework in Portugal

Medical cannabis activities in Portugal are regulated by Law No. 33/2018, adopted on July 18, 2018 (the "**Cannabis Law for Medical Purposes**"), as supplemented by Law No. 8/2019 and various laws, regulations, and policies adopted by the Portuguese Government in relation thereto (collectively, "**Portuguese Cannabis Law**"). The Cannabis Law for Medical Purposes regulates all activities relating to medical cannabis, including its cultivation, production, extraction, manufacture, wholesale trade, import and export, transit, purchase, sale, and delivery, and also establishes certain principles and objectives pertaining to the prescription and dispensation of medical cannabis in pharmacies, the dissemination of relevant information to medical professionals relating to the use of medical cannabis and the "placing on the market" of medical cannabis products (which is defined as the "first making available of a product on the European Union market" by the European Commission).

The Portuguese legal framework for medical cannabis products implements, and is subject to, certain laws, regulations, guidelines, and ordinances adopted by the European Union and the various governmental organizations and agencies governed by the European Union. Law 176/2006 requires companies that cultivate, harvest, and collect cannabis to manufacture, process, package, and store active pharmaceutical ingredients to adhere to the standards set by the Guideline on Good Agricultural and Collection Practice (GACP) ("**EU-GAP**"), as published by the European Medicines Agency (the "**EMA**").

In addition, companies in Portugal that manufacture medical cannabis products intended for human consumption are regulated by good manufacturing practices ("**EU-GMP**") established by European Union Directive 2001/83/EC, as supplemented by Commission Delegated Regulation (EU) No. 1252/2014, dated May 28, 2014 ("**EU Regulation No. 1252/2014**"). EU Regulation No. 1252/2014 sets out the principles and guidelines of good manufacturing practice in relation to all issues, operations and processes that are key to determining the quality of active substances, such as quality management, personnel, premises and equipment, documentation, material management, production, in-process quality controls, packaging, labelling, laboratory controls, returns, complaints and recalls, contracting out and repackaging.

All permits and licences necessary to propagate, cultivate, manufacture and process medical cannabis in Portugal are overseen by the National Authority for Medicines and Health Products, I.P. ("**INFARMED**"). INFARMED evaluates, authorizes, supervises, regulates and enforces all activities regulated under the Cannabis Law for Medical Purposes. An independent regulatory organization operating under the oversight and supervision of the Minister of Health, INFARMED is responsible for a wide array of health-related policies and regulations in Portugal, including, among other things: (i) the formulation of national health policy; (ii) the regulation of examinations for medical indications, medicines and health products; (iii) the regulation, evaluation, authorization, disciplining, monitoring of actors involved in the medical health field; and (iv) oversight of research, production, distribution, marketing and use of medicines for human use and other health products, and further acts as the Portuguese Government's liaison with the EMA and the European Commission, amongst other European institutions.

In accordance with the Cannabis Law for Medical Purposes, the prescription of medical cannabis and cannabis products to patients in Portugal will only be permitted when conventional medicines fail to produce the expected effect or produce relevant adverse side effects, and furthermore will only be permitted for the treatment of those indications expressly permitted by INFARMED from time to time, which currently include:

- Spasticity associated with multiple sclerosis or spinal cord injuries;
- Nausea, vomiting (resulting from chemotherapy, radiation therapy and combined HIV therapy and hepatitis C medication);
- Appetite stimulation in palliative care of patients undergoing oncological or AIDS treatment;
- Chronic pain (associated with oncological or nervous system diseases such as neuropathic pain caused by nerve damage, phantom limb pain, trigeminal neuralgia, or post herpes zoster);
- Gilles de la Tourette syndrome;
- Epilepsy and treatment of severe seizure disorders in childhood, such as the Dravet and Lennox-Gastaut syndromes; and
- Therapy-resistant glaucoma.

Notwithstanding the foregoing, the Portuguese legal framework for medical cannabis and cannabis products is nascent and subject to ongoing review and development by INFARMED and the Portuguese Government. It is expected that further developments, including in respect of mandatory security requirements, may be imposed in the near future.

The recreational use of cannabis in Portugal is currently prohibited.

Licences

Each stage in the value chain of the medical cannabis industry in Portugal requires a separate licence from INFARMED, including in respect of (i) the cultivation of cannabis for medical purposes; (ii) the production of drugs, preparations and substances derived from cannabinoids for medical purposes; (iii) the import and export of drugs, preparations and substances derived from cannabinoids for medical purposes; (iv) wholesale activity in respect of drugs, preparations and substances derived from cannabinoids for medical purposes; and (v) the placement in the market of preparations and substances derived from cannabinoids for medical purpose.

To be granted a license, an applicant must submit all necessary documentation (including fulsome plans and descriptions of the applicant's intended cultivation or manufacturing facilities, if applicable) and must, among other things, meet the following standards of good practices with respect to their proposed activities related to the cultivation, manufacture, wholesale trade, import, export or transit of medicinal products, preparations or substances based on the cannabis plant for medicinal purposes:

(a) EU-GAP and EU-GMP standards;

(b) Good practices in the manufacture of medicines, as provided for in Decree-Law No. 176/2006, which establishes the legal regime for medicinal products for human use; and

(c) Good practices for the distribution of active substances and medicinal products, as established within the framework of the European Union.

Any applicant intending to carry out cultivation or manufacturing activities as set out above must also have a security officer who meets the requirements of INFARMED's Director of Security, as set out in the applicable regulations.

Once issued, a licence granted by INFARMED is generally effective for a period of one year from the date of issuance, subject to an automatic renewal unless INFARMED states its intention to object to the renewal at least 90 days prior to the end of the then-current term.

Permit holders must remain compliant with the requirements and restrictions of their permits, which generally include, among other things, that:

- the permits and licences granted by INFARMED are temporary and non-transferable, and cannot be used by anyone else;
- the holder of the licence must maintain sufficient records, including in respect of the stages of development of any cannabis plants cultivated by the licence holder, and the place of origin and the destination of any cannabis products used in or derived from such production activities;
- any cultivation or production surplus above the quantities authorized under the terms of the holder's licence may not exceed 10% of the quantities so authorized and may only be permitted if notice is provided to INFARMED within 15 days of such surplus amounts being detected; and
- the licence holder must provide notice to INFARMED of any change to its management, corporate name or headquarters, provided that any change in management must be accompanied by satisfactory criminal record checks in respect of the new management personnel.

We have applied for the necessary licences for our facilities in Portugal through our wholly-owned subsidiary, BOL Portugal Unipessoal, Lda. ("**BOL Portugal**") and expect to receive licences for the cultivation and production of medical cannabis for our facilities in Portugal by the end of Q3, 2019. There is presently no restriction under Portuguese Cannabis Law that would restrict BOL Pharma from undergoing a change of ownership provided that BOL Portugal remains the sole owner of any such licences.

To the extent a permit holder is found in breach of any such licence requirements, INFARMED has the right to impose sanctions, including, among other things, the revocation of such holder's licence. INFARMED may audit any licence holder at any time to determine such licence holder's compliance with the restrictions and reporting requirements imposed under Portuguese Cannabis Law.

FDA Approval Process

In the United States, pharmaceutical products are subject to extensive regulation by the FDA. The Federal Food, Drug, and Cosmetic Act (the "**FDC Act**") and other federal and state statutes and regulations, govern, among other things, the research, development, testing, approval and post-approval monitoring of pharmaceutical products. The FDC Act describes two types of new drug applications: (A) an application that contains full reports of investigations of safety and effectiveness pursuant to Section 505(b)(1) and (B) an application that contains full reports of investigations of safety and effectiveness but where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference pursuant to Section 505(b)(2).

The pharmaceutical product approval process pursuant to Section 505(b)(1) of the FDC Act in the United States typically involves the following steps:

Pre-clinical tests and IND submission

Pre-clinical tests include laboratory evaluation of product chemistry, formulation, and toxicity, as well as animal trials to assess the characteristics and potential safety and efficacy of the product. The results of pre-clinical testing are submitted to the FDA as part of an IND along with other information, including information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol. For our ASD pharmaceutical product candidate, we expect to have a pre-IND meeting with the FDA in the third quarter of 2019 to discuss the results of the Phase 2a clinical trial conducted in Israel and the future development plan for this product candidate. Subsequent to the pre-IND meeting with the FDA, we plan to incorporate any feedback from the FDA and submit the IND for our ASD pharmaceutical product candidate.

A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has not imposed a clinical hold on the IND or otherwise commented on nor questioned the IND within this 30-day period, the clinical trial proposed in the IND may begin.

Clinical trials

Clinical trials involve the administration of the investigational new drug to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations, (ii) in compliance with Good Clinical Practice ("**GCP**"), an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators and monitors, and (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND.

The FDA may order the temporary, or permanent, discontinuation of a clinical trial at any time or impose other sanctions if it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial patients. The trial protocol and informed consent information for patients in clinical trials must also be submitted to an institutional review board ("**IRB**") for approval.

Clinical trials to support new drug applications ("**NDAs**") for marketing approval are typically conducted in three sequential phases, but the phases may overlap:

- In Phase 1, the initial introduction of the drug into healthy human subjects or patients, the drug is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence on effectiveness.
- Phase 2 usually involves trials in a limited patient population to determine the effectiveness of the drug for a particular indication, dosage tolerance, and optimum dosage, and to identify common adverse effects and safety risks. There may be multiple Phase 2 clinical trials for an indication, with the first Phase 2 clinical trial being referred to as a "Phase 2a trial." We are currently conducting seven Phase 2a trials in Israel, with an additional 11 clinical trials scheduled to start Phase 2a patient enrollment by the end of 2019, and 15 more expected to start Phase 2a patient enrollment by the end of the first half of 2020. Our current Phase 2a clinical trials are all conducted outside of the United States. For all of our existing Phase 2a trials, we will need to conduct pre-IND meetings with the FDA after their completion and submit INDs for them in order to confirm their development plans for receiving approval from the FDA.
- If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken to obtain the additional information about clinical efficacy and safety in a larger number of patients, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit-risk relationship of the drug and to provide adequate information for the labeling of the drug.

In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the drug. A single Phase 3 trial with other confirmatory evidence may be sufficient in certain rare instances.

NDA submission and FDA approval

After completion of the required clinical testing, an NDA is prepared and submitted to the FDA. FDA approval of the NDA is required before marketing of the product may begin in the United States. The NDA must include the results of all pre-clinical, clinical and other testing and a compilation of data relating to the product's pharmacology, chemistry, manufacture and controls. The cost of preparing and submitting an NDA is substantial.

The FDA has 60 days from its receipt of an NDA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of NDAs. Most such applications for standard review drug products are reviewed within ten to 12 months, while most applications for priority review drugs are reviewed in six to eight months. The FDA can extend these reviews by three months. Priority review can be applied to drugs that the

FDA determines offer major advances in treatment, or provide a treatment where no adequate therapy exists. For biologics, priority review is further limited only for drugs intended to treat a serious or life-threatening disease relative to the currently approved products. The review process for both standard and priority review may be extended by the FDA for three additional months to consider certain late-submitted information, or information intended to clarify information already provided in the submission.

The FDA may also refer applications for novel drug products, or drug products that present difficult questions of safety or efficacy, to an advisory committee, which is typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the drug is manufactured. The FDA will not approve the product unless compliance with current good manufacturing practices is satisfactory and the NDA contains data that provide substantial evidence that the drug is safe and effective in the indication studied.

After the FDA evaluates the NDA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing, or information, in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included.

An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. As a condition of NDA approval, the FDA may require a risk evaluation and mitigation strategy ("**REMS**") to help ensure that the benefits of the drug outweigh the potential risks. REMS can include medication guides, communication plans for health care professionals and elements to assure safe use. Moreover, product approval may require substantial post-approval testing and surveillance to monitor the drug's safety or efficacy. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

505(b)(2) regulatory pathway

As an alternate path for FDA approval described above pursuant to Section 505(b)(1) of the FDC Act, a company may file an NDA pursuant to Section 505(b)(2).

Section 505(b)(2) of the FDC Act permits the submission of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Some examples of products that may be allowed to follow a 505(b)(2) path to approval are drugs that have a new dosage form, strength, route of administration, formulation or indication. Section 505(b)(2) permits the applicant to rely upon certain published nonclinical or clinical studies conducted for an approved product or the FDA's conclusions from prior review of such studies. The FDA may require companies to perform additional studies or measurements to support any changes from the approved product. The FDA may then approve the new product for all or some of the labeled indications for which the reference product has been approved, as well as for any new indication supported by the NDA. While references to nonclinical and clinical data not generated by the applicant or for which the applicant does not have a right of reference are allowed, all development, process, stability, qualification and validation data related to the manufacturing and quality of the new product must be included in an NDA submitted under Section 505(b)(2).

To the extent that the Section 505(b)(2) applicant is relying on the FDA's conclusions regarding studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book publication. The Section 505(b)(2) application also will not be approved until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the reference product has expired. Thus, the Section 505(b)(2) applicant may invest a significant amount of time and expense in the development of its products only to be subject to significant delay and patent litigation before its products may be commercialized.

Summary of Certain Material Aspects of Israeli Corporate Law

We are incorporated in Israel and therefore are subject to the Israeli Companies Law, 5759-1999, as amended, including the regulations promulgated thereunder (the "**Companies Law**"), including, among other things, the provisions thereof relating to matters such as external directors, financial experts, our audit committee (the "**Audit Committee**"), our compensation and nominating committee (the "**Compensation and Nominating Committee**") and our internal auditor. These requirements under the Companies Law are in addition to the requirements of the TSX and the requirements of Canadian securities laws applicable to us as a reporting issuer in Canada.

There are differences between the Israeli and Canadian statutory regimes in the area of corporate law. The rights and obligations of shareholders of an Israeli incorporated company are set forth in our Articles and are in addition to certain rights and obligations shareholders may have in accordance with applicable Israeli law and regulations. Upon Closing, we expect to replace our current articles of association with our new Articles that will, to the extent not inconsistent with the Companies Law, provide certain of the protections to our shareholders which are comparable to those that would be available to a shareholder of a company that is incorporated under the *Canada Business Corporations Act*. The description of our articles of association gives effect to the adoption of our new Articles upon Closing. Certain other matters, such as the composition of our Board and Board committees, also reflect changes we intend to implement in connection with the Closing. Note that, while certain features of Canadian corporate law are discussed in this section, this summary does not contain a comprehensive review of all applicable aspects of Canadian corporate law.

The following is a summary of some noteworthy features of the Companies Law and is not an exhaustive review of Israeli corporate law.

Board of Directors

Under Israeli Cannabis Law and our Articles, the appointment of our Board of Directors is subject to MCU approval. Under the Companies Law, our Board of Directors is responsible for setting our general policies and supervising the performance of management. Our Board of Directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our Board of Directors. Our CEO is appointed by, and serves at the discretion of, our Board of Directors, subject to the terms of his employment agreement. All other executive officers are also appointed by our CEO subject to the further approval of our Board of Directors and are subject to the terms of any applicable employment agreements that we may enter into with them.

Upon Closing of this Offering, our Board of Directors will consist of 11 directors including Ms. Osnat Ronen and Mr. Ofer Segev, our two external directors, whose appointment will fulfill the Companies Law requirement that we have two external directors. See "External Directors". These two directors, as well as Craig Baxter (who will serve as Chairman of the Board of Directors) and Murray Belzberg, will also qualify as independent directors under the corporate governance standards of the TSX listing requirements and the Audit Committee independence requirements of National Instrument 52-110 — Audit Committees of the Canadian Securities Administrators ("**NI 52-110**"). See also: "Directors and Executive Officers — Biographical Information Regarding the Directors and Executive Officers".

According to our Articles, the number of members of our Board of Directors must be at least 5 and cannot be more than 15. Other than the external directors, for whom special election requirements apply under the Companies Law, the vote required to appoint a director is a simple majority vote of holders of our voting shares participating and voting at the relevant meeting. In addition, our Articles allow our Board of Directors to appoint new directors to increase the number of directors and fill the resulting vacancies on the Board of Directors if the number of directors is below the maximum number provided in our Articles, and to appoint new directors to fill vacancies resulting from resignation, removal, incapacity or death of incumbent directors provided that, in each case, the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous meeting of shareholders of the Company.

Each of our directors, other than our external directors, will serve from the date of election or appointment until the next annual meeting of shareholders. The approval of at least a majority of the voting power in the Company is generally required to remove any of our directors from office, other than external directors.

Under the Companies Law and our Articles, our Board of Directors may independently exercise all powers and take all actions that do not require shareholder approval under the Companies Law or under our Articles, including the power to borrow money for the purposes of our Company.

Pursuant to the Companies Law and our Articles, a resolution proposed at any meeting of our Board of Directors at which a quorum is present is adopted if approved by a vote of a majority of the directors present and voting. A quorum of the Board of Directors requires at least a majority of the directors then in office who are lawfully entitled to participate in the meeting.

In addition, under the Companies Law, our Board of Directors must determine the minimum number of directors who are required to have financial and accounting expertise. Under applicable regulations, a director with financial and accounting expertise is a director who, by reason of his or her education, professional experience and skill, has a high level of proficiency in and understanding of business accounting matters and financial statements. He or she must be able to thoroughly comprehend the financial statements of the listed company and initiate debate regarding the manner in which financial information is presented. In determining the number of directors required to have such expertise, the Board of Directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our Board of Directors has determined that we require at least ● directors with the requisite financial and accounting expertise. Our Board of Directors has determined that ● of our directors have the requisite financial and accounting expertise.

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are "public companies," including companies with shares listed on the TSX, are generally required to have at least two external directors who meet certain independence criteria to ensure that they are unaffiliated with the company and any controlling shareholder. Our external directors must be elected by our shareholders no later than three months following the completion of this offering. We have nominated Osnat Ronen and Ofer Segev as external directors, who will be appointed to the Board of Directors prior to Closing, subject to ratification by shareholders as required under the Companies Law.

An external director must also have either "financial and accounting expertise" or "professional qualifications", as defined in the regulations promulgated under the Companies Law, and at least one of the external directors is required to have financial and accounting expertise, similar to the standards of financial literacy as determined in accordance with, and as required by, NI 51-110, as an independent director. An external director may not be appointed to an additional term unless: (1) such director has "accounting and financial expertise;" or (2) he or she has "professional expertise," and on the date of appointment for another term there is another external director who has "accounting and financial expertise" and the number of "accounting and financial experts" on the board of directors is at least equal to the minimum number determined appropriate by the board of directors.

The regulations promulgated under the Companies Law define an external director with requisite professional qualifications as a director who satisfies one of the following requirements: (1) the director holds an academic degree in either economics, business administration, accounting, law or public administration, (2) the director either holds an academic degree in any other field or has completed another form of higher education in the company's primary field of business or in an area which is relevant to his or her office as an external director in the company, or (3) the director has at least five years of experience serving in any one of the following, or at least five years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a company with a substantial business scope, (b) a senior position in the company's primary field of business or (c) a senior position in public administration.

An external director is entitled to reimbursement of expenses and compensation as provided in the regulations promulgated under the Companies Law but is otherwise prohibited from receiving any other

compensation from us or any controlling shareholder, directly or indirectly, during his or her term and for two years thereafter.

A person may not be appointed as an external director if the person is, or is a relative of, a controlling shareholder or if on the date of the person's appointment or within the preceding two years the person or his or her relatives, partners, employers or anyone to whom that person is subordinate, whether directly or indirectly, or entities under the person's control have or had any affiliation with any of the following, or an affiliated entity: (i) the Company; (ii) any person or entity controlling the Company on the date of such appointment; (iii) any relative of a controlling shareholder; or (iv) any entity controlled, on the date of such appointment or within the preceding two years, by the Company or by a controlling shareholder. If there is no controlling shareholder or any shareholder holding 25% or more of voting rights in the company, a person may not be appointed as an external director if the person has any affiliation to the chairman of the board of directors, the chief executive officer (referred to in the Companies Law as a general manager), any shareholder holding 5% or more of the company's shares or voting rights or the senior financial officer as of the date of the person's appointment.

The term "controlling shareholder" means a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to have "control" of the company and thus to be a controlling shareholder of the company if the shareholder holds 50% or more of the "means of control" of the company. "Means of control" is defined as (1) the right to vote at a general meeting of a company or a corresponding body of another corporation; or (2) the right to appoint directors of the corporation or its general manager. For the purpose of approving related-party transactions, the term also includes any shareholder that holds 25% or more of the voting rights of the company if the company has no shareholder that owns more than 50% of its voting rights. For the purpose of determining the holding percentage stated above, two or more shareholders who have a personal interest in a transaction that is brought for the company's approval are deemed as joint holders.

The term affiliation includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder, excluding service as a director in a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

The term "relative" is defined as a spouse, sibling, parent, grandparent, descendant, spouse's descendant, sibling and parent and the spouse of each of the foregoing.

The term "office holder" is defined as a chief executive officer (referred to sometimes as the general manager), chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of that person's title, a director and any other manager directly subordinate to the general manager.

A person may not serve as an external director if that person or that person's relative, partner, employer, a person to whom such person is subordinate (directly or indirectly) or any entity under the person's control has a business or professional relationship with any entity that has an affiliation with any affiliated entity, even if such relationship is intermittent (excluding insignificant relationships). Additionally, any person who has received compensation intermittently (excluding insignificant relationships) other than compensation permitted under the Companies Law may not continue to serve as an external director.

No person can serve as an external director if the person's position or other affairs create, or may create, a conflict of interest with the person's responsibilities as a director or may otherwise interfere with the person's ability to serve as a director or if such a person is an employee of the Israeli Securities Authority or of an Israeli stock exchange. If at the time an external director is appointed all current members of the board of directors, who are not controlling shareholders or relatives of controlling shareholders, are of the same gender, then the external director to be appointed must be of the other gender. In addition, a person who is a director of a company may not be elected as an external director of another company.

Under the Companies Law, external directors must be elected at a shareholders' meeting by a simple majority of the votes cast on the matter, provided that such majority includes a majority of the votes cast by non-controlling shareholders and shareholders who do not have a personal interest in the election of the external director (excluding a personal interest that did not result from the shareholder's relationship with the controlling shareholder), excluding abstentions, unless the votes cast by such shareholders against the election did not exceed 2% of our aggregate voting rights.

External directors serve for one term of three years and may continue to serve for two additional terms of three years under certain circumstances. Even if an external director is not nominated by our Board of Directors for re-election for a second or third term, shareholders holding at least 1% of our voting rights or the external director himself or herself may nominate the external director for re-election. In such a case, the re-election can be approved by a majority of the votes cast by non-controlling shareholders and shareholders who do not have a personal interest in the election (excluding a personal interest that did not result from the shareholder's relationship with the controlling shareholder) and the votes cast by such shareholders approving the election exceed 2% of our aggregate voting rights. An external director who ceases to satisfy the qualifications for an external director under the Companies Law must immediately notify the company and his or her term shall terminate automatically upon serving such notice. If the Board of Directors becomes aware of a concern that an external director ceases to satisfy the qualifications for an external director under the Companies Law, or that an external director has breached his or her duty of loyalty to the Company, it must discuss the matter at its next meeting and if the Board of Directors determines that an external director ceases to satisfy the qualifications for an external director under the Companies Law, or that an external director has breached his or her duty of loyalty to the Company, it must convene a shareholders meeting with the stated intention of explaining the cause of terminating of such external director's term as a director of the Company to shareholders. At such shareholders meeting, the Board of Directors must provide its reasons for terminating such external director to shareholders. Further, the external director must be given a reasonable opportunity to present his or her position to the shareholders.

An external director's mandate to serve on the Board of Directors may be terminated prior to the expiration of such external director's term by a shareholder vote (by the same threshold required for election). In addition, an external director's term may be terminated by a court, at the request of director or a shareholder of the Company, if the court finds that the external director ceases to meet the statutory qualifications for election or if the external director violated his duty of loyalty to the company. If an external directorship becomes vacant and there are fewer than two external directors on the Board of Directors at the time, then the Companies Law requires that the Board of Directors call a shareholders meeting as soon as practicable to appoint a replacement external director.

Each committee of the Company's Board of Directors that is authorized to exercise powers as delegated by the Board of Directors is required to include at least one external director. In addition, all external directors then serving on the Board of Directors of the Company must have a seat on each of the Audit Committee and the Compensation and Nominating Committee. The Audit Committee shall consist of at least three directors who meet certain independence criteria and must include all of the Company's external directors. The Audit Committee may not include the chairman of the Board of Directors, a controlling shareholder of the Company, a relative of a controlling shareholder, a director employed by or providing services on a regular basis to the Company, to a controlling shareholder or to an entity controlled by a controlling shareholder, or a director who derives most of his or her income from a controlling shareholder. In addition, under the Companies Law, the majority of the directors serving on the Audit Committee must be unaffiliated directors. In general, an "unaffiliated director" under the Companies Law is defined as either an external director or as a director who meets the following criteria: (a) he or she meets the primary qualifications for being appointed as an external director, except for the requirements that the director possess accounting and financial expertise or professional qualifications; and (b) he or she has not served as a director of the Company for a period exceeding nine consecutive years, subject to extension for additional terms under certain circumstances.

Shareholder Duties

Under the Companies Law, a shareholder has a duty to act in good faith and in a customary manner toward the Company and other shareholders and to refrain from abusing their power in the Company, including, among other things, in voting at a meeting of shareholders on the following matters:

- an amendment to our Articles;
- an increase of the Company's authorized share capital;
- a merger; and
- interested party transactions that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

The types of remedies generally available in connection with a breach of contract are the same types of remedies that apply in the event of a breach of the above-mentioned shareholder duties. However, additional remedies may be available in circumstances where there has been unequal treatment of other shareholders.

In addition, certain shareholders have a duty of fairness toward the Company. These shareholders include any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and any shareholder who, under our Articles, has the power to appoint or to prevent the appointment of a director or officer of the Company or another power with respect to the Company. The Companies Law does not define the substance of this duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account. See "Risk Factors — Risks Related to Our Status as an Israeli Company".

Mergers

The Companies Law permits merger transactions with the approval of each party's board of directors and shareholders. In accordance with the Companies Law, our Articles provide that a merger may be approved at a shareholders meeting by a majority of the voting power represented at the meeting, in person or by proxy, and voting on that resolution, and, in the case of the target company, a majority vote of each class of its shares, voted on the proposed merger at a shareholders meeting. The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, taking into account the financial status of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds 25% or more of the outstanding shares or the right to appoint 25% or more of the directors of the other party, vote against the merger. In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders.

Under the Companies Law, a merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order seeking to prevent the merger if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. In addition, a merger may not be completed until at least 50 days have passed from the date that a merger proposal was filed with the Israeli Registrar of Companies by each party and 30 days have passed since the merger was approved by the shareholders of each party. A merger of our company will further require MCU approval in respect of the change in ownership. See "Description of Share Capital — Restrictions".

Tender Offers

The Companies Law provides that an acquisition of shares in an Israeli public company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser would become the holder of at least 25% or more of the voting rights in such Israeli public company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become the holder of more than 45% of the voting rights in the company, unless there is already a shareholder of the company holding more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval (upon certain other conditions), (ii) is from a shareholder holding at least 25% of the voting rights in the company and results in the acquirer becoming a holder of at least 25% of the voting rights in the company, or (iii) is from a holder of more than 45% of the voting rights in the company and results in the acquirer becoming a holder of more than 45% of the voting rights in the company. The tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5% of the company's voting rights, regardless of how many shares are tendered by shareholders. The tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding the controlling shareholders of the offeror, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer or any of their relatives or any entity controlled by them). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares purchased in contravention of the tender offer rules under the Companies Law will have no rights and will become dormant shares.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. In addition, the board of directors must disclose any personal interest each member of the board of directors has in the offer or stems therefrom. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages resulting from his or her acts, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company.

If a special tender offer is accepted by a majority of the shareholders who announce their stand on such offer, then shareholders who do not respond to the special tender offer or object to the offer may accept the offer within four days of the last day set for the acceptance of the offer.

If as a result of an acquisition of shares the acquirer will hold more than 90% of a company's issued and outstanding shares or that of a certain class of shares, the acquisition must be made by means of a full tender offer to all of the company's shareholders or to the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the company or the certain class, as applicable. If (i) the shareholders who do not respond to or accept the offer hold less than 5% of the issued and outstanding share capital of the company or the applicable class and (ii) more than half of the shareholders who do not have a personal interest in the acceptance of the offer accept the offer, then all the shares that the acquirer offered to purchase will be transferred to it. However, a full tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding shares of the company or the applicable class of shares. The Companies Law provides for appraisal rights if any shareholder files a request in court within six months following the consummation of a full tender off, but the acquirer is entitled to stipulate as part of the tender offer documents that tendering shareholders forfeit their appraisal rights. If (i) the shareholders who did not respond or accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or the applicable class, or the shareholders who accept the offer constitute less than a majority of

the offerees that do not have a personal interest in the acceptance of the tender offer, or (ii) the shareholders who do not accept the offer hold 2% or more of the outstanding shares of the company (or the applicable class), then the acquirer may not acquire shares that will cause his shareholdings to exceed 90% of the outstanding shares of the company or the applicable class from shareholders who accepted the offer.

Aspects of Israeli tax law relevant to certain corporate transactions

Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are, subject to certain exceptions, restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when the time expires, tax then becomes payable even if no actual disposition of the shares has occurred.

Register of Shareholders

We must maintain, in addition to our shareholder register, a register of shareholders who hold 5% or more of our issued share capital or of our voting rights.

Access to Corporate Records

Under the Companies Law and the TSX rules, shareholders generally required to be given access to minutes of our general meetings, our shareholders register and principal shareholders register, our Articles in effect from time to time, our financial statements and any document that we are required by law to file publicly with the Israeli Companies Registrar. In addition, shareholders may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Companies Law and we must provide it if so requested, unless we believe it has not been made in good faith or if such denial is necessary to protect our interest or protect a trade secret or patent.

Dividends

According to the Companies Law, our Board of Directors is authorized to distribute dividends, provided that there is no reasonable concern that payment of such dividends will prevent us from satisfying our existing and foreseeable obligations as they become due. Notwithstanding the foregoing, the Board of Directors may declare and distribute dividends without satisfying the profit criterion provided that the Company has obtained a court decision stating that there is no reasonable concern that such dividend payment will prevent us from satisfying our existing and foreseeable obligations as they become due. Profits, for purposes of the Companies Law, means the greater of retained earnings or earnings accumulated during the preceding two years, after deduction of previous distributions that were not already deducted from the surpluses, as evidenced by the Company's reviewed or audited financial statements prepared no more than six months prior to the date of distribution. Declaration of dividends requires a resolution of our Board of Directors and does not require shareholder approval.

Fiduciary Duties of Directors and Officers

The Companies Law and the TSX rules impose a duty of care and a duty of loyalty on all directors and officers of a company, of which certain features are set out below.

Duty of Care

In respect of the duty of care, our directors and officers are required to exercise the degree of skill and care that a reasonable director or officer would exercise in comparable circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the prudence of a given action requiring a director's or officer's approval or performed by virtue of such director's or officer's position; and

- all other important information pertaining to such action.

Duty of Loyalty

In respect of the duty of loyalty, our directors and officers are required to act in good faith and for the benefit of the company, and includes, among other things, the duty to:

- refrain from any act involving a conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the director or officer received as a result of his or her position as a director or officer.

We may approve an act specified above that would otherwise constitute a breach of the duty of loyalty of an office holder, provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest, including any related material information or document, a sufficient time before the approval of such act. Any such approval is subject to the terms of the Companies Law setting forth, among other things, the methods of obtaining such approval.

Approval of Related Party Transactions and Disclosure of Personal Interest

Under the Companies Law, a related party transaction may be approved by the relevant corporate entities of the company only if it is for the benefit of the company. A transaction that is not an extraordinary transaction in which a director or officer has a personal interest requires the approval of the Board of Directors, unless our Articles provide otherwise. Our Articles provide that such transaction shall be approved by the Board of Directors which shall be entitled to delegate such approval authority to the Audit Committee. If the transaction is an extraordinary transaction, it must be approved by the Audit Committee and the Board of Directors, and, under certain circumstances, it must be further approved by the shareholders of the Company in the manner set forth in the following paragraph. An "extraordinary transaction" is defined under the Companies Law as a transaction other than in the ordinary course of business, that is either on other than on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities.

Extraordinary transactions in which a controlling shareholder has a personal interest require the approval of the audit committee (or, in the case of compensation, indemnification or insurance of a controlling shareholder, the compensation committee), the board of directors and the shareholders of the company. The shareholder approval must be by a simple majority of all votes cast, provided that (i) such majority includes a simple majority of the votes cast by non-controlling shareholders having no personal interest in the matter or (ii) the total number of votes of shareholders mentioned in clause (i) above who voted against such transaction does not exceed 2% of the total voting rights in the company. To the extent that any such transaction with a controlling shareholder is for a period extending beyond three years and under certain conditions, five years from a company's initial public offering, approval is required at the end of such period unless, with respect to certain transactions, an audit committee may determine that the duration of the transaction is reasonable given the circumstances related thereto.

The Companies Law generally prohibits any director who has a personal interest in an extraordinary transaction from being present for the discussion and voting pertaining to such transaction in the audit committee or board of directors, except in circumstances where the majority of the board of directors or the audit committee has a personal interest in the transaction, in which case such transaction also requires shareholder approval.

Pursuant to regulations promulgated under the Companies Law, certain transactions with a controlling shareholder or his or her relative, or with directors or other office holders, that would otherwise require approval of a company's shareholders may be exempt from shareholder approval under certain conditions.

CORPORATE STRUCTURE

History of the Business; Recent Developments

In August 2010, Breath of Life Ltd. (also known as Sheifa Lechaim Ltd., "**BOL Ltd.**" or "**Sheifa**"), a company under common control with us, was incorporated under the Israeli Companies Law and obtained a licence to operate under the Old Cannabis Regulation at the time of incorporation. Under the Old Cannabis Regulation, from incorporation until 2018, BOL Ltd. was a licensed propagator, cultivator, manufacturer and distributor of medical cannabis. The Company was established and incorporated under the Israeli Companies Law, as a holding company in May 2015. The Company commenced business activities, including activities related to medical cannabis research and development, in January 2016.

In January 2016, Breath of Life Pharma Ltd. ("**BPL**") was incorporated under the Israeli Companies Law as a subsidiary of the Company. BPL was established to further our research and development operations in the fields of medical cannabis and cannabis-based pharmaceutical products. In June 2016, the Israeli Government adopted Government Regulation No. 1587, which serves as the basis for the CMPR with the aim of transitioning the Israeli medical cannabis regime from a "Licensed Company-Patient Regime" to a "Prescribed Medicine Regime" and the Company began its participation in the pilot program. See "Certain Regulatory Matters — Israeli Medical Cannabis Regime".

In August and September 2016, the Company incorporated several private companies under the Israeli Companies Law for its operation in all segments under the CMPR. BOL Industries Ltd. ("**BOL Industries**") acts as our operational arm and also indirectly holds each of Breath of Life Cannabis Manufacturing of Medical Products Ltd. ("**BOL Manufacturing**"), which is the holder of our IMC-GMP certification and production licence, and BOL Cannabis Genetics Ltd., a subsidiary of the Company dedicated to research and development of breeding activities relating to crossing and developing a new gene bank of strains with different specifications. In March 2017, we incorporated BOL Agro-Tech Ltd. ("**BOL Agro-Tech**"), which is the holder of our GAP certifications and propagation and growing licences. Each of BOL Agro-Tech and BOL Manufacturing is directly held by BOL Israel Ltd. ("**BOL Israel**"), a holding company and a wholly-owned subsidiary of BOL Industries.

In March 2017, the Company (through BOL Manufacturing) entered into a distribution agreement with SLE, a subsidiary of Teva (the "**Distribution Agreement**"), pursuant to which Distribution Agreement SLE distributes our medical cannabis products to pharmacies. In June 2017, we secured (through BOL Industries) a convertible loan for approximately US$2.5 million from a certain party (the "**2017 Investor CLA**") which, following the entering into of the settlement agreement with said party, was increased to an agreed amount of US$3.6 million along with an option to invest an additional US$600,000 on the same terms. For information regarding legal proceedings on this matter, see "Legal Proceedings".

In June 2017, we entered into the Revadim Lease Agreement with Park Revadim Agricultural Association Ltd. for the lease of the Revadim Facility in Revadim, Israel, a state-of-the-art 65,000 square foot, now IMC-GMP-certified, manufacturing facility. The term of the Revadim Lease Agreement expires on April 30, 2028. We also entered into an agreement with Zabar Kama in June 2017, which was confirmed on September 18, 2017, and which sets out the terms pursuant to which we would be able to cultivate our products on Zabar Kama's land (the "**Zabar Kama Partnership Agreement**"). Pursuant to the terms of the Zabar Kama Partnership Agreement, BOL Israel, as the owner of 74% of the issued and outstanding shares of BOL Agro-Tech, has a right to the cultivation space on Zabar Kama's land. In September 2017, we received the approval of the Israeli Ministry of Agriculture and Rural Development to partner with Zabar Kama for the purpose of using Zabar Kama's land as cultivation space for medical cannabis. See "Material Contracts".

In November 2017, we received GSP approval from the MCU for our operations under the CMPR at the Revadim Facility.

In early 2018, the Company and Sheifa completed what was effectively a business combination of the operations of Sheifa into the Company.

On March 25, 2018, BPL entered into a founders agreement (the "**Founders Agreement**") with BioNanoSim (BNS) Ltd. ("**BNS**"), pursuant to which BPL and BNS established and registered BOL Nano Solutions Ltd. ("**BOL Nano Solutions**") as a subsidiary. The Founders Agreement set out BPL's and BNS's

mutual rights and obligations as shareholders and co-founders of BOL Nano Solutions in respect of research and development on medical cannabis delivery methods carried out by Professor Simon Benita. Pursuant to the terms of the Founders Agreement, BNS is responsible for product development, product preclinical and clinical testing, clinical scale manufacturing and product manufacturing and BPL is responsible for supplying medical cannabis and derivatives, product registration and commercialization. Further, BPL is responsible for funding the activities of BOL Nano Solutions for an amount up to US$1 million.

In February 2018, we ceased all operations in Sheifa's facility, Ein Iron, and from that date we have operated exclusively at the Revadim Facility. From March 2018 to June 2018, we focused on raising capital to expand our operations in the Revadim Facility, and we secured equity financing in the aggregate amount of US$11.15 million from various US-based investors.

In April 2018, we received our GAP certifications for propagation and cultivation of medical cannabis, which certifications were extended until April 11, 2020, and the MCU commenced its pilot program under the CMPR. Our products were, together with the products of one additional IMC-GMP-certified participant, the only products sold under the pilot program. In February 2018, the MCU issued us a special permit to import GAP-certified cannabis seeds, which seeds we received in February 2018. In September 2018, pursuant to the CMPR, the MCU issued us a propagating licence, a cultivation licence and a production licence with respect to medical cannabis products, each of which licences are effective until March 30, 2020. To the knowledge of the Company's management, the Company is the only licensed participant under the CMPR to hold licences for propagating, cultivation and production of medical cannabis together.

In November and December 2018, the Company entered into the Our Crowd CLA and the Gandyr CLA (each as defined in the Glossary) for additional convertible loans of approximately US$9.3 million in the aggregate, which CLAs include rights exercisable thereunder to invest an additional US$2.65 million.

In December 2018, our ASD product candidate completed a Phase 2a clinical trial in Israel for the treatment of social communication and behavioural problems in children and adolescents with ASD. In November 2018, as amended in March 2019, the Company secured a convertible loan of up to approximately US$30.8 million, which includes a right exercisable thereunder to invest an additional US$30.8 million, from AKC in connection with the AKC CLA (as defined herein), which is controlled/owned by Mr. Leon Koffler and Amir, an Israeli company that is listed on the Tel Aviv Stock Exchange ("**TASE**").

On December 25, 2019, the Dangerous Drug Ordinance was amended to, inter alia, allow the export of medical cannabis products by authorized exporters, following which, in January 2019, the Israeli Government approved the export of medical cannabis products from Israel subject to additional regulations.

In January 2019, the Israeli Government approved the export of medical cannabis products from Israel. In January 2019, we (through BOL Agro-Tech) entered into an agreement with Zabar Kama to expand the agricultural land in Revadim by an additional six dunams[1] for the construction of additional propagation and cultivation green houses.

In March 2019, we initiated our activities in Portugal and, through BOL Portugal, we entered into an agreement to acquire 4.3 million square feet of cultivation area in Portugal.

Recent Developments

In April 2019, we entered into an agreement to acquire a 70,000 square foot manufacturing facility in Portugal, which will provide a second source of manufacturing and will diversify our production. We have also entered into an agreement to secure dried cannabis supply from a cultivator in Portugal with 8 million square feet of cultivation space, including a 300,000 square foot greenhouse, subject to receipt of applicable regulatory approvals.

Beginning in February 2019, due to the inability of one of Israel's largest medical cannabis suppliers to provide its patients with dried cannabis flowers under the Old Cannabis Regulation, the Company, at the request of the MCU, began supplying medical cannabis to such supplier's patients. According to the MCU, such

[1] One dunam is the equivalent of 1,000 m. sq.

supplier had approximately 9,000 patients and we expect to become the supplier to substantially all of these patients.

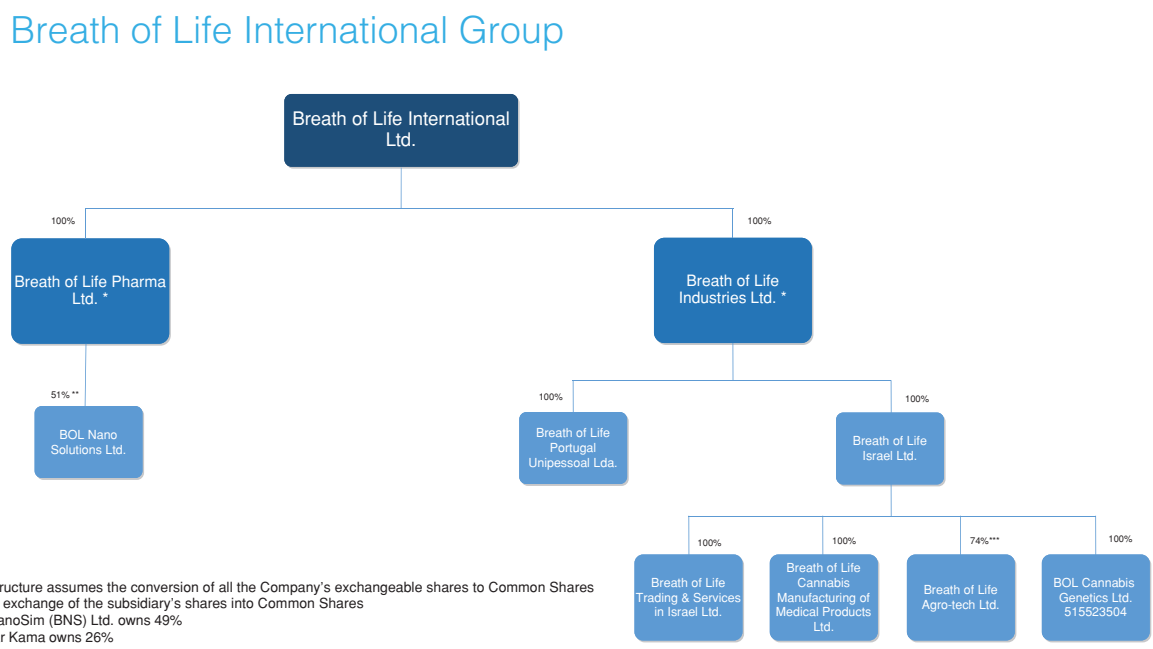
On April 29, 2019, the CMPR went into effect, replacing the Old Cannabis Regulation.

We intend to enter into additional cooperation agreements with local farmers pursuant to which we will be able to cultivate our products on such local farmer's lands.

See "Business Overview" elsewhere in this prospectus for additional information regarding our business.

We are incorporated under the laws of Israel, and Israeli corporate law differs significantly from Canadian corporate law in certain respects. See "Summary of Certain Material Aspects of Israeli Corporate Law". Our head and registered office is located at Kibbutz Revadim, Revadim Industrial Zone, 7982000, Israel. Our telephone number at our head and registered office is +1-1718-838-1159.

The following chart identifies our material subsidiaries and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly, by the Company, all of which are incorporated under the Israeli Corporate Law except for Breath of Life Portugal Unipessoal Lda., which is incorporated under the laws of Portugal:



Pre-Closing Capital Changes

In connection with the completion of the Offering, we have taken or will take the following actions to effect the Pre-Closing Capital Changes, the completion of all of which is a condition to the closing of the Offering:

1. The AKC CLA was amended to decrease the aggregate amount of the loans extended and rights exercisable thereunder to an aggregate of approximately US$61.6 million, which amendment entitles AKC to convert and exercise such loans and underlying rights into approximately 48.01% of the share capital of the Company on a fully diluted basis immediately prior to the closing of the Offering. Such amendment to the AKC CLA also entitles AKC to assign a portion of the loans under the AKC CLA prior to the Offering to certain AKC shareholders and their associates so AKC will hold approximately 45.40% of the share capital of the Company on a fully diluted basis immediately prior to the closing of the Offering. The increase in the percentage of the Company that AKC will be permitted to acquire under the AKC CLA requires the approval of the Israeli Competition Authority. Although application has been made to the Israeli Competition Authority for this approval, it has not yet been obtained.

2. The Our Crowd CLA was amended to decrease the aggregate amount of the loans extended and rights exercisable thereunder to an aggregate of approximately US$7.45 million, which will entitle the holders thereof to convert and exercise such loans and underlying rights into approximately 5.39% of the share capital of the Company on a fully diluted basis immediately prior to the closing of the Offering.

3. The Gandyr CLA was amended to decrease the aggregate amount of the loans extended and rights exercisable thereunder to an aggregate of US$4.5 million, which will entitle the holders thereof to convert and exercise such loans and rights into approximately 3.46% of the share capital of the Company on a fully diluted basis immediately prior to the Offering. Such amendment to the Gandyr CLA also entitles Gandyr to assign a portion of the loans under the Gandyr CLA to certain executive officers of Gandyr so that Gandyr will hold an aggregate of approximately 0.38% of the share capital of the Company on a fully diluted basis immediately prior to the Offering.

4. Certain other shareholders will be issued, in aggregate, 2,076,371 Common Shares (on a pre-consolidation basis) pursuant to the terms of certain convertible loan agreements between such existing shareholders and Breath of Life Industries Ltd., which provide for the issuance of additional Common Shares to address the difference in the valuation of the Company from the valuation based on which the convertible loans were originally converted. Additionally, the Company will issue, in aggregate, 1,325,073 Common Shares (on a pre-consolidation basis) to certain parties in satisfaction of commissions payable in connection with the conversion of the Our Crowd CLA and the Gandyr CLA.

5. Certain existing shareholders of BLP will exchange their shares in BLP and exercise Warrants for 29,067,130 Common Shares, and the remaining BLP shareholders and all of the shareholders of BOL Industries will be issued 4,372,788 Exchange Rights (See "Description of Share Capital — Exchange Rights") (in each case, on a pre-consolidation basis).

6. We will allot Hagai Hillman and Tamir Gedo 23,018,956 and 27,549,182 Common Shares (on a pre-consolidation basis), respectively, pursuant to certain anti-dilution protections Mr. Hillman and Mr. Gedo have with us (which anti-dilution protections will expire upon completion of the Offering), such that Hagai Hillman and Tamir Gedo shall hold approximately 9.89% and approximately 9.61%, respectively, of the share capital of the Company on a fully diluted basis immediately prior to the closing of the Offering.

7. We will issue the Settlement Shares (as defined in the Glossary) to the 2017 CLA Claimant (as defined in the Glossary) such that the 2017 CLA Claimant shall hold approximately 3.78% of the share capital of the Company on a fully diluted basis immediately prior to the closing of the Offering. See "Legal Proceedings".

8. We will consolidate all of our issued and outstanding Common Shares on a 10-for-one basis and each option and convertible, exchangeable or issuable security of the Company will be consolidated on a 10-for-one basis and become exercisable for Common Shares at a post-consolidation exercise price.

The Company has obtained acknowledgements and consents from substantially all of its existing shareholders immediately prior to the Offering on a fully diluted basis (assuming conversion of all outstanding CLAs) (the "**Consenting Shareholders**") including each of the holders of the AKC CLA, the Our Crowd CLA, the Gandyr CLA and the 2017 Investor CLA and assignees thereof in respect of the capitalization of the Company following the Pre-Closing Capital Changes and immediately prior to the closing of the Offering.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected historical financial information as at December 31, 2018 and 2017, for the years ended December 31, 2018, 2017 and 2016, as at March 31, 2019 and 2018, and for the three-month periods ended March 31, 2019 and 2018. The historical financial information should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 (the "**Annual Consolidated Financial Statements**"), including the notes thereto, appearing elsewhere in this prospectus as well as our unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2019 (the "**Interim Financial Statements**"), appearing elsewhere in this prospectus, as well as "About this Prospectus — Non-IFRS Financial Measures", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds", "Consolidated Capitalization", "Description of Material Indebtedness" and "Description of Share Capital" included elsewhere in this prospectus. The Annual Consolidated Financial Statements and Interim Financial Statements are, in each case, prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Annual Consolidated Financial Statements have been audited by our auditors, E&Y.

IFRS Measures

Selected Results and Earnings (in thousands of U.S. dollars, except share and per share data)	Three-month period ended March 31, (unaudited)		Year ended December 31,		
	2019	2018	2018	2017	2016
Revenues	$ 1,121	$ 917	$ 3,516	$ 3,010	$ 2,273
Gross profit (loss) before fair value adjustments	$ (239)	$ (871)	$ (2,267)	$ 486	$ 1,930
Gross profit (loss) after fair value adjustments	$ 19	$ (1,500)	$ (2,083)	$ 434	$ 2,628
Total operating expenses	$ (10,038)	$ (983)	$ (19,084)	$ (4,895)	$ (1,959)
Operating profit (loss)	$ (10,019)	$ (2,483)	$ (21,167)	$ (4,461)	$ 669
Finance expenses, net	$ (4,713)	$ (211)	$ (8,227)	$ (1,905)	$ (67)
Net income (loss)	$ (14,732)	$ (2,694)	$ (29,394)	$ (6,366)	$ 602
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	$ (57)	$ (168)	$ 541	$ (9)	$ (23)
Total comprehensive income (loss) attributable to equity holders of the Company	$ (13,690)	$ (2,666)	$ (27,132)	$ (5,825)	$ 579
Basic and diluted net income (loss) per share (in U.S. dollars)	$ (1.14)	$ (0.22)	$ (2.39)	$ (0.51)	$ 0.05
Weighted average number of shares — basic and diluted	11,953,856	11,543,948	11,598,109	11,457,846	11,199,125

Consolidated statements of financial position (in thousands of U.S. dollars)	As at the three-month period ended March 31, (unaudited)		As at the year ended December 31,	
	2019	2018	2018	2017
Assets:				
Cash and cash equivalents	$ 19,376	$ 3,178	$15,485	$ 19
Biological assets	$ 1,714	$ 94	$ 611	$ 213
Inventories	$ 3,003	$ 544	$ 2,398	$ 1,235
Total Assets	$ 46,947	$ 7,245	$27,789	$ 4,772
Liabilities:				
Current and Long-term lease liabilities	$ 10,503	—	—	—
Other long-term liabilities	$ 361	$ 484	$ 331	$ 473
Equity (deficiency) attributable to shareholders of the Company	$(15,050)	$(5,248)	$(8,208)	$(5,072)
Total equity (deficiency)	$(15,102)	$(4,855)	$(7,161)	$(5,079)

Non-IFRS Financial Measures — Reconciliations[1]

Calculation of cash cost per gram and gram equivalent sold (in thousands of U.S. dollars, unless otherwise indicated, other than gram and gram equivalent amounts)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Total reported cost of revenues	$1,360	$1,788	$5,783	$2,524	$ 343
Less:					
Depreciation and amortization, included in cost of revenues	$ (68)	$ (36)	$ (260)	$ (37)	—
Depreciation of right-of-use assets, included in cost of revenues	$ (208)	—	—	—	—
Cash cost of revenues	$1,084	$1,752	$5,523	$2,487	$ 343
Cash cost per gram and gram equivalent sold (in U.S. dollars)	**$ 2.21**	**$ 4.24**	**$ 3.05**	**$ 2.39**	**$ 0.32**
Less:					
Shipping and packaging costs	$ (83)	$ (16)	$ (106)	$ (59)	$ (50)
Cash cost of revenues (as adjusted)	$1,001	$1,736	$5,417	$2,428	$ 293
Adjusted cash cost per gram and gram equivalent sold (in U.S. dollars)	**$ 2.04**	**$ 4.20**	**$ 2.99**	**$ 2.33**	**$ 0.28**
Grams and gram equivalent sold in the period (expressed in kg)	490	413	1,810	1,041	1,062

Adjusted EBITDA (in thousands of U.S. dollars)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Operating profit (loss)	**$(10,019)**	**$(2,483)**	**$(21,167)**	**$(4,461)**	**$ 669**
IFRS non-cash accounting related to biological assets and inventory:					
Unrealized change in fair value of biological assets	$ (736)	$ (61)	$ (1,210)	$(1,080)	$(1,957)
Realized fair value adjustments on inventory sold in the period	$ 478	$ 690	$ 1,026	$ 1,132	$ 1,259
Impairments of property plant and equipment	—	—	—	$ 343	—
Share-based compensation	$ 6,848	—	$ 12,835	—	—
Depreciation and amortization	$ 122	$ 75	$ 445	$ 157	$ 119
Depreciation of right-of-use assets	$ 208				
Adjusted EBITDA	**$ (3,099)**	**$(1,779)**	**$ (8,071)**	**$(3,909)**	**$ 90**

Note:

(1): These measures do not have any standardized meaning under IFRS. Therefore, they may not be comparable to similar measures presented by other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-IFRS Financial Measures".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("**MD&A**") provides information concerning our financial condition and results of operations as at December 31, 2018 and 2017, for the years ended December 31, 2018, 2017 and 2016, and as at March 31, 2019 and 2018, and for the three-month period ended March 31, 2019 and 2018. This MD&A should be read in conjunction with our Annual Consolidated Financial Statements and our Interim Financial Statements. This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Information" and "Risk Factors". For the purposes of this MD&A, unless otherwise noted or the context otherwise requires, references to "BOL Pharma", the "Company", "we", "us" and "our" mean Breath of Life International Ltd. together with its direct and indirect subsidiaries, after giving effect to the completion of the Offering and in respect of periods prior to May 2015, refer to Breath of Life Ltd., the entity with which we effectively completed a business combination in early 2018.

Basis of Presentation

Our Annual Consolidated Financial Statements and Interim Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and, unless otherwise noted, all dollar amounts in this MD&A are expressed in U.S. dollars and in thousands (other than share and per share amounts). All references in this MD&A to "**Fiscal 2018**" are to our fiscal year ended December 31, 2018, "**Fiscal 2017**" are to our fiscal year ended December 31, 2017, "**Fiscal 2016**" are to our fiscal year ended December 31, 2016, "**Q1 2019**" are to the three-month period ended March 31, 2019, and all references to "**Q1 2018**" are to the three-month period ended March 31, 2018.

This MD&A is presented as of March 31, 2019 and is current to that date unless otherwise stated.

Foreign Exchange

Our Annual Consolidated Financial Statements and Interim Financial Statements are presented in U.S. dollars in thousands, while the functional currency of the Company and each of our subsidiaries is the NIS. Once we commence exports out of Israel, we may be impacted by currency fluctuations as we expect that a significant portion of our revenues will be in currency other than the NIS, while we expect that most of our expenses will continue to be in NIS, except for expenses that we incur in Euros relating to our operations in Portugal, once they have commenced.

The following is a summary of the U.S. dollar exchange rates to the NIS, according to the Bank of Israel:

	Three-Months Ended		Year Ended		
US$1.00 converted to NIS	**March 31, 2019**	**March 31, 2018**	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**
Highest rate during the period	3.746	3.535	3.781	3.860	3.983
Lowest rate during the period	3.600	3.388	3.388	3.467	3.746
Average rate for the period	3.642	3.462	3.597	3.600	3.840
Rate at the end of the period	3.632	3.514	3.748	3.467	3.845

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures including "**cash cost per gram and gram equivalent sold**", "**adjusted cash cost per gram and gram equivalent sold**" and "**Adjusted EBITDA**". These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should neither be considered in isolation nor as a substitute for analysis of our financial information reported under

IFRS. These non-IFRS financial measures can also provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, we reconcile these non-IFRS financial measures to the most comparable IFRS measures. See "Selected Consolidated Financial Information" in this MD&A.

Forward-Looking Information

Some of the information contained in this MD&A is forward-looking information. This information is based on management's assumptions and beliefs, which we believe to be reasonable in light of the information currently available to us, and is made as of the date of this MD&A. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Actual results and the timing of events may differ materially from those anticipated in this information as a result of various factors. See "Forward-looking Information" and "Risk Factors" elsewhere in this prospectus for a discussion of the uncertainties, risks and assumptions associated with this information.

Business Overview

We are a leading producer of medical cannabis and cannabis products in Israel, supplying patients, pharmacies and other participants in the medical cannabis and pharmaceutical industries. The Company is vertically integrated in the medical cannabis and cannabinoid-based pharmaceutical industries with operations spanning the value chain from cultivation through production and extraction, formulation and product development, and product research and testing. We have cultivation and manufacturing operations in Israel and are expanding our operations to Portugal. We have well-established partnerships with key universities, medical centers, and corporations, and are currently the only company in Israel accredited by the Ministry of Health with both GAP for propagation and cultivation and IMC-GMP for manufacturing of finished products. These certifications authorize us to have our medical cannabis sold in pharmacies in Israel and we expect will provide us a competitive advantage to obtain approvals for cannabis export under the CMPR.

Our current portfolio of marketed and planned products includes products used to treat pain, nausea, epilepsy, and various other ailments and diseases. We plan to sell a range of medical cannabis products, including THC-based products, and CBD-based health and wellness products, some of which we have developed and others which are currently under development, to other countries through wholesalers, distributors and retailers, in addition to producing products for sale under the brand names of other retailers (white label contract manufacturing).

Additionally, we have a pipeline of cannabinoid-based pharmaceutical products under development across a range of 34 indications, including, targeting central nervous system disorders (such as autism), pain and palliative care management, and inflammation and autoimmune disorders. Our ASD pharmaceutical product candidate recently completed a Phase 2a clinical trial for the treatment of social communication and behavioural problems in children and adolescents with ASD in Israel. We have also collaborated with the Hebrew University of Jerusalem in the development of its patented drug delivery technologies, Trojan™ and Sedds™, in respect of which we have Exclusive Licence for commercialization.

We intend to export our products around the world, subject to receiving approval from each of the Israeli and Portuguese governments for export and from the destination country for import.

Corporate History

In August 2010, BOL Ltd. was incorporated and obtained a licence to operate under the Old Cannabis Regulations at the time of incorporation. In May 2015, the Company was established and incorporated in Israel, as a holding company. The Company commenced business activities, including activities related to medical cannabis research and development, in January 2016.

In January 2016, BPL was incorporated in Israel as a subsidiary of the Company. BPL was established to further our research and development operations in the fields of medical cannabis and cannabis-based pharmaceutical products. In June 2016, the CMPR was approved by the Israeli Government and in April 2018 the Israeli Government began its CMPR pilot program with the aim of transitioning the Israeli medical cannabis regime from a "Licensed Company-Patient Regime" to a "Prescribed Medicine Regime" and the Company began its participation in the pilot program. See "Certain Regulatory Matters — Israeli Medical Cannabis Regime".

In August and September 2016, we incorporated several subsidiaries to conduct our operations in all supply chain activities under the CMPR. BOL Industries acts as our operational arm and also indirectly holds each of BOL Agro-Tech, which is the holder of our GAP certification and propagation and growing licences, BOL Manufacturing, which is the holder of our IMC-GMP approval and production licence, and BOL Genetics, a subsidiary of the Company dedicated to research and development of breeding activities relating to crossing and developing a new gene bank of strains with different specifications. Each of BOL Agro-Tech, BOL Genetics and BOL Manufacturing is directly held by BOL Israel, a holding company and a wholly-owned subsidiary of BOL Industries.

In early 2018, the Company and Sheifa, effectively completed a business combination of the operations of Sheifa into the Company. This business combination under common control has been accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts. Comparative financial information for periods prior to the business combination have been restated as if the combination had taken place at the beginning of the earliest comparative period presented.

In March 2019, we entered into an agreement to acquire 4.3 million square feet of cultivation area in Portugal. We also entered into an agreement to secure a dried cannabis supply from a cultivator in Portugal with 8 million square feet of cultivation space including a 300,000 square foot greenhouse, subject to receipt of applicable regulatory approvals.

In April 2019, we entered into an agreement to acquire a 70,000 square foot manufacturing facility in Portugal, which will provide a second source of manufacturing and will diversify our production.

See "Business Overview" and "Corporate Structure" elsewhere in this prospectus for additional information regarding our business.

Corporate Highlights

Israel has transitioned to a new framework for medical cannabis regulation through the implementation of Israeli Cannabis Law including the CMPR, which came into force on April 29, 2019 and, as such, we have focused on increasing our production capacity, the development of new products and on research and development with respect to product candidates for commercialization. In particular, we invested heavily in increasing production and inventories in anticipation of receiving authorization from the MCU to be able to operate under the CMPR, which was received on January 27, 2019, and to export cannabis upon becoming an approved exporter.

- In June 2017, we entered into the Zabar Kama Partnership Agreement (which was confirmed in September 2017), and the Revadim Lease Agreement. In 2017, we initiated the transfer of our operations to the Revadim Facility and secured a total of 377,000 square feet of fully operational greenhouses.
- Throughout Fiscal 2017 and Fiscal 2018, we made significant investments in research and development, focusing on the development of medical cannabis products as well as pursuing the development of product candidates.
- In Fiscal 2018, we began the sale of dried cannabis products and the production and sale of APIs used for clinical trials.
- During Fiscal 2018, we cultivated an aggregate of 2,833 kg of dried cannabis, an increase of 116% compared to 1,313 kg of dried cannabis during Fiscal 2017.

- Revenues for Fiscal 2018 and Fiscal 2017 were $3,516 and $3,010, respectively, representing an increase of $506, or 17%, in Fiscal 2018 compared to the prior period. This was primarily due to the increased customer demand which we were able to satisfy through increased production capacity in preparation for the CMPR pilot in April 2018, and introduction of cannabis oil to meet customer demand.
- During Fiscal 2018, the total quantity of dried cannabis sold was 1,810 kg and kg equivalents at a weighted average selling price of $1.68 per gram, compared to 1,041 kg and kg equivalents at a weighted average selling price of $2.77 per gram in Fiscal 2017. The decrease is due to a shift in our focus from the sale of dried flower to the sale of cannabis products.
- During Fiscal 2018, we, both directly and through certain of our Israeli subsidiaries, raised new capital through the issuance of additional equity for aggregate gross proceeds of approximately $13,053 and we entered into CLAs, under which, approximately $18,545 was advanced in Fiscal 2018. During Fiscal 2017 the Company raised new capital through the issuance of additional equity for aggregate gross proceeds of approximately $386 and entered into CLAs under which approximately $3,140 was advanced in Fiscal 2017. See "Corporate Structure—Pre-Closing Capital Changes".
- In January 2019, the Israeli Government approved the export of medical cannabis products from Israel by authorized exporters, which presents a significant growth opportunity for the Company.
- In February 2019, the Company received additional cash proceeds from the issuance of CLAs in the aggregate amount of $11,355.
- In March 2019, the Company entered into an agreement to acquire 4.3 million square feet of cultivation area in Portugal.

Recent Developments

- In April 2019, the Company entered into an agreement to acquire a 70,000 square foot manufacturing facility in Portugal, which will provide a second source of manufacturing capability, and will create a more diversified production platform. We have also entered into an agreement to secure a dried cannabis supply from a cultivator in Portugal with 8 million square feet of cultivation space, including a 300,000 square feet greenhouse, subject to receipt of applicable regulatory approvals.
- In April 2019, the Company's GSP certification was extended until December 31, 2019, our GAP certifications for propagation and cultivation were extended until April 11, 2020, our IMC-GMP certification was extended until July 31, 2019, and our operational propagation, cultivation and manufacturing licences were extended until March 30, 2020
- Beginning in February 2019, due to the inability of one of Israel's largest medical cannabis suppliers to provide its patients with dried cannabis flowers under the Old Cannabis Regulation, the Company, at the request of the MCU, began supplying medical cannabis to such supplier's patients. According to the MCU, such supplier had approximately 9,000 patients and we expect to become the supplier to substantially all of these patients.

See "Corporate Structure — History of the Business; Recent Developments" elsewhere in this prospectus.

Summary of Factors Affecting Our Results of Operations

Our ability to continue to grow our business and enhance our financial performance depends on our ability to expand our cultivation capacity and improve our manufacturing capacity. Our success in achieving this expansion and improvement is dependent on our ability to continue to efficiently carry out our production, manufacturing and extraction activities; to adapt to and capitalize on changing legal and regulatory regimes; to participate in the growing global market and export opportunities; to continue to develop product candidates through rigorous clinical trials; and continue to form and maintain strategic relationships.

We believe our performance and future success depend on several factors that present significant opportunities for us. These factors are also subject to inherent risks. See "Risk Factors".

Cultivation and Production Capacity

The success of our business depends on our ability to continue to expand our cultivation capacity in a cost-effective manner, which we expect to do through economies of scale and our full vertical integration, in order to support our manufacturing activities. Our success will also depend on research and development of new and innovative medical cannabis products.

Changing Legal and Regulatory Regimes

The medical cannabis and pharmaceutical industries are both heavily regulated. Our business is subject to strict regulation and our operations are required to maintain a variety of licences and continue to meet various quality certification standards. To execute our business plans successfully, we must adhere to all applicable regulatory requirements in Israel and Portugal and the countries to which we intend to export. Each country has different regulations and requirements governing the import of cannabis into the country and the use of cannabis within the country, which we must comply with and which may be subject to change at any time. Our continued operation and growth is dependent upon our ability to comply with the regulatory requirements of all applicable jurisdictions.

Growing Global Market and Export

We believe the global medical cannabis market is experiencing an evolution as additional potential therapeutic applications for medical cannabis products are identified and regulations around the world continue to develop in ways more favourable to medical cannabis use. Medical cannabis is now fully legal under all applicable federal, state and provincial laws in over 40 countries. We intend to begin export shipments by the end of 2019 subject to obtaining the required regulatory approvals. While this growing global market presents many opportunities for our growth, it also presents opportunities for our competitors, which may threaten our competitive position.

Product Candidates and Performance of Clinical Trials

Part of our continued success depends on the success of our product candidates. We currently do not have any drug product authorized for use in any jurisdiction. Our ability to develop a product candidate for commercialization depends on establishing, among other things, the safety and efficacy of the drug through clinical trials. At this time, our business strategy entails running a variety of Phase 2a clinical studies targeting indications for product candidates we are developing in our therapeutic focus areas. We plan to progress our pharmaceutical product candidates to commercialization based on our assessment of commercial viability under the circumstances, either by developing the product ourselves or partnering with pharmaceutical companies.

Strategic Relationships

Our continued success and ability to become an industry leader in research and innovation will depend to a large extent on our ability to form and maintain strategic relationships and collaborations with community partners, agricultural distributors, academic institutions and hospitals, among others. These relationships allow us to secure cultivation capacity, conduct research and clinical trials, and distribute our products, all of which positions us to become a leading medical cannabis and cannabinoid-based pharmaceutical company.

How We Assess the Performance of Our Business

The key financial measures indicated below are used by management in evaluating and assessing the performance of our business. We refer to certain key performance indicators used by management and typically used by our competitors in the medical cannabis market, certain of which are not recognized under IFRS. These non-IFRS financial measures are used by management do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. See "Non-IFRS Financial Measures" above in this MD&A as well as "Non-IFRS Financial Measures" elsewhere in this prospectus.

These include the following key performance indicators:

- Revenue
- Cost of revenues
- Operating expenses

- Cash cost per gram and gram equivalent sold (a non-IFRS financial measure)
- Adjusted cash cost per gram and gram equivalent sold (a non-IFRS financial measure)
- Adjusted EBITDA (a non-IFRS financial measure)

IFRS Measures

Revenues

The Company primarily operates in the medical cannabis market which currently includes sales of dried cannabis and cannabis oil extracts. We recognize revenues from sales at the fair value of the consideration received or receivable, net of estimated returns and an estimate of any sales incentives provided to customers, excluding taxes or duty. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of consideration is probable and we have satisfied our performance obligations under the arrangement and have no ongoing involvement with the sold product. Revenues are therefore recognized when it is probable that the economic benefits will flow to us and the revenues can be reliably measured, regardless of when the payment is received.

Cost of Revenues

Cost of revenues consists of our production costs which are comprised primarily of labour, materials, consumables, supplies, overhead, amortization on production equipment, shipping, packaging and other expenses required to produce cannabis products sold during the period. Cost of revenues related to the transformation of biological assets to the point of harvest are capitalized and included in the fair value measurement of the biological assets. Once goods are sold, the associated capitalized costs are recognized as production costs in the statement of operations for the period.

Cost of revenues also include changes in the fair value of biological assets, which consists of cannabis plants measured at fair value less the cost to sell up to the point of harvest and inclusive of capitalized production costs. Changes in fair value less cost to sell biological assets during the year up to the point of harvest are recognized in the results of operations in the related year. Harvested cannabis is transferred from biological assets to inventory at its fair value less cost to sell up to the point of harvest, which becomes the deemed cost for inventory, and upon sale, the fair value cost adjustment portion is expensed to finished harvest inventory sold. Gross profit (loss) before gain on biological assets represents profit (loss) earned before the net impact of fair value gains (losses) and cost of finished harvest inventory sold that result from the transformation of biological assets.

Operating Expenses

Operating expenses consist of research and development ("**R&D**"), sales and marketing ("**S&M**"), general and administrative ("**G&A**") expenses, and share-based compensation to employees and non-employees. R&D expenses primarily include costs related to the development of cannabinoid-based pharmaceutical products as well as related salary expenses. S&M expenses include patient education programs, marketing, promotions and conference and exhibition costs and salary related expenses. G&A expenses primarily include legal and professional service fees, other costs related to expanding operations, supporting business development, and general corporate matters, including labour-related salary expenses.

Non-IFRS Financial Measures

Cash cost per gram and gram equivalent sold, and adjusted cash cost per gram and gram equivalent sold

Cash cost per gram and gram equivalent sold is a measure used by management to measure the estimated amount of direct production costs, on a per gram and gram equivalent sold basis, that are required to produce dried cannabis and cannabis oil extracts sold. Management uses this measure to track production cost trends and assess the sensitivity and tolerance for pricing changes. Management believes this measure provides useful information by removing non-cash and post production costs from consideration as costs. This measure is calculated by adjusting total production costs incurred during the period by removing all non-cash costs (including depreciation and amortization, depreciation of right-of-use assets, and inventory write-downs or

impairments) and dividing the resulting amount by the number of grams and gram equivalent of cannabis sold in any form during the period. A further adjustment is made to remove certain post-production costs (which include shipping and packaging costs and other order fulfillment costs included in production costs), to calculate adjusted cash cost per gram and gram equivalent sold.

Adjusted EBITDA

Management defines Adjusted EBITDA as the income (loss) from operations, as reported, before interest and tax, adjusted by removing other non-recurring or non-cash items, including the unrealized change in fair value of biological assets, realized fair value adjustments on inventory sold in the period, share-based compensation expense, depreciation of right-of-use assets, and depreciation, amortization and impairment costs included in operating expenses. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-recurring or non-cash items.

Selected Financial Information

The following table sets out a summary of our results of operations for Fiscal 2018, Fiscal 2017, Fiscal 2016, Q1 2019 and Q1 2018, as well as selected balance sheet data as at the end of Fiscal 2018, Fiscal 2017, Q1 2019 and Q1 2018. The selected consolidated financial information for Fiscal 2018, Fiscal 2017 and Fiscal 2016 has been derived from our Annual Consolidated Financial Statements and related notes. The selected consolidated financial information for Q1 2019 and Q1 2018 has been derived from our Interim Financial Statements.

IFRS Measures

Selected Results and Earnings (in thousands of U.S. dollars, except share and per share data)	Three-month period ended March 31, (unaudited)		Year ended December 31,		
	2019	2018	2018	2017	2016
Revenues	$ 1,121	$ 917	$ 3,516	$ 3,010	$ 2,273
Gross profit (loss) before fair value adjustments	$ (239)	$ (871)	$ (2,267)	$ 486	$ 1,930
Gross profit (loss) after fair value adjustments	$ 19	$ (1,500)	$ (2,083)	$ 434	$ 2,628
Total operating expenses	$ (10,038)	$ (983)	$ (19,084)	$ (4,895)	$ (1,959)
Operating profit (loss)	$ (10,019)	$ (2,483)	$ (21,167)	$ (4,461)	$ 669
Finance expenses, net	$ (4,713)	$ (211)	$ (8,227)	$ (1,905)	$ (67)
Net income (loss)	$ (14,732)	$ (2,694)	$ (29,394)	$ (6,366)	$ 602
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	$ (57)	$ (168)	$ 541	$ (9)	$ (23)
Total comprehensive income (loss) attributable to equity holders of the Company	$ (13,690)	$ (2,666)	$ (27,132)	$ (5,825)	$ 579
Basic and diluted net income (loss) per share (in U.S. dollars)	$ (1.14)	$ (0.22)	$ (2.39)	$ (0.51)	$ 0.05
Weighted average number of shares — basic and diluted	11,953,856	11,543,948	11,598,109	11,457,846	11,199,125

Consolidated statements of financial position (in thousands of U.S. dollars)	As at the three-month period ended March 31, (unaudited)		As at the year ended December 31,	
	2019	2018	2018	2017
Assets:				
Cash and cash equivalents	$ 19,376	$ 3,178	$15,485	$ 19
Biological assets	$ 1,714	$ 94	$ 611	$ 213
Inventories	$ 3,003	$ 544	$ 2,398	$ 1,235
Total assets	$ 46,947	$ 7,245	$27,789	$ 4,772
Liabilities:				
Current and long-term debt and bank credit	$ 46,103	$ 6,765	$29,789	$ 5,385
Current and long-term lease liabilities	$ 10,503	—	—	—
Other long-term liabilities	$ 361	$ 484	$ 331	$ 473
Equity (deficiency) attributable to shareholders of the Company	$(15,050)	$(5,248)	$(8,208)	$(5,072)
Total equity (deficiency)	$(15,102)	$(4,855)	$(7,161)	$(5,079)

Non-IFRS Financial Measures — Reconciliations

Calculation of cash cost per gram and gram equivalent sold (in thousands of U.S. dollars, unless otherwise indicated, other than gram and gram equivalent amounts)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Total reported cost of revenues	$1,360	$1,788	$5,783	$2,524	$ 343
Less:					
Depreciation and amortization, included in cost of revenues	$ (68)	$ (36)	$ (260)	$ (37)	—
Depreciation of right-of-use assets, included in cost of revenues	$ (208)	—	—	—	—
Cash cost of revenues	$1,084	$1,752	$5,523	$2,487	$ 343
Cash cost per gram and gram equivalent sold (in U.S. dollars)	**$ 2.21**	**$ 4.24**	**$ 3.05**	**$ 2.39**	**$ 0.32**
Less:					
Shipping and packaging costs	$ (83)	$ (16)	$ (106)	$ (59)	$ (50)
Cash cost of revenues (as adjusted)	$1,001	$1,736	$5,417	$2,428	$ 293
Adjusted cash cost per gram and gram equivalent sold (in U.S. dollars)	**$ 2.04**	**$ 4.20**	**$ 2.99**	**$ 2.33**	**$ 0.28**
Grams and gram equivalent sold in the period (expressed in kg)	490	413	1,810	1,041	1,062

Adjusted EBITDA (in thousands of U.S. dollars)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Operating profit (loss)	**$(10,019)**	**$(2,483)**	**$(21,167)**	**$(4,461)**	**$ 669**
IFRS non-cash accounting related to biological assets and inventory:					
Unrealized change in fair value of biological assets	$ (736)	$ (61)	$ (1,210)	$(1,080)	$(1,957)
Realized fair value adjustments on inventory sold in the period	$ 478	$ 690	$ 1,026	$ 1,132	$ 1,259
Impairments of property plant and equipment	—	—	—	$ 343	—
Share-based compensation	$ 6,848	—	$ 12,835	—	—
Depreciation and amortization	$ 122	$ 75	$ 445	$ 157	$ 119
Depreciation of right-of-use assets	$ 208				
Adjusted EBITDA	**$ (3,099)**	**$(1,779)**	**$ (8,071)**	**$(3,909)**	**$ 90**

Results of Operations

Analysis of Results for Fiscal 2018 and Fiscal 2017

IFRS Measures

Revenues

Revenues for Fiscal 2018 and Fiscal 2017 were $3,516 and $3,010, respectively, representing an increase of $506, or 17%, in Fiscal 2018 compared to the prior period. This was primarily due to the increased customer demand which we were able to satisfy through increased production capacity in preparation for the CMPR pilot in April 2018, and our introduction of cannabis oil extract products to meet customer demand.

In Fiscal 2018 we sold 1,810 kg and kg equivalents at a weighted average selling price of $1.68 per gram, compared to 1,041 kg and kg equivalents at a weighted average selling price of $2.77 per gram in Fiscal 2017. During Fiscal 2018, the quantities of cannabis goods sold per prescription increased compared to the previous year. Since the selling price in Israel in Fiscal 2018 for each prescription was a fixed amount pursuant to regulations issued by the MCU, and the selling price does not vary based on the quantity sold, this resulted in a decrease in the average selling price per gram The decrease in average selling price per gram is also as a result of an increase in the production of cannabis oil extract products, as they are produced at a higher cost than dried cannabis because of the higher quantity of dried cannabis required per bottle to produce cannabis oil extract. Our dried cannabis production level and our cost increased, as we produced higher volumes of dried cannabis in 2018 to build inventory in preparation for the adoption of the new CMPR regime in Israel.

Revenues for Fiscal 2018 also included revenues from shipments to customers (as the Company continues to carry out home delivery to customers under the Old Cannabis Regulation), accessories for dried cannabis products and the production and sale of APIs used for clinical trials for a total amount of $494. In Fiscal 2017, revenues were comprised only of dried cannabis and cannabis oil extracts.

Cost of Revenues

During Fiscal 2018, the Company harvested 2,833 kg of cannabis compared to 1,313 kg during Fiscal 2017. The Company increased its production and inventories in anticipation of receiving authorization from the Israeli government under the CMPR to be able to export cannabis upon becoming an approved exporter.

In Fiscal 2018, cost of revenues were $5,783 compared to $2,524 in Fiscal 2017. The increase was primarily due to higher labour costs that amounted to $2,187 (2017 — $464) and increased production capacity. Inventory production costs expensed to cost of sales were $3,102 compared to $1,599 in Fiscal 2017, reflecting increased cultivation costs and labour costs, primarily due to the increase in production capacity.

During Fiscal 2018, fair value changes in biological assets included in cost of revenues amounted to approximately $1,026, related to inventory sold. This was offset by the unrealized gain on changes in the fair value of biological assets of $1,210 in Fiscal 2018, that effectively lowered cost of revenues, compared to $1,132 in fair value changes in biological assets, offset by $1,080 in unrealized gain on changes in the fair value of biological assets in Fiscal 2017.

Operating Expenses

R&D expenses for Fiscal 2018 were $2,095, or 60% of revenues, compared to $593, or 20% of revenues, in Fiscal 2017. The Company's R&D activities in Fiscal 2018 were focused on the development of medical cannabis products targeting therapeutic areas as well as on the development of product candidates. R&D expenses in Fiscal 2018 were approximately four times higher than Fiscal 2017, primarily due to research expenses associated with the development of patented drug delivery technologies in collaboration with the Hebrew University of Jerusalem, as well as the continued development of dosage form capabilities such as drops, tablets and capsules, for CBD-based products. The increase in the R&D expense is mainly attributable to higher direct labour costs of $377 (2017 — $28), higher R&D consultants expenses that amounted to $1,123 (2017 — $78) and validation costs of $222 (2017 — $153).

S&M expenses for Fiscal 2018 were $1,365, or 39% of revenues. In comparison, S&M expenses for Fiscal 2017 were $1,059, or 35% of revenues. The increase is primarily attributed to higher labour, marketing consultants and training costs of $851 (2017 — $463), offset to lesser extent by a lower conference and exhibition costs in Fiscal 2018 compared to Fiscal 2017.

G&A expenses for Fiscal 2018 were $2,767, or 79% of revenues, and $2,900, or 96% of revenues for Fiscal 2017. The decrease in G&A expenses was primarily due to a decrease of approximately $81 in consulting and other professional services associated with the Company's preparation for compliance with the CMPR requirements in 2017, and also due to a decrease of approximately $78 in IT expenses, offset by increase in insurance costs of $83 (2017 — $36).

Share-based compensation expenses related to options granted to employees and non-employee consultants (such as the Advisory Board members, among others) of the Company for Fiscal 2018 amounted to approximately $12,835. In Fiscal 2017, no such expenses were incurred as the Company's ESOP was newly adopted in 2018.

Net Loss

Net loss for Fiscal 2018 was $29,394, as compared to $6,366 in Fiscal 2017, primarily due to the increase in the costs of revenues that amounted to $5,783 (2017 — $2,524) and in operating expenses that amounted to $19,084 (2017 — $4,895), due primarily to higher labour costs, professional services costs in R&D of $1,499 (2017 — $107), and labour costs in S&M of $849 (2017 — $419). In addition, finance expense, net, was $8,227 (2017 — $1,905) due to the fair value adjustments of CLAs measured at fair value through profit or loss.

Non-IFRS Financial Measures

Cash cost per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold

In Fiscal 2018, cash cost per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold increased by $0.66 and $0.66 to $3.05 and $2.99, respectively, from Fiscal 2017, mainly due to higher costs associated with investments made to increase our production capacity, including cultivation costs and labour costs, as well as the increase in the volume of production of cannabis oil extract relative to dried cannabis, which has a higher production cost as a result of the higher quantity of dried cannabis required to produce cannabis oil extract.

Adjusted EBITDA

Adjusted EBITDA in Fiscal 2018 amounted to a loss of $8,071, compared to a loss of $3,909, in Fiscal 2017. This decrease in Adjusted EBITDA was mainly due to higher operating losses in Fiscal 2018 of $21,167 ($4,461 in Fiscal 2017), which resulted from the expansion of our operations in preparation for the CMPR which included among other things enhancements to our Revadim Facility. The primary sources of adjustments included in Adjusted EBITDA for Fiscal 2018 include share-based compensation costs of $12,835 incurred in 2018 as a result of the adoption of the Company ESOP in 2018.

Analysis of Results for Fiscal 2017 and Fiscal 2016

During Fiscal 2017, the Company's efforts and resources were focused primarily on organizing our operations in preparation for compliance with the CMPR, while maintaining operations under the Old Cannabis Regulation.

IFRS Measures

Revenues

Revenues for Fiscal 2017 and Fiscal 2016 were $3,010 and $2,273, respectively, representing an increase of $737, or 32%, in Fiscal 2017, compared to the prior period. The increase resulted primarily from an increase of production capacity due to the transfer to the new Revadim Facility in 2017.

The total quantity of dried cannabis and cannabis oil extracts sold during Fiscal 2017 was 1,041 kg and kg equivalents at a weighted average selling price of $2.77 per gram, compared to 1,062 kg and kg equivalents at a weighted average selling price of $2.14 per gram in Fiscal 2016. The increase in the average selling price was primarily due to an increase in the production of cannabis oil extract products, which have higher production costs relative to dried cannabis, slightly offset by a small decrease in quantity of dried cannabis used in per bottle of oil extract.

Cost of Revenues

During Fiscal 2017, the Company harvested 1,313 kg of dried cannabis compared to 1,366 kg during Fiscal 2016. The amount harvested decrease slightly as the Company was transitioning to the new Revadim Facility.

In Fiscal 2017, the cost of revenues was $2,524, compared to $343 in Fiscal 2016, primarily due to higher labour and related expenses and labour contractor costs in the aggregate amount of $758 (2017 — $380), associated with an increase in the number of employees required in connection with the expansion of activities following the move to the new Revadim Facility, higher consultant fees of $167 (2017 — $33) and an increase in security costs that amounted to $274 (2017 — $108). Inventory production costs expensed to cost of revenues was $1,599 in Fiscal 2017 compared to $635, in Fiscal 2016. This increase is primarily due to the increase in production capacity.

During 2017, fair value changes in biological assets included in cost of revenues amounted to approximately $1,132, related to inventory sold, offset by the unrealized gains on changes in the fair value of biological assets of approximately $1,080, that effectively lowered cost of revenues, compared to $1,259 in fair value changes in biological assets offset by $1,957 in unrealized gains on changes in the fair value of biological assets in Fiscal 2016.

Operating Expenses

R&D expenses for Fiscal 2017 and Fiscal 2016, were $593, or 20% of revenues and $51, or 2% of revenues, respectively. R&D expenses increased significantly in 2017 as the Company significantly expanded its R&D activities following the move to the new Revadim Facility. The increase is mainly attributable to R&D consultant costs of $78 (2016 — $nill), clinical trials costs of $311 (2016 — $nill) and validation costs of $153 (2017 — $51).

S&M expenses for Fiscal 2017 were $1,059, or 35% of revenues. In comparison, S&M expenses for Fiscal 2016 were $725, or 32% of revenues. The increase is primarily attributed to higher labour costs of $463 (2016 — $357) as well as, to a lesser extent, an increase in conference and exhibition costs in Fiscal 2017 compared to Fiscal 2016.

G&A expenses for Fiscal 2017 were $2,900, or 96% of revenues, and $1,183, or 52% of revenues, for Fiscal 2016. This significant increase in G&A expenses was primarily due to an increase in salary and related expenses of $1,717 (2016 — $453) associated with recruitment efforts to attract skilled personnel for our management team, higher consultant fees of $483 (2016 — $232), and IT costs of $200 (2016 — $66) associated with the expansion in the new Revadim Facility and preparation for compliance with the CMPR requirements.

Net Loss

Net loss for Fiscal 2017 was $6,366, as compared to a net income of $602 in Fiscal 2016, primarily due to the increase in the costs of revenues that amounted to $2,524 (2016 — $343) and in operating expenses that amounted to $4,895 (2016 — $1,959), primarily due to higher labour costs and professional services costs in G&A expenses of $1,717 (2016 — $453) and of $483 (2016 — $232), respectively. Finance expense, net, amounted to approximately $1,905 (2016 — $67), due to the fair value adjustments related to CLAs measured at fair value through profit or loss.

Non-IFRS Financial Measures

Cash cost per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold

In Fiscal 2017, cash cost per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold increased by $2.07 and $2.05 to $2.39 and $2.33 respectively from Fiscal 2016, primarily due to a significant increase in costs associated with increasing our production capacity, including cultivation costs and labour costs associated with the expansion of the new Revadim Facility.

Adjusted EBITDA

Adjusted EBITDA in Fiscal 2017 amounted to a loss of $3,909 compared to Adjusted EBITDA that amounted to an income of $90 in the same period last year. This decrease in Adjusted EBITDA was mainly due to higher operating losses in Fiscal 2017 of $4,461 (2016 — income of $669) as we incurred significant expenditures to expand our business.

Analysis of Results for Q1 2019 and Q1 2018

IFRS Measures

Revenues

Revenues for Q1 2019 and Q1 2018, were $1,121 and $917, respectively, representing an increase of $204, or 22%. This was primarily due to increased customer demand as we accepted new customers at the request of the MCU due to the inability of one of the largest medical cannabis suppliers under the Old Cannabis Regulation to fulfill their demand.

In Q1 2019 we sold 490 kg and kg equivalents at a weighted average selling price of $2.07 per gram, compared to 413 kg and kg equivalents at a weighted average selling price of $1.86 per gram in Q1 2018. The increase in average selling price per gram is the result of change in our product mix following an increase in the production of cannabis oil extract products as well as an increased overall production of dried cannabis in Q1 2019 compared to Q1 2018.

Revenues during Q1 2019 also included revenues from shipments to customers (as the Company continues to carry out home delivery to customers under the Old Cannabis Regulation), accessories for dried cannabis products and the production and the sale of APIs used for clinical trials for a total amount of $109 compared to $147 in Q1 2018.

Cost of Revenues

During Q1 2019, the Company harvested 808 kg of cannabis compared to 115 kg in Q1 2018. This is a result of an increase in production and inventories in anticipation of receiving authorization from the Israeli government under the CMPR to be able to export cannabis upon becoming an approved exporter and in anticipation of changing local Israeli regulations that would result in a larger local medical cannabis market.

In Q1 2019 and Q1 2018 cost of revenues were $1,360 and $1,788, respectively. This decrease was primarily attributable to an increase in consultants costs of $544 (Q1 2018 — $133) as well as higher security costs of $157 (Q1 2018 — $112), offset by deacrease in inventory production costs expensed to cost of sales in Q1 2019 that amounted to $753, compared to $1,865 in Q1 2018, reflecting an increase in fair value adjustment on growth of biological assets mainly due to the increase in production capacity.

During Q1 2019, fair value changes in biological assets included in cost of revenues amounted to approximately $478, related to inventory sold. This was offset by the unrealized gain on changes in the fair value of biological assets of $736, that effectively lowered cost of revenues, compared to $690, offset by $61 in the prior period.

Operating Expenses

R&D expenses for Q1 2019 were $1,050, or 94%, compared to $216, or 24% of revenues, in Q1 2018. The increase is primarily due to higher direct labour costs of $295 (Q1 2018 — $47), R&D consultant expenses of

$673 (Q1 2018 — $85) and validation costs of $70 (Q1 2018 — $47), offset by proceeds of the Israel Innovation Authority R&D grants of $79 compared to $nil in the corresponding period.

S&M expenses for Q1 2019 were $399, or 36% of revenues. In comparison, S&M expenses for Q1 2018 were $281, or 31% of revenues. This increase is primarily due to higher marketing and promotion labour and related costs of $201 (Q1 2018 — $158), and conference and exhibition costs of $21 (Q1 2018 — $4).

G&A expenses for Q1 2019 were $1,741, or 155% of revenues. In comparison, G&A expenses for Q1 2018 were $486, or 53% of revenues. This increase in G&A expenses was primarily due to an increase in labour and related expenses of $526 (Q1 2018 — $141), higher consulting and other professional services associated with the Company's preparation for compliance with the CMPR requirements of $713 (Q1 2018 — $101), as well as an increase due to leasehold improvement in our office premises that amounted to $249, compared to $25 in the corresponding period due to clean rooms upgrades, greenhouse upgrades and machinery.

Share-based compensation expenses related to options granted to employees and non-employee consultants (such as the Advisory Board members, among others) of the Company for Q1 2019 amounted to approximately $6,848. In Q1 2018, no such expenses were incurred as the Company's ESOP was newly adopted in the second half of Fiscal 2018.

Net Loss

Net loss for Q1 2019 was $14,732, as compared to $2,694 in Q1 2018, primarily due to the increase in G&A expenses that amounted to $1,741 in Q1 2019 ($486 for Q1 2018), increase in share based compensation that amounted to $6,848 in Q1 2019 (nil in Q1 2018) and due to an increase in finance expenses that amounted to $4,713 in Q1 2019 ($211 in Q1 2018) due to the fair value adjustments of CLAs, measured at fair value through profit or loss, offset by, decrease in the costs of revenues that amounted to $1,360 in Q1 2019 ($1,788 in Q1 2018).

Non-IFRS Financial Measures

Cash cost per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold

Cash cost of revenues per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold for Q1 2019 was $2.21 and $2.04, respectively, compared to $4.24 and $4.20, respectively, for Q1 2018. The decrease is mainly due to adjustments on biological assets and inventory on the cost of revenues, offset by, higher production costs, including cultivation costs and labour costs, as well as increase in the depreciation costs related to the adoption of IFRS 16 "Leases" that become effective starting January 1st, 2019. We expect the cash cost of revenues per gram and gram equivalent sold and adjusted cash cost per gram and gram equivalent sold costs to decrease, and expect a scale up in revenue, as the local market grows due to the implementation of the CMPR, and as we commence export.

Adjusted EBITDA

Adjusted EBITDA for Q1 2019 amounted to a loss of $3,099, compared to a loss of $1,779, for Q1 2018. This increase in Adjusted EBITDA was mainly due to higher operating losses for Q1 2019 of $10,019 ($2,483 in Q1 2018), which resulted from the expansion of our operations. The primary sources of adjustments included in Adjusted EBITDA for Q1 2019 include share-based compensation costs of $6,848 as a result of the adoption of the Company's ESOP in the second half of Fiscal 2018.

Liquidity and Capital Resources

Overview

The Company believes it has sufficient liquidity to support continued operations and to meet its short-term liabilities and commitments as they become due. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill obligations. In managing working capital, the Company may, where necessary, limit or control the amount of working capital used for operations or other initiatives, pursue additional financing, manage the timing of its

expenditures, or sell assets. The Company is not subject to any financial ratio maintenance covenants in its bank borrowings or other outstanding debt obligations.

Additional sources of capital and/or financing will be required to meet planned growth and to fund our development activities, which activities include, among other things, expansion into Portugal and preparation of our Portuguese operations, increased processing capacity in Israel, and preparation for export out of Israel and Portugal. Liquidity will fluctuate based on demand for working capital resources required for these initiatives which fluctuations may be addressed in the near-term through the Company's CLAs, bank borrowings and cash flow from its existing revenue streams, and, in the longer term through our cash on hand and funds raised through capital markets activities such as the Offering.

The Company is subject to risks and uncertainties that could significantly impair its ability to raise funds through debt or equity or to generate profits sufficient to meet future obligations, operational, or development needs. See "Risk Factors" for information on the risks and uncertainties that could have a negative effect on the Company's liquidity.

Financial Instruments

As of December 31, 2018, the Company had cash and cash equivalents available of $15,485, up from $19, at the end of Fiscal 2017. The increase was mainly due to the cash proceeds from the issuance of CLAs in the aggregate amount of $18,545 in November and December 2018, as well as from $13,053 of gross proceeds from additional capital raising activity during 2018. While the Company has incurred cash losses to date, management anticipates success and eventual positive cash flow of the business, though there can be no assurance that the Company will be able to generate enough positive cash flow to achieve its business plans without raising additional capital in the future.

In February 2019, the Company received additional cash proceeds from the issuance of CLAs in the aggregate amount of $11,355. Upon the completion of the Offering, and in addition to the net proceeds of the Offering, the Company shall receive additional cash proceeds from the completion of payments under the CLAs and the exercise of rights granted thereunder to invest additional amounts under the same terms as the CLAs in the aggregate amount of approximately $43,908. See "Corporate Structure — History of the Business; Recent Developments" elsewhere in this prospectus.

As of March 31, 2019, the Company had cash and cash equivalents of $19,376, up from $15,485, at the end of Fiscal 2018.

Working Capital

The table below sets out the cash and cash equivalents, working capital (deficit) and current and long-term debt and bank credit at December 31, 2018, December 31, 2017 and March 31, 2019:

	As at March 31, (unaudited)	As at December 31,	
(in thousands of U.S. dollars)	**2019**	**2018**	**2017**
Cash and cash equivalents	$19,376	$15,485	$ 19
Working capital (deficit) including cash & cash equivalents	$21,758	$15,643	$(1,786)
Current and long-term debt and bank credit	$46,103	$29,789	$ 5,385

The Company's working capital, including cash and cash equivalents, as of March 31, 2019 was $21,758, and as of December 31, 2018, was $15,643 and has increased by $17,429, compared to December 31, 2017, at which time there was a working capital deficit of ($1,786).

The increase in working capital as at December 31, 2018 compared to the prior period was due to primarily the following:

- Cash and cash equivalents as at December 31, 2018, were $15,485, an increase of $15,466 from the prior period. mainly attributed to proceeds from the issuance of CLAs in November and December of 2018, in the aggregate principal amount of $18,545.
- Inventories as at December 31, 2018, were $2,398, an increase of $1,163, compared to December 31, 2017 inventories of $1,235. The increase in inventories was primarily due to fair value gains on biological assets and production supported by an increase in production capacity in 2018 allowing us to produce greater volumes for sale, and a change in the mix of dried cannabis and cannabis oil extract maintained in inventory to include a greater proportion of cannabis oil extract.
- Biological assets as at December 31, 2018, were $611, an increase of $398, compared to December 31, 2017, of $213. This increase was due to increased fair value gains on biological assets resulting from increased production levels and increased expected yield.
- Current and long-term debt and bank credit as of December 31, 2018, was $29,789, an increase of $24,404, compared to $5,385 at December 31, 2017. This increase is mainly attributed to proceeds from the issuance of CLAs in November and December of 2018 (as described above), compared to proceeds from the issuance of CLAs in 2017 in the aggregate principal amount of $3,140. Also contributing to this increase were IFRS fair value adjustments of these financial instruments measured at fair value through profit or loss of $6,927, in Fiscal 2018, compared to $1,599, in Fiscal 2017.

The increase in working capital as at March 31, 2019 compared to December 31, 2018 that amount to $6,115 was primarily attributable to increases in cash and cash equivalents (of $3,891), inventories (of $605) and biological assets (of $1,103). Current and long-term debt and bank credit as at March 31, 2019 was $46,103, compared to December 31, 2018 that amount to $29,789, an increase of $16,314. This increase is mainly attributed to proceeds from the issuance of CLAs in February 2019 in the aggregate principal amount of $11,355, and the remaining is due to IFRS fair value adjustments of these financial instruments measured at fair value through profit or loss.

Cash Flows

The Company's sources of cash include cash generated primarily from financing activities and available bank borrowings, CLAs and other capital raising activities, as well as cash generated from our revenues. Our positive cash flows from bank borrowings, CLAs and capital raising are expected to provide the Company with enough working capital to meet its short-term financial commitments as they become due.

The table below highlights the Company's cash flows for Fiscal 2018, Fiscal 2017, Fiscal 2016, Q1 2019 and Q1 2018:

Net cash provided by (used in) (in thousands of U.S. dollars)	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2019	2018	2018	2017	2016
Operating activities	$(5,580)	$ (983)	$(11,639)	$(2,768)	$ (380)
Investing activities	$(2,522)	$ (184)	$ (5,222)	$ (968)	$ (214)
Financing activities	$10,846	$4,421	$ 32,119	$ 3,497	$1,223
Cash and cash equivalents, beginning of the period	$15,485	$ 19	$ 19	$ 435	$ 4
Cash and cash equivalents, end of the period	$19,376	$3,178	$ 15,485	$ 19	$ 435

Analysis of Cash Flows for Fiscal 2018 Compared to Fiscal 2017

Operating Activities

The principal use of operating cash flow is to fund the Company's operating and capital expenditures at its production facilities, and its general and administrative costs. Cash flow from operating activities for Fiscal 2018

was an increase of outflow of $11,639, representing an increase of $8,871, from the outflow of $2,768, for Fiscal 2017. This was primarily due to an increase in operating costs related to expanding our production capacity in preparation for a larger local medical cannabis market due to the CMPR, an increase in the costs necessary to support qualification for pharmaceutical grade GMP, and also due to prepare to be able to export medical cannabis outside of Israel.

Investing Activities

Cash used in investing activities during Fiscal 2018, was $5,222, compared to $968, in Fiscal 2017. Expenditures during Fiscal 2018 included $5,141 of additions to property, plant and equipment, primarily to the construction of additional cultivation greenhouses at our Revadim Facility, clean rooms upgrade and purchase of extraction and tablet production machines for the Revadim Facility.

Financing Activities

Net cash of $32,119, was provided from financing activities during Fiscal 2018, compared to net cash of $3,497, in Fiscal 2017. Financing activities for Fiscal 2018 were comprised of issuance of CLAs in the amount of $18,545, proceeds from capital raising activities in the aggregate amount of $13,053, proceeds from bank borrowings of $1,143 offset by $484 of bank loan repayment, $38 of interest paid and $100 of bank credit. During Fiscal 2017, the Company raised $3,140 from the issuance of CLAs, proceeds of approximately $386 from raising capital and $51 from bank borrowings and credit (offset by bank borrowing repayment of $80).

Analysis of Cash Flows for Fiscal 2017 Compared to Fiscal 2016

Operating Activities

Cash flow from operating activities for Fiscal 2017 was an outflow of $2,768, representing an increase of $2,388, from the outflow of $380, for Fiscal 2016. This variance is mainly attributable to an increase in production costs and costs related to preparing for compliance with CMPR requirements for the new facility in Revadim, Israel.

Investing Activities

Cash used in investing activities during Fiscal 2017, was $968, compared to $214, in Fiscal 2016. Expenditures during Fiscal 2017 included $793, invested in property, plant and equipment, primarily the construction of additional cultivation greenhouses, construction of clean rooms, and furniture and fixtures. In Fiscal 2016, an amount of approximately $214, was invested in property, plant and equipment, the majority of which was for greenhouse construction, vehicles and other furniture and equipment.

Financing Activities

Net cash of $3,497 was provided from financing activities during Fiscal 2017, compared to net cash of $1,223, in Fiscal 2016. Financing activities for Fiscal 2017 were comprised mainly of debt proceeds from the issuance of CLAs in the amount of $3,140, proceeds in the aggregate amount of $386 from issuance of equity securities and $13 from bank debt borrowing, offset by $80 of bank loans repayment during the year. During Fiscal 2016 the Company raised an aggregate of approximately $1,049 from raising capital and proceeds of approximately $230 from loans, offset by $94 repayment of bank borrowings.

Analysis of Cash Flows for Q1 2019 Compared to Q1 2018

Operating Activities

Cash flow from operating activities during Q1 2019 was an outflow of $5,580, representing an increase of $4,597, from the outflow of $983, during Q1 2018. This was primarily due to an increase in operating costs related to continued expansion of our production capacity as well as the preparation to be able to export medical cannabis outside of Israel.

Investing Activities

Cash used in investing activities during Q1 2019 was an outflow of $2,522, compared to $184, in Q1 2018. Expenditures during Q1 2019 included: (1) purchase of property, plant and equipment of $1,272; and (2) an increase in restricted cash, net of $1,250.

Financing Activities

Net cash of $10,846, was provided from financing activities during Q1 2019, compared to net cash of $4,421, during Q1 2018. Financing activities in Q1 2019 included $11,355 in proceeds from long-term convertible loans which was offset mainly by $173 from repayment of bank borrowings and $327 from repayment of lease liability and interest.

Capital Expenditures

Analysis of Capital Expenditures for Fiscal 2018 Compared to Fiscal 2017

Property, plant and equipment, net for Fiscal 2018 was $6,502 (2017 — $2,385), primarily due to: (1) greenhouse capital expenditure and upgrades; (2) purchase of an extraction machine for the factory; (3) laboratory systems purchased; (4) site security system purchased; and (5) leasehold improvements (upgrade of clean rooms). Expenditures for maintenance capital activities that sustain our operating capacity relate to major overhauls and upgrades to our existing equipment, facilities and the conducting of clinical trials and research and development. These expenditures replace and maintain depreciable assets at their current service levels.

Analysis of Capital Expenditures for Fiscal 2017 Compared to Fiscal 2016

Property, plant and equipment, net for Fiscal 2017 was $2,385 (2016 — $556), primarily due to: (1) leasehold improvements (construction of clean rooms); (2) tablets pressing system, high pressure system and aerosol & spray packaging systems purchased; (3) greenhouse capital expenditure and construction; and (4) vehicles purchase.

Analysis of Capital Expenditures for Q1 2019 Compared to Q1 2018

Property, plant and equipment, net for Q1 2019 was $7,863, compared to $2,457 for Q1 2018. The increase is primarily due to: (1) purchase of a twister trimmer machine; and (2) greenhouse capital expenditure and upgrades.

Contractual Obligations and Commitments

Other than the items presented under this section and included in our Annual Consolidated Financial Statements for Fiscal 2018 and notes thereto, we do not have any material off-balance sheet arrangements of commitments as of December 31, 2018.

The Company is obligated to the following contractual maturities of undiscounted cash flows (including interest as applicable) as of December 31, 2018, for the following financial liabilities:

Contractual obligations (in thousands of U.S. dollars)	Total	Less than one year	One to three years	Four to five years	After five years
Debt and convertible loans[1]	$33,460	$1,179	6,856	$17,592	$ 7,833
Car leases	$ 440	$ 249	$ 191	—	—
Operating leases	$21,212	$ 863	$1,490	$ 1,209	$17,650[2]
Total contractual obligations	**$55,112**	**$2,291**	**$8,537**	**$18,801**	**$25,483**

Notes:

(1) CLAs will be converted into Common Shares in connection with the Offering.

(2) Under the terms of the operating leases, including option periods expected to be exercised.

Subsequent to December 31, 2018, in February 2019 and upon the completion of this Offering, the Company received and will receive additional cash proceeds of approximately $11,355 and $43,908, respectively, under the terms of the previously issued CLAs and the exercise of rights granted thereunder to invest additional amounts under the same terms as the CLAs.

Guarantees

On April 26, 2018, in connection with the Zabar Kama Partnership Agreement, BOL Agro-Tech issued a guarantee to Zabar-Kama in the amount of approximately $80 (NIS 300) (the "**Existing Guarantee**"). In April 2019, BOL Israel, BOL Agro-Tech and Zabar Kama agreed to extend the Existing Guarantee until August 1, 2019. BOL Israel and BOL Agro-Tech also agreed to provide, no later than July 18, 2019, an increased guarantee in an approximate amount of $200 (NIS 750), which will be in effect until July 17, 2020 and will be extended on an annual basis thirty days before the end of each relevant one-year period.

In connection with the Revadim Lease Agreement and in order to secure compliance with all of BOL Manufacturing's liabilities in full and in a timely manner, BOL Manufacturing issued a bank guarantee in the amount of approximately $215 (NIS 805) to Revadim Park ACS Ltd. ("**Revadim**"). In May 2019, BOL Manufacturing provided Revadim with an increased bank guarantee in the total of approximately $430 (NIS 1,610), representing a guarantee for six months of lease payments which will be valid through June 12, 2020. According to an agreement with Revadim, upon an initial public offering of the Company, BOL Manufacturing is required to increase the guarantee to an amount equivalent to nine months of lease payments.

See "Note 13: Contingent Liabilities, Guarantees, Commitments and Charges" to our Annual Consolidated Financial Statements.

Off-Balance Sheet Arrangements

The Company has the following off-balance sheet arrangements in addition to those as described below under "Related Party Transactions."

The Company is currently committed to making payments under its operating leases and motor vehicles leases. As at December 31, 2018, the approximate aggregate future minimum lease payments, exclusive of common area costs totalled $21,652, including option periods expected to be exercised.

The Company is involved in legal proceedings, some of which are in the ordinary course of its business. The Company believes that none of the litigation in which it is currently involved or has been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to its consolidated financial condition or results of operations. See "Legal Proceedings".

The Company's off-balance sheet arrangements, as described above, are disclosed in our Annual Consolidated Financial Statements for Fiscal 2018. See "Note 13: Contingent Liabilities, Guarantees, Commitments and Charges".

Stock option plan

The Company's share incentive plan, adopted in 2018 (the "**ESOP**"), offers our executive officers, directors, eligible employees, and non-employee consultants (such as the Advisory Board members, among others) equity-based or equity-like compensation which has historically been awarded in the form of stock options. Awards granted under the ESOP are subject to vesting schedules and unless determined otherwise by the administrator of the ESOP, generally vest following a period of four years from the applicable vesting commencement date, such that 25% of the awards vest on the first anniversary of the applicable vesting commencement date and 75% of the awards vest in twelve equal installments upon the lapse of each three-month period thereafter. Subject to the discretion of the ESOP administrator, if an award has not been exercised within seven years after the date of the grant, the award expires.

See "Executive Compensation — Principal Elements of Compensation — ESOP" for more information.

Related Party Transactions

(in thousands of U.S. dollars)	As at March 31, 2019	As at December 31, 2018	2017
Other accounts receivables	$ 18	$ 17	$ 18
Trades Payable	$ (5)	$ (4)	$ (4)
Other accounts payable and accrued liabilities	$(26)	$(17)	$(159)

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or their subsidiaries, directly or indirectly, including any external directors of the Company and/or their subsidiaries.

Transactions with related parties primarily includes payroll and labour compensation, fees paid to a parent of an executive officer for consulting services in the ordinary course of business and premises lease payments.

Until March 2018, the Company paid Hagai Hillman, founder and shareholder, rental payments with respect to the use of Sheifa's old facility in Ein Iron (a facility which is owned by Mr. Hillman). In addition, Sheifa is entitled to receive rent payments with respect to land in Ein Iron, owned by Mr. Hillman and leased by Sheifa to a third party. The funds with respect to the lease are owed to Sheifa and payable to the Company and the Company is obligated to make back to back payments to Mr. Hillman (on a cash flow basis such payments do not create an expense to the Company because the obligation is set off against the right to receive payments from said third party). A similar arrangement exists with respect to electricity costs to be paid by such third party.

It should be noted that due to a dispute between Sheifa and said third party the Company does not receive payments from said third party and therefore does not make payments to Sheifa with respect to the lease. Payments are being made with respect to electricity costs. The foregoing obligations of the Company expire once the leased space is no longer occupied by the third party. Further to a settlement agreement signed by all parties to the aforementioned dispute, following receipt of court approval for such settlement agreement, said third party shall cover the electricity payments, effective as of May 1, 2019 and ending on December 31, 2019 when such third party is required to evacuate the land in Ein Iron.

See "Note 18: Related party balances and transactions" to our Annual Consolidated Financial Statements.

Subsequent Events

Subsequent to December 31, 2018, the Company received an additional $11,355 from the proceeds of payments made under prior issued CLAs. Immediately prior to closing of the Offering, all CLAs will be converted and the rights granted thereunder to invest additional amounts under the same terms as the CLAs will be exercised. See "Corporate Structure — History of the Business; Recent Developments" for additional information subsequent events and the CLAs.

Risk Factors

In the ordinary course of business, the Company is subject to a number of financial risks and business related-risks. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Given the nature of the Company's position in the Israeli market, and ordinary course risks such as credit risk, liquidity risk, foreign exchange risk, and interest rate risk are not material to the Company at this time. The Company has risk management strategies in place which are designed to ensure the Company's risks and the related exposures, are consistent with its business objectives and risk tolerance. See "Risk Factors".

Critical Accounting Judgments and Estimates

The preparation of the Annual Consolidated Financial Statements and Interim Financial Statements in conformity with IFRS requires management to make various judgments and estimates in applying the Company's accounting policies that affect the reported amounts and disclosures made in the Company's financial statements and accompanying notes.

Management continually evaluates the estimates and assumptions it uses. These judgements and estimates are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and assumptions described in this section depend upon subjective or complex judgement that may be uncertain and changes in these estimates and assumptions could materially impact the Company's financial statements. The following are the accounting policies that are subject to judgments and estimates.

Inventory

Inventory, consisting of harvested goods, cannabis oil extracts and accessories, is measured at the lower of cost and net realizable value. Cost includes production costs directly attributable to the production or purchase of inventory items as well as deemed costs attributable to fair value gains on the transformation of biological assets. These deemed costs are estimated using assumptions that include, but are not limited to, average selling prices, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles, and expected yields. Any change in these assumptions could negatively impact operational results, the actual realizable value of inventory and future expected gains. Cannabis is measured and weighed at different stages throughout its life and production cycle. Due to its biological nature, cannabis loses moisture, and therefore weight over time. The Company, in measuring inventory, must make assumptions as to the amount of loss attributable to moisture loss or evaporation, which may result in actual an actual finished product weight less than was estimated. Extracts are a by-product that are derived from dried cannabis. Extracts are added to oils and sold as cannabis oil extract in vials or capsules and are priced based on the total combined amount of THC and cannabinoid content. The Company estimates the amount of THC and cannabinoid expected to be derived from each gram of dried cannabis.

Biological Assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. Determining the fair value of these assets requires the Company to make assumptions and estimates that include, but are not limited to, average selling prices, remaining costs to complete, the allocation rate and method of production costs, the stage of plant growth and cycles and expected yields. The Company cautions its readers to understand the fair value impact of these assets when reading these statements as on a net basis they represent gains that can only be realized upon the sale of harvested goods and any changes in assumptions or estimates could have a significant and negative impact on actual results.

Estimated Useful Lives and Amortization of Property and Equipment

Expenditures associated with property, plant and equipment are capitalized and depreciated using the straight-line method over the estimated economic useful lives of the related assets. The estimated economic useful lives are based on experience and current technology which may be extended through capital and maintenance programs. Therefore, the estimated economic useful lives are periodically reviewed, and the depreciation rates adjusted where appropriate, prospectively.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as growth rates, operating

margins, discount rates and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis or stress testing techniques.

Share-based Compensation

In determining the amount and timing of expenditures related to share-based compensation, the Company uses judgment to determine key estimates such as the value of shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the shares and the risk-free interest rate used.

Accounting Standards Implemented in Fiscal 2018

Financial Instruments

The Company adopted early IFRS 9, Financial Instruments, effective January 1, 2016. IFRS 9 incorporates all three phases of the financial instruments projects: classification and measurement, a forward-looking expected credit loss ("**ECL**") impairment model and a revised approach to hedge accounting. As result of the application of IFRS 9, the Company made certain changes to its accounting policies.

IFRS 9 requires a new approach for the classification and measurement of financial assets based on the Company's business models for managing financial assets and their contractual cash flow characteristics. This is summarized as follows:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest are measured at amortized cost.
- Assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sale prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at fair value through other comprehensive income.
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest are measured at fair value through profit or loss.

The Company has elected to early adopt the provisions of the IFRS 9 on January 1, 2016 and apply all of its requirements form that date.

Revenue Recognition

The Company adopted IFRS 15, Revenue from Contracts with Customers, effective on January 1, 2018. The new standard sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments and certain non-monetary exchanges. Under the new standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, using a control-based approach. IFRS 15 introduces a five-step approach to achieve this principle.

As result of the application of IFRS 15, the accounting policies have been aligned with the requirements of IFRS 15, with no quantitative impact of this change to the accounting policies.

As permitted by the transition provisions of IFRS 15, the Company elected to adopt the standard using the modified retrospective approach. A cumulative adjustment in retained earnings was not required at the date of the initial application, January 1, 2018, and no adjustments to individual financial statement line items were required as at January 1, 2018.

Future Accounting Standards Not Yet Adopted

The standards and interpretations that have been issued, but are not yet effective, up to the date of the issuance of the Annual Consolidated Financial Statements and Interim Financial Statements are discussed below. The Company intends to adopt these standards on the required effective date.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases", and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15.

The Company believes that it will apply the modified retrospective approach upon initial adoption of the new standard whereby the right-of-use assets in certain leases will be measured at an amount equal to the lease lability.

The Company believes, based on an assessment of the impact of the adoption of the new standard, that its application will result an increase in assets (right-of-use) and lease liability in the amount of $10,234.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

The Company does not expect the interpretation to have any material effect on its financial position or results of operations.

USE OF PROCEEDS

The aggregate net proceeds to be received by us from the Offering are estimated to be approximately C$135,750,000, after deducting the Underwriters' fee payable by the Company in connection with the Offering and the estimated expenses of the Offering.

We intend to use the net proceeds of the Offering as detailed in the table below:

Use of Proceeds (in thousands of Canadian dollars)	
Fund the expansion of production at the Revadim Facility	C$55,000,000
Build and develop our production facilities in Portugal	C$40,000,000
Fund further research and development (including clinical trials)	C$30,000,000
General corporate purposes	C$10,750,000
Total Net Proceeds (exclusive of Over-Allotment Option)	C$135,750,000

While we currently anticipate using the net proceeds of the Offering received as set forth above, we may reallocate the net proceeds received by us depending on market and other conditions. All proceeds received by us for the Over-Allotment Option, if any, will be used by us for general corporate purposes.

DESCRIPTION OF SHARE CAPITAL

The following describes material terms of our share capital. Upon Closing, our articles of association currently in effect will be replaced by our new Articles, which shall come into effect at the time of Closing. The following description of our share capital and provisions of our Articles are summaries and are qualified by reference to our Articles. All references to our articles of association in this section refer to our Articles.

General

We are an Israeli company incorporated with limited liability, and our affairs are governed by the provisions of our Articles, as amended and restated from time to time, and by the provisions of applicable Israeli law, including the Companies Law. Other material terms and provisions of our Common Shares under our Articles are described below in "Description of Share Capital — Common Shares."

Common Shares

Upon Closing, our authorized share capital will consist of ● ordinary shares (which we refer to in this prospectus as Common Shares) with a par value of NIS 0.10 per Common Share, of which 28,938,919 Common Shares will be issued and outstanding upon completion of the Pre-Closing Capital Changes and ● Common Shares will be issued and outstanding immediately following Closing (assuming the Underwriters do not exercise the Over-Allotment Option). All of our Common Shares have been validly issued, fully paid and are non-assessable.

As of March 31, 2019, an additional 20,286,816 Common Shares (on a pre-consolidation basis) were issuable upon the exercise of outstanding options granted under our ESOP, at the par value of the Common Shares. In addition, 4,372,788 Common Shares (on a pre-consolidation basis) will become issuable pursuant to Exchange Rights (as defined herein) granted to certain Israeli shareholders of the Company's subsidiaries. See "Executive Compensation — Principal Elements of Compensation — ESOP" for more information about our ESOP and "Description of Share Capital — Exchange Rights".

Dividends and Liquidation Rights

Subject to the rights of holders of shares with preferential or special rights that may be authorized in the future, holders of our Common Shares are entitled to dividend payments from us on a pro rata basis in accordance with the amounts paid up or credited as paid up on the par value of such Common Shares at the time of payment. In the event of our liquidation, holders of our Common Shares are entitled to a pro rata share of surplus assets remaining over liabilities, subject to rights conferred on any class of shares which may be issued in the future, in accordance with the amounts paid-up or credited as paid-up on the par value of such Common Shares. Dividends and liquidation rights that apply to holders of our Common Shares are subject to restrictions. See "Description of Share Capital — Israeli Cannabis Law Restrictions on Share Ownership".

Voting Rights

Holders of our Common Shares are entitled to one vote per Common Share held on all matters submitted to a vote of shareholders, subject to any special rights of any class of shares that may be authorized in the future. Our Common Shares do not have cumulative voting in the election of directors as it is not permitted. Voting rights that apply to holders of our Common Shares are subject to restrictions. See "Description of Share Capital — Israeli Cannabis Law Restrictions on Share Ownership".

Modification of Shareholders' Rights

The rights attached to a class of shares may be altered by the approval of the shareholders of such class holding a majority of the voting rights of such class.

Quorum

The quorum required for a meeting of shareholders consists of at least two shareholders, present in person or by proxy, holding at least 25% of our issued shares conferring voting rights. A shareholders' meeting will be adjourned for lack of a quorum, after half an hour from the time set for such meeting, to such day and at such time and place as the chair of the meeting may determine with the consent of a majority of the voting shareholders present at such meeting, either in person or by proxy, provided that shareholders shall be given not less than three business days' advance notice of the day, time and place to which the meeting has been adjourned. If at such adjourned meeting a quorum as specified above is not present within half an hour from the time designated for holding the adjourned meeting, subject to certain exceptions, any two shareholders present in person or by proxy shall constitute a quorum.

Preferred Shares

The Companies Law allows us to create and issue shares having rights different from those attached to our Common Shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. As of the closing of this Offering, no preferred shares will be authorized under Articles. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their Common Shares. The authorization and designation of a class of preferred shares will require an amendment to Articles, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares at a general meeting.

Preemptive Rights

There are no preemptive rights attached to our Common Shares under the provisions of our Articles or the Companies Law.

Israeli Cannabis Law Approval Requirements in Respect of our Shares

Israeli Cannabis Law imposes certain requirements on holders of licences authorizing cannabis-related activities which are intended to protect the integrity of the medical cannabis industry in Israel. These requirements prohibit any Holder (as that term is defined in the Glossary) from directly or indirectly acquiring, holding or maintaining control or direction over 5% or more of the issued share capital (which we understand to include both voting and equity interests) of a licence holder (or a beneficial holder thereof) (the "**Approval Requirement**") without first obtaining the prior approval of the MCU ("**MCU Approval**"). The terms of our Licences issued under the CMPR provide that the licence will expire in the event of a breach of the ownership Approval Requirement without MCU Approval, unless such licence holder has taken all prescribed steps to ensure that any shares held in breach of the ownership Approval Requirement are forfeited by such Holder or deemed dormant (as such term is used under the Israeli Companies Law). See "Certain Regulatory Matters — Licences". As the Company's subsidiaries hold multiple licences under the CMPR, the ownership Approval Requirement applies to Holders of our Common Shares because a shareholder of the Company is considered under applicable Israeli Law to be an indirect shareholder of the Company's subsidiaries.

In order to eliminate any risk of a contravention of the ownership Approval Requirement and a resulting risk of expiry of our Licences, the Company will implement provisions in its Articles that will limit the aggregate ownership or control or direction over ownership interests or voting rights of any Holder to no more than 4.99% of the Company's Outstanding Shares (the "**Applicable Limit**") unless MCU Approval has been obtained by such Holder. As discussed further below, to the extent a Holder acquires, becomes the Holder of or obtains control or direction over Common Shares in excess of the Applicable Limit, such excess number of Common Shares will automatically become dormant shares ("**Dormant Shares**", as described below). The Company will adopt special operating procedures designed to monitor beneficial ownership, control or direction and voting power held by Holders and to identify any Holder who holds Common Shares in excess of the Applicable Limit, which procedures will be administered by the Company's transfer agent and registrar, TMX Trust Company (the "**Transfer Agent**").

Dormant Shares

Our Articles will provide that if any Holder directly or indirectly acquires, becomes the Holder of or obtains control or direction over Common Shares in excess of the Applicable Limit (including, for greater certainty, as a result of being or becoming a member of a group of persons acting together) without obtaining prior MCU Approval, any such Common Shares held by such Holder in excess of the Applicable Limit shall automatically, and without any further action on the part of the Company or such Holder, automatically become Dormant Shares unless MCU Approval has been obtained in respect of such Holder (until such MCU Approval is obtained, such Holder, a "**Dormant Shareholder**"). Common Shares that become Dormant Shares shall not have attached to them any rights, privileges or benefits attached to the Common Shares during the period they are dormant, including the right to vote, the right to receive dividends or the right to participate in the liquidation and distribution of the Company's assets upon dissolution, and shall remain Dormant Shares until such time as either (a) the Company, in its sole discretion, is satisfied that the Holder has received the required MCU Approval, and that no prejudice to the Company's status as a licence holder, or otherwise, will arise as a result of such Dormant Shares regaining all of the rights, privileges and benefits attached to the Common Shares generally, or (b) such Dormant Shares have been transferred, sold or assigned by the Dormant Shareholder to a Holder that is not a Dormant Shareholder. Notwithstanding the foregoing, a Dormant Shareholder shall be entitled to sell any such Dormant Shares and retain the profits associated with such sale.

For greater certainty, if a Holder that exceeds the Applicable Limit is a group of persons acting together, the Common Shares held by each member of such group will automatically become Dormant Shares on a pro rata basis according to the proportion that such member's Common Shares bears to the aggregate number of Common Shares held by such group.

In accordance with the Procedures (as defined and set out below), we may at any time require Holders of or subscribers for Common Shares and certain other persons to furnish declarations and related information with respect to ownership, direction or control of Common Shares and certain other matters relevant to the enforcement of the Approval Requirements. We may also require production of documents, responses to information requests and attendance before representatives of the Company to respond to questions, in each case concerning any such declarations.

MCU Approval

A Dormant Shareholder (or any other person, whether or not a Holder) may, at any time, apply to the MCU or by notice to the Company require the Company make an application for MCU Approval on such person's behalf in order to seek approval to permit such person to acquire Common Shares in excess of the Applicable Limit without any Common Shares in excess of the Applicable Limit becoming Dormant Shares. There is no assurance that the MCU will provide such approval. As a condition to the Company being satisfied that no prejudice to the Company's status as a licence holder, or otherwise, will arise as a result of such Dormant Shares regaining all of the rights, privileges and benefits attached to the Common Shares following the receipt of any such MCU Approval, the Holder will be subject to provisions in our Articles requiring, and may also be required to execute an agreement with the Company confirming, that such Holder will cooperate with the Company in respect of any future licence applications or renewals, including by providing any required or requested documentation or information in a timely manner.

The procedures required by the MCU for seeking MCU Approval may include, among other things, police record checks and the submission of certain information to the MCU and the Israeli Police. Non-Israeli Holders may be subject to additional administrative and/or procedural requirements in obtaining the MCU Approval than would be required for Israeli Holders (such as the provision of certain declarations), and as a result their applications may be subject to longer processing times than those submitted by Israeli Holders.

Special Operating Procedures for Identifying Dormant Share Ownership

Our special operating procedures ("**Procedures**") set out provisions for monitoring share ownership and identifying any Holders that acquire, hold or maintain control or direction over Common Shares in excess of the Applicable Limit.

Our Procedures include the establishment of a monitoring and declaration system that provides for, among other things:

- Shareholders being required to provide an Ownership Declaration (as defined in the Glossary) certifying the number of Common Shares held directly or indirectly, or over which such shareholder exercises direction or control (and certifying as to whether or not those shares are held by a group of persons acting together), at our discretion, when the shareholder deposits or removes Common Shares from CDS, or at other times as determined in our discretion to be necessary or appropriate;
- all participants in the CDS depository service ("**CDS Participants**"), Brokers and other Financial Intermediaries being required to provide the Transfer Agent with a Participant Declaration (as defined in the Glossary) identifying to the best of their knowledge the number of Common Shares they hold on behalf of beneficial Holders and the identity of any Holder who has exceeded the Applicable Limit, with such Participant Declaration being provided at least once a year before our annual meeting and at such other times as we deem necessary or appropriate, including, without limitation, in advance of any other shareholder meeting or any other relevant date for determining the conferring of any shareholder rights or benefits;
- all proxy forms for voting at any of our shareholder meetings, and all voting instruction forms that we prepare for beneficial owners to exercise their voting power by providing instructions to CDS Participants and ultimately to CDS as the registered shareholder, will require certification as to the number of Common Shares that such Holder has ownership, direction or control over, whether alone or as a part of a group, failing which the shares to which that proxy form or voting instruction relates may not be voted;
- upon any declaration of dividends by the Company, the Company may impose any such procedures or requirements as it considers necessary or desirable in order to ensure that the amount of the dividend per Common Share is not received by any Holder in respect of any Dormant Shares; and
- the Transfer Agent requiring completed Ownership Declarations for all transfers of directly-held Common Shares (i.e. any Common Shares not held through CDS, including those held through a direct registration system maintained by the Transfer Agent).

Our Procedures for monitoring share ownership are subject to amendment at our discretion and will be available on our website.

Other Restrictions

The ownership or voting of our Common Shares by non-residents of Israel is not restricted in any way by our Articles or the laws of Israel, except for ownership by nationals of Iran or certain countries that are, or have been, in a state of war with Israel and any ownership which is in violation of the provisions set forth below.

Exchange Rights

Shareholders of BOL Industries and certain shareholders of BPL (the "**Subject Shareholders**") will receive rights to exchange their existing shares in BOL Industries and/or BPL to Common Shares in exchange for their shares held in the respective subsidiaries (the "**Subsidiary Shares**") upon such exchange (the "**Exchange**"). In lieu of effecting the Exchange at closing of the Offering, prior to closing, we will issue to each Subject

Shareholder a right (an "**Exchange Right**"), exercisable at their option prior to the second anniversary of the grant date thereof, to exchange their Subsidiary Shares for Common Shares upon notice provided to us by the Subject Shareholder. The Company has reserved such number of Common Shares as is required to satisfy the exercise of each of the Exchange Rights so issued. Exchange Rights shall not entitle any holder thereof to any voting rights, rights to dividends or any other rights to the assets of the Company, except for the right to be issued Common Shares. The information we present in this prospectus regarding the number of Common Shares outstanding on a fully-diluted basis assumes, among other things, the completion of the Exchange by the Subject Shareholders with respect to all Subsidiary Shares held by them.

Shareholders' Meetings and Resolutions

The Chair of our Board of Directors is entitled to preside as Chair of each shareholders' meeting. If he or she is absent, his deputy or another person elected by the present shareholders will preside. A simple majority of the votes held by shareholders present at such shareholders' meeting, either in person or by proxy, is sufficient to approve most shareholders' resolutions, including any amendment to our Articles, unless otherwise required by law or by our Articles. For example, resolutions with respect to certain Interested Party (as defined in the Glossary) transactions, or with respect to tender offers may, in certain circumstances, require a special majority. See "Approval of Related Party Transactions" and "Tender Offer".

In accordance with the Companies Law and the TSX's annual meeting requirements, we are required to hold an annual meeting of our shareholders once every calendar year, which meeting must be within six months from the end of our fiscal year and in any event by no later than fifteen months from the previous annual meeting. All meetings other than the annual meeting of shareholders are referred to as "extraordinary general meetings". Our Board of Directors may call extraordinary general meetings whenever it sees fit, at such time and place as it may determine. In addition, the Companies Law provides that the Board of Directors of a public company is required to convene an extraordinary general meeting upon the request of:

- any two directors of the Company or one quarter of the Board of Directors; or
- one or more shareholders holding, in the aggregate: (i) at least 5% of the outstanding shares of the Company and at least 1% of the voting power in the Company; or (ii) at least 5% of the voting power in the Company.

Subject to the Companies Law, our Board of Directors may fix a record date to allow us to determine the shareholders entitled to notice of, or to vote at, any meeting of our shareholders, which may generally be not more than 40 and not less than four days prior to the date of the meeting. The Companies Law requires that a notice of a shareholders' meeting be provided to shareholders at least 21 or 35 days prior to the meeting date, depending on the items on the agenda. Under applicable Canadian securities laws, subject to our ability to abridge certain timing requirements, the record date for notice of a meeting must be no fewer than 30 and no more than 60 days before the meeting date, and notification of the meeting and record dates must be sent at least 25 days prior to the record date. Under the Companies Law, one or more shareholders holding at least 1% of the voting rights at a general meeting of shareholders may request that the Board of Directors include a matter on the agenda of a general meeting of shareholders to be convened in the future, provided that such matter is appropriate for discussion at the general meeting. Under the Companies Law and our Articles, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

The provisions in our Articles pertaining to general meetings also apply to any special meeting of a class of shareholders.

DIVIDEND POLICY

We have never declared or paid any dividends on our Common Shares and do not intend to pay dividends on our Common Shares in the foreseeable future. Our earnings and other cash resources will be used to continue the development and expansion of our business. Any future dividend policy will be determined by our Board of Directors and will be based upon conditions then existing, including our results of operations, financial condition, current and anticipated cash needs, contractual restrictions and other conditions and factors that our Board may deem relevant.

According to the Companies Law, a company may distribute dividends only out of its "profits," as such term is defined in the Companies Law, as of the end of the most recent fiscal year or as accrued over a period of two years, whichever is higher. Our Board of Directors is authorized to distribute dividends, provided that there is no reasonable concern that payment of such dividends will prevent us from satisfying our existing and foreseeable obligations as they become due. The foregoing notwithstanding, the Board of Directors may declare and distribute dividends without satisfying the profit criterion provided that the Company has obtained a court decision stating that there is no reasonable concern that such dividend payment will prevent us from satisfying our existing and foreseeable obligations as they become due. Profits, for purposes of the Companies Law, means the greater of retained earnings or earnings accumulated during the preceding two years, after deduction of previous distributions that were not already deducted from the surpluses, as evidenced by the Company's reviewed or audited financial statements prepared no more than six months prior to the date of distribution.

PRINCIPAL SHAREHOLDER

Upon the completion of the Offering, the Principal Shareholder will directly or indirectly own or control approximately 14,459,434 of the issued and outstanding Common Shares (representing approximately 42.50% (based on the midpoint of the Offering Price range) if the Over-Allotment Option is not exercised, and 41.57% (based on the midpoint of the Offering Price range) if the Over-Allotment Option is exercised in full, in each case on a fully-diluted basis). As a result, the Principal Shareholder will have a significant influence over us and our affairs. See "Risk Factors". The Principal Shareholder will enter into contractual Lock-Up agreements with respect to the Common Shares held by it with the Underwriters. See "Plan of Distribution — Lock-Up Arrangements".

The following table sets out certain information with respect to the Principal Shareholder who will, to our knowledge, beneficially own, control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of our voting securities.

		Following Pre-Closing Capital Changes and Prior to Closing		Immediately following Closing, assuming no exercise of the Over-Allotment Option		
Name of Shareholder	Type of Ownership	Number of Common Shares Owned	Percentage of Outstanding Common Shares	Number of Common Shares Owned	Percentage of Outstanding Common Shares	Percentage of Total Voting Rights
AKC[(1)]	Beneficial and of record	14,459,434	49.97%	14,459,434	42.50%	42.50%

Note:

(1) The general partnership interests of AKC are held by Amir and Mr. Leon Koffler.

Investor Rights Agreement

Prior to Closing, the Company and AKC will enter into the Investor Rights Agreement, which following expiry of the 180-day lock-up period shall provide AKC with customary registration rights upon demand by AKC or in connection with any subsequent treasury offering or offering by other shareholders of the Company. In the event that AKC holds, in the aggregate, less than ● % of the aggregate Common Shares, AKC shall no longer have any registration rights and the Investor Rights Agreement shall terminate.

DESCRIPTION OF MATERIAL INDEBTEDNESS

Description of Material Indebtedness

The following is a description of our material indebtedness, which summarizes the material terms of the applicable agreements.

Loans and Guarantees

In July 2016, we entered into a loan agreement with certain individuals (who are also shareholders of the Company), pursuant to which we received a loan in the amount of $331,620 (NIS 1,290,000) in the aggregate,

bearing an annual interest rate of 5% (compounded quarterly). The maturity date of this loan is the earlier of July 6, 2020, or 48 months following the initial public offering of the Company's securities.

In June 2017 (as confirmed in September , 2017), BOL Agro-Tech and BOL Israel, indirect subsidiaries of the Company, entered into the Zabar Kama Partnership Agreement. On April 26, 2018, in connection with the Zabar Kama Partnership Agreement, BOL Agro-Tech issued the Existing Guarantee to Zabar Kama in the amount of $80,000 (NIS 300,000). In April 2019, BOL Israel, BOL Agro-Tech and Zabar Kama agreed to extend the Existing Guarantee until August 1, 2019. BOL Israel and BOL Agro-Tech also agreed to provide, no later than July 18, 2019, an increased guarantee in an approximate amount of $200,000 (NIS 750,000), which will be in effect until July 17, 2020 and will be extended on an annual basis thirty days before the end of each relevant one-year period.

In February and March 2018, BOL Cannabis Manufacturing entered into a loan agreement with an Israeli Bank for the receipt of a number of loans in the total amount of approximately $1,143,477 (NIS 4,000,000) bearing interest at the rate of Israeli Prime (currently 1.5%)+ 2.85%. The monthly repayment amount of such loan (principal and interest) is approximately $52,260 (NIS 188,000). The maturity date is February 10, 2020.

In connection with the Revadim Lease Agreement, and in order to secure compliance with all of BOL Manufacturing's liabilities in full and in a timely manner, BOL Manufacturing issued a bank guarantee in the amount of approximately $215,000 (NIS 805,000) to Revadim. In May 2019, BOL Manufacturing applied for an increase of the bank guarantee to a total of approximately $430,000 (NIS 1,610,000), representing a guarantee for six months of lease payments which will be valid through June 12, 2020. According to the provisions of the agreement with Revadim, at the earlier of 18 months after the date of the agreement with Revadim, or upon an initial public offering, BOL Manufacturing is required to increase the guarantee to an amount equivalent to nine months of lease payments.

In consideration for the extension of the above-mentioned guarantees and bank loan (and an existing line of credit), the Company was required to deposit and pledge in favor of the bank an amount of approximately $1,143,477 (NIS 4,000,000) as a cash deposit to secure the exercise of the above-mentioned bank guarantees and loan (and the existing credit line).

CONSOLIDATED CAPITALIZATION

The following table sets forth our consolidated capitalization as at March 31, 2019: (i) on an actual basis and (ii) on a pro forma as adjusted basis to give effect to the completion of the Offering (but without giving effect to any exercise of the Over-Allotment Option) and the Pre-Closing Capital Changes. This table is presented and should be read in conjunction with our Interim Financial Statements and the related notes included elsewhere in this prospectus and with the information set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Share Capital".

	As at March 31, 2019	
(in thousands of U.S. dollars)	**Actual**	**After giving effect to the Offering and the Pre-Closing Capital Changes**
	(unaudited)	
Cash and cash equivalents	$ 19,376	$165,698[(1)]
Debt		
Current and Long-term lease liabilities	$ 10,503	$ 10,503
Current maturities and Long-term loans from banks	$ 689	$ 689
Convertible loans	$ 45,414	—
Other long-term liabilities	$ 361	$ 361
Shareholders' equity		
Share capital and premium	$ 3,402	$195,137
Reserve from share-based payment transactions	$ 19,583	●
Reserve from transactions with non-controlling interests	$ 8,751	●
Translation reserve	$ 506	●
Accumulated deficit	$(47,292)	●
Total equity attributable to equity holders of the company	$(15,050)	$ ●
Non-controlling interests	$ (52)	●
Total equity	$(15,102)	$ ●
Total capitalization	$ 41,865	$ ●

Note:

(1) Based on the estimated net proceeds of the Offering after deducting the estimated expenses of the Offering and assuming no exercise of the Over-Allotment Option, converted to U.S. dollars at the exchange rate of Canadian dollars C$1.00 equals U.S. dollars $0.75.

OPTIONS TO PURCHASE COMMON SHARES

The following table sets forth the aggregate number of options to purchase Common Shares that were issued and outstanding as at March 31, 2019 (on a pre-consolidation basis), and does not include ● options to be issued upon completion of the Offering:

Category	Number of Options to acquire Common Shares	Exercise Price[1]	Expiration Date
Stock Option Plan			
All of our executive officers and past executive officers, and all of our directors and past directors, as a group (4 in total)	7,836,974	$0.003	From August 5th, 2025, to March 17th, 2026
All other of our employees and past employees, advisors and past advisors, as a group (84 in total)	12,449,842	$0.003	From August 5th, 2025, to March 18th, 2026
Total	20,286,816	$0.003	From August 5th, 2025, to March 18th, 2026

Note:

(1) For a description of our equity-based incentive compensation plans, see "Executive Compensation — Principal Elements of Compensation".

PRIOR SALES

The following table summarizes issuances of our Common Shares, or securities convertible into Common Shares (in each case, on a pre-consolidation basis), during the 12-month period preceding the date of this Prospectus. For additional information, please refer to "Description of Share Capital — Common Shares."

Date of Issuance	Number of Securities Issued	Issuance/Exercise Price per Security
Various dates preceding the date of the prospectus	20,286,816 Options Issued Under the ESOP	Par
June 13 to June 15, 2018	227,000 Warrants[1]	N/A
July 24, 2018	1,767 Common Shares	US$7.72
July 27, 2018	3,710 Common Shares	US$7.77
November 22, 2018	19,121 Common Shares[2]	US$9.38
November 22, 2018	129,288 Common Shares[3]	US$5.42
November 22, 2018	158,903 Common Shares	US$6.69
November 22, 2018	35,454 Common Shares	US$9.05
December 11, 2018	2,402 Common Shares	US$8.92
December 11, 2018	15,014 Common Shares	US$8.91
December 24, 2018	22,040 Common Shares	US$9.07
April 1, 2019	48,860 Common Shares[4]	Par

Notes:

(1) Warrants issued in connection with certain subscription agreements. Each Warrant will be exchanged for Common Shares at Closing.

(2) Common Shares issued in connection with investment agreements signed in August 2018.

(3) Common Shares issued in accordance with conversion rights under previously existing convertible loan agreements. Please refer to "Pre-Closing Capital Changes" with respect to issuance of additional shares pursuant to the AKC CLA conversion and adjustment of valutation.

(4) Common Shares issued by a former employee upon exercise of options.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Our board of directors brings together a wealth of experience and expertise in agriculture, cultivation, manufacturing, clinical research, pharmaceuticals, finance, and marketing. The following table sets forth the names, ages, residence, positions and duration of service of the individuals expected to be directors of BOL Pharma following the Offering and the committee memberships they are expected to hold. Additional biographical information for each individual is provided below. Under the Israeli Cannabis Law, any appointment of a director (and renewal of their tenure) requires the prior approval of the MCU.

Name and place of residence	Age	Position
Hagai Hillman[4] *Israel*	53	Director, Founder and President
Tamir Gedo[4] *Israel*	50	Director and CEO
Craig Baxter[3] *Toronto, Canada*	63	Chairman
Leon Koffler *Israel*	67	Director
Murray Belzberg[1][2][3] *Toronto, Canada*	63	Director
Michael Mendelson *Israel*	73	Director
Dov Amitay *Israel*	59	Director
Osnat Ronen[1][2][3][5] *Israel*	56	Director
Dov Kotler *Israel*	61	Director
Ofer Segev[1][2][3][5] *Israel*	59	Director
Michal Herzog *Israel*	58	Director

Notes:

(1) Member of our Audit Committee. Osnat Ronen is the chair of the Audit Committee.

(2) Member of our Compensation and Nominating Committee.

(3) Independent director for the purposes of National Instrument 58-101 — *Disclosure of Corporate Governance Practices* ("**NI 58-101**") of the Canadian Securities Administrators. See "— Corporate Governance — Director Independence".

(4) Also an executive officer.

(5) External directors under the Companies Law.

Management

Our management team is comprised of industry professionals with a diverse set of relevant expertise, relationships and experience. They have over 10 years of growing / cultivation experience in Israel as well as a wealth of knowledge and experience from previous roles at global pharmaceutical companies such as Teva Pharmaceutical Industries Limited, Novartis International AG, Allergan plc, Bayer AG, Merck Sharp & Dohme Corp, and Perrigo Company plc. The following table sets forth the names, residences, ages, and positions of the

executive officers of BOL Pharma as of the date of this prospectus. Additional biographical information for each individual is provided in the text following the table:

Name and place of residence	Age	Current Office
Hagai Hillman *Israel*	53	President
Tamir Gedo *Israel*	50	Chief Executive Officer
Hugo Goldman *Israel*	64	Chief Financial Officer
Avner Shekel *Israel*	41	Chief Operating Officer
Boaz Hirshberg *Israel*	53	Chief Medical Officer
Sagi Ben Rimon *Israel*	47	General Manager of Global Operations

Biographical Information Regarding the Directors and Executive Officers

***Hagai Hillman**, Founder, President and Director*

Hagai Hillman is the Founder of BOL Pharma, and has dedicated his career to cultivating and growing export agriculture produce utilizing advanced agriculture technologies and ground-breaking Agro-methodologies. Mr. Hillman is the founder and Chairman of the Israeli Licensed Medical Cannabis Growers Association, and has established strong relationships with local academic institutions developing significantly improved agro-growth methods, plant genetics techniques, chemical stabilization protocols, and many other developments, all aimed at maximizing medicinal value in botanical produce. Mr. Hillman has been a government licensed grower of medical Cannabis since 2008, and has established an advanced research facility as well as labs for the cultivation of unique genetic strands of Cannabis and production of Botanical Cannabinoids for the Pharma, Medical Cosmetics and Food Supplements industries. Mr. Hillman has served as the President of the Company for four years.

***Tamir Gedo**, Chief Executive Officer and Director*

Dr. Tamir Gedo serves as the CEO of BOL Pharma. Dr. Gedo draws upon 25 years of experience as a marketing and business strategy expert serving in academic, government, and industry functions. Dr. Gedo's extensive expertise in international marketing, branding, entrepreneurship, and business strategy has served him in his various leadership roles. Dr. Gedo has contributed to a wide range of branding, strategic planning, and market penetration activities as a senior manager or executive director of major companies in a variety of industries, including the pharmaceutical industry. Dr. Gedo served as executive director at Lundbeck Israel and Maccabi Healthcare which is the second biggest heath medical organization in Israel. As a consultant, Dr. Gedo provided services to companies in the medical, nutrition, and pharmaceutical industries. In addition to his business and consulting practice, Dr. Gedo has served as the head of the marketing department and other faculty positions of several colleges in Israel such as the Max Stern Yezreel Valley College and IDC Herzelia College and has guest lectured in the Department of Business Administration of Shanghai University. Over the years, he has taught undergraduate and graduate level courses in global marketing, business strategy, innovation, and entrepreneurship. Dr. Gedo received his Ph.D. in Behavioral Economics from Manchester Business School (UK) and an MBA from Ben Gurion University (Israel). He completed a B.Sc. in Molecular Biology at Bar Ilan University (Israel). Mr. Gedo has served as the CEO of the Company for two years.

***Murray Belzberg**, Director*

Murray Belzberg is the President of Perennial Asset Management Corp. Mr. Belzberg started Perennial Asset Management in 2005 with his partner Jim Ruess. Perennial Asset Management is structured to provide a simple solution for investors struggling with overly complex investment choices. Prior to his time at Perennial

Asset Management, Mr. Belzberg served as Vice President at Merrill Lynch Canada, and was the youngest person ever appointed to his position. Mr. Belzberg moved from Merrill Lynch to First City Trust Company, where he assumed responsibility for Mutual Funds and the Personal and Corporate Trust Division. He revamped an investment lending product that became the most successful in Canada and built a specialized personal trust business that within three years became the second largest in the industry. Mr. Belzberg received his B.Sc. from The University of Western Ontario (Canada).

***Leon Koffler**, Director*

Leon Koffler has over 40 years of business experience, with an emphasis on the pharmaceutical industry. Mr. Koffler is the founder and controlling shareholder of the pharmacy chain Super-Pharm, serves as Chairman of the Board of Super-Pharm (Israel) Ltd. and also has a general interest in AKC. Mr. Koffler previously served as Super-Pharm's CEO, and played an instrumental role in the growth of the Canadian pharmacy chain Shoppers Drug-Mart. Mr. Koffler has received degrees from Ryerson University and the University of Grenoble.

***Michael Mendelson**, Director*

Michael Mendelson is the CEO of Amir. Amir is the leading agriculture supply company in Israel and Mr. Mendelson has been a part of their team for over 22 years. Prior to his time at Amir, Mr. Mendelson served as managing director and marketing manager for other leading companies in Israel such as Coca-Cola, and Sealy Mattress. Mr. Mendelson received his B.A in economics and Political Science from the Hebrew University of Jerusalem (Israel), and a M.S in Business Administration specializing in Marketing from the University of California, Los Angeles (USA).

***Dov Amitay**, Director*

Dov Amitay is the owner of a farm in Metula, Israel. He has served as a director of various companies including Amir Agriculture Marketing and Investments (where he serves as Chairman), the Upper Galilee Water Supply Company, and the Israel Farmers Association. He was the President of the Israel Farmers Federation. He received his Masters of Agriculture from Pardes Hanna School of Agriculture (Israel).

***Osnat Ronen**, Director*

Osnat Ronen is the Founder and Director of Wecheck Ltd., a fintech start-up, focused on providing financial services to home renters. Strategic investors of Wecheck Ltd. include Isracard, the largest credit card company in Israel and Yad2, the largest Israeli classified ads platform. Ms. Ronen is also the Founder and General Partner of FireWind PE, a private equity, entrepreneurship and investment platform. Ms. Ronen is a member of the Board of Directors of Partner Communications, one of the leading communication groups in Israel (traded on the NASDAQ and TASE). Ms. Ronen received her MBA and B.Sc.in Mathematics and Computer Science from Tel Aviv University (Israel).

***Dov Kotler**, Director*

Dov Kotler is the Co-founder and Chairman of Intoo.com, a crowd funding initiative investing in the real estate sector that has raised over $100 million from Israeli and American investors for 38 projects across the United States. Mr. Kotler has over 40 years of experience in the financial sector, 15 of which he served as a CEO for various companies including Visa Cal, Union Bank, Prisma Investment House, and Isracard & Poalim Express. Mr. Kotler serves on the Board of Directors for the Bezeq Group, and is an advisor for three fintech start-ups. Mr. Kotler completed the Advanced Management Program at Harvard Business School (USA). Mr. Kotler received his MBA and Bachelor of Economics from Tel Aviv University (Israel).

***Craig Baxter**, Chairman and Director*

Craig Baxter is Chief Executive Officer of Methapharm, and Co-Owner of Methapharm and ACIC, a privately held pharmaceutical company with a worldwide network of manufacturing and research and development partners, and in-house sales organizations in Canada, the US, and Europe. Mr. Baxter has 30 years of experience in the pharmaceutical industry, having held various executive positions with Apotex Inc., and

related companies. Mr. Baxter was previously a Director and Chairman of the Board of Humber River Regional Hospital, and Chairman of Cangene Corporation. Mr. Baxter received his Bachelor of Commerce in Finance from Concordia University (Canada). He is also certified public accountant in Canada.

***Ofer Segev**, Director*

Ofer Segev is the COO and CFO of Algosec Inc, a private software company in the network security management space, and is a director and a member of the audit committee of Varonis Systems Inc. Prior to this, Mr. Segec has served in executive and board roles at a variety of technology companies such as Audiocodes, Ness Technologies, Commtouch, and Attunity, among others. Mr. Segev was previously a Partner at Ernst & Young in the U.S. and Israel. Mr. Segev earned his B.A. in economics and accounting from Bar Ilan University (Israel).

***Michal Herzog**, Director*

Michal Herzog is the Israel Director of the Maurice and Vivienne Wohl Philanthropic Foundation, a British based philanthropic foundation active in Israel in the fields of scientific research and pathways to employment of special populations. Previously, Michal Herzog served as the Program Director of the Management and & Ethics field of MAALA, Business for Social Responsibility in Israel. Michal Herzog received an LLB from the Tel Aviv University Faculty of Law (Israel) and an undergraduate degree from the University of Toronto. Michal Herzog completed the Directors of Government Corporation Program at the Israel Management Institute (Israel). Michal Herzog is a member of the Israel Bar Association.

***Hugo Goldman**, Chief Financial Officer*

With over 25 years of senior leadership experience in finance and operations with high growth public technology and medical devices companies Hugo Goldman has a long history of creating significant value for shareholders. Mr. Goldman has played an instrumental role in successful IPOs, M&A, spin-offs, and fund raising into private and public companies, and has extensive experience in capital markets (NASDAQ, TASE, AIM) and investor relations. From 2012 to 2018 Mr. Goldman served as the CFO of Syneron Medical Ltd, a global leader in aesthetic medical devices. Prior to that, Mr. Goldman served as CFO for a variety of companies including Retalix, Ltd., AxisMobile, and VocalTec Communications Ltd. Mr. Goldman began his career at PricewaterhouseCoopers and holds a bachelor's degree in Accounting and Economics from the University of Tel Aviv (Israel) and an Executive M.B.A. from Bradford University (UK) with distinction. He is a certified public accountant in Israel and member of the Steering Committee of the Israeli CFO Forum.

***Avner Shekel**, Chief Operating Officer*

Avner Shekel is our COO — a position he has held since 2015. Mr. Shekel has over 20 years of experience in agriculture and agro-technology management. Mr. Shekel has been working with our Company for 11 years, and has a proven track record of executing complex projects relating to medical cannabis growth, cultivation, and commercialization. Mr. Shekel received his B.A. from the Ruppin Academic Center (Israel). Mr. Shekel has served as the COO of the Company for four years.

***Boaz Hirshberg**, Chief Medical Officer*

Dr. Boaz Hirshberg is the CMO and head of global development at BOL Pharma. In his prior role, he was the Vice President, Clinical Therapeutic Area Head, Cardiovascular, Metabolic, Renal Disease (CVRM) at MedImmune, the biotech arm of AstraZeneca. In that role, he was accountable for all early clinical development plans and clinical trials within CVRM; and chaired various committees. Previously, Dr. Hirshberg was a Global Clinical Lead, Executive Director at AstraZeneca. Dr. Hirshberg has over 15 years of experience in the global pharmaceutical industry in both small and large molecule clinical development. Dr Hirshberg has extensive clinical development expertise and documented experience ranging from phase 1 translation studied, proof of concept studies, phase 3 and life cycle management programs. Dr Hirshberg served as an academic and government (NIH) physician scientist for over 10 years and has authored many peer reviewed papers and book chapters. Dr. Hirshberg earned his undergraduate degree and his medical degree at the Hebrew University,

Jerusalem Israel, and completed his residency in Internal Medicine at the Hadassah Medical Center, Hebrew University. Dr. Hirshberg then completed a Fellowship in Clinical Endocrinology and Metabolism at the National Institute of Diabetes and Digestive and Kidney Diseases, National Institutes of Health. Dr. Hirshberg earned his MBA with a concentration in Health Care Administration from Wilmington University, DE.

Sagi Ben Rimon, *General Manager of Global Operations*

In a career spanning over 20 years, Sagi Ben Rimon has held several leadership positions, mainly in the pharma industry. Before joining BOL Pharma, Mr. Rimon worked at Teva Pharmaceuticals Ltd. for 14 years. At Teva, Mr. Rimon held several positions of responsibility, including Vice-President, Operations Network strategic planning and Manager of the Kfar Saba Oral Solid Dosages plant. Before that, Mr. Rimon served as Vice President, Research and Development and Manufacturing for Optonol, a company specializing in Ophthalmic implants. Mr. Rimon holds an MBA in Business Management as well as a B.Sc. in Mechanical engineering, both from the Ben Gurion University in Beer Sheba (Israel).

Corporate Cease Trade Orders

To our knowledge, no current or proposed director or executive officer is, as at the date of the prospectus, or was within 10 years before the date of the preliminary prospectus, a director, chief executive officer or chief financial officer of any company (including the Company) that:

a) was subject to a cease trade order or similar order or an order that denied the company access to any statutory exemptions, that was in effect for a period of more than 30 consecutive days; or

b) was subject to a cease trade order or similar order or an order that denied the company access to any statutory exemptions, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To our knowledge, no current or proposed director or executive officer or shareholder holding a sufficient number of our securities to affect materially the control of the Company:

a) is, as at the date of the preliminary prospectus, or has been within the 10 years before the date of the preliminary prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receive, receiver manager or trustee appointed to hold its assets; or

b) has, within the 10 years before the date of the preliminary prospectus, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director, executive officer or shareholder.

Penalties or Sanctions

To our knowledge, no current or proposed director or executive officer or a shareholder holding a sufficient number of our securities to affect materially the control of the Company, has been subject to:

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

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

Conflicts of Interest

The members of the Board of Directors are required by law to act honestly and in good faith with a view to our best interests and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter. See "Corporate Governance".

Other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, our directors and officers or other members of management or of any proposed director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. See "Corporate Governance — Meetings of Independent Directors and Conflicts of Interest" and "Risk Factors".

The following chart identifies each of our proposed directors and officers who may have a potential conflict of interest:

Name of Director or Executive Officer	Description of Conflict(s) of Interest
Leon Koffler, Director	Mr. Koffler is the founder and controlling shareholder of Super-Pharm and serves as Chariman of the Board of Super-Pharm, which is our primary retail channel, and also has a general partnership interest in AKC.
Michael Mendelson, Director	Mr. Mendelson is CEO of Amir.
Dov Amitay, Director	Mr. Amitay serves as Chairman of Amir and the Israel Farmers Association.

Corporate Governance

The following is a description of our corporate governance and our governance framework that will be in effect following Closing.

Composition of our Board and Board Committees

Under our Articles, our Board is to consist of a minimum of 5 and a maximum of 15 directors as determined from time to time by the directors. Upon completion of the Offering, our Board will consist of 11 directors. Under the Companies Law, a director may be removed with or without cause by a resolution passed by an ordinary majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote, provided that the director had a reasonable opportunity to present his or her position to the shareholders. The directors, other than the external directors, will be elected by shareholders at each annual meeting of shareholders, and will hold office for a term expiring at the close of the next annual meeting. Our Articles provide that, between annual general meetings of shareholders, the directors may by majority resolution increase the number of directors up to the maximum authorized under the Articles and by majority resolution appoint additional directors to fill the new vacancies created through that increase provided that the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous meeting of shareholders of the Company.

Director Independence

Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of the general independence requirements of Section 1.4 of NI 52-110, without regard to the additional independence requirements set out in Section 1.5 of NI 52-110 which apply only to members of the audit committee. Pursuant to Section 1.4 of NI 52-110, an independent director is a director who is free from any direct or indirect relationship which could, in the view of our Board, be reasonably expected to interfere with a director's independent judgment, and who is also not disqualified from independence under any of the "bright line" independence requirements set out in Section 1.4 of NI 52-110. Based on information provided by each director concerning his or her background, employment and affiliations, we have determined that Hagai Hillman

and Tamir Gedo will not be considered independent given they are executive officers of the Company, and Leon Koffler, Michael Mendelson, Dov Amitay, Dov Kotler and Michal Herzog may not be considered independent as a result of their relationships with AKC. Certain members of our Board are also members of the board of directors of other public companies. Our Board has not adopted a director interlock policy, but will keep informed of other public directorships held by its members and periodically assess from time to time.

Meetings of Independent Directors and Conflicts of Interest

We believe that, given its size and structure, the Board will be able to facilitate independent judgment in carrying out its responsibilities and will continue to do so following Closing. To enhance such independent judgment, the independent members of our Board may meet in the absence of senior executive officers or any non-independent directors.

Director Term Limits and Other Mechanisms of Board Renewal

Our Board has not adopted director term limits or other automatic mechanisms of board renewal. Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the Compensation and Nominating Committee of our Board will seek to maintain the composition of our Board in a way that provides, in the judgment of our Board, the best mix of skills and experience to provide for our overall stewardship. Our Compensation and Nominating Committee is responsible for conducting assessments of our Board, each committee and each director regarding his, her or its effectiveness and performance, and to report evaluation results to our Board. See also "Directors and Executive Officers — Corporate Governance — Diversity Policy".

Mandate of our Board of Directors

Our Board is responsible for supervising the management of the business and affairs, including providing guidance and strategic oversight to management. Our Board will adopt a formal mandate in the form set forth in Appendix A that includes the following:

- appointing the Chief Executive Officer;
- approving the corporate goals and objectives that the Chief Executive Officer is responsible for meeting and reviewing the performance of the Chief Executive Officer against such corporate goals and objectives;
- taking steps to satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization; and
- reviewing and approving management's strategic and business plans.

Our Board intends to adopt a written position description for the Chair, which sets out the Chair's key responsibilities, including, among others, duties relating to setting Board meeting agendas, chairing Board and shareholder meetings, director development and communicating with shareholders and regulators. See "Meetings of Independent Directors and Conflicts of Interest".

Our Board will adopt a written position description for each of our committee chairs which sets out each of the committee chair's key responsibilities, including, among others, duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

Our Board will adopt a written position description for our Chief Executive Officer which sets out the key responsibilities of our Chief Executive Officer, including, among other duties in relation to providing overall leadership, ensuring the development of a strategic plan and recommending such plan to our Board for consideration, ensuring the development of an annual corporate plan and budget that supports the strategic plan and recommending such plan to our Board for consideration and supervising day-to-day management and communicating with shareholders and regulators.

Orientation and Continuing Education

Following Closing, we will implement an orientation program for new directors under which a new director will meet with the Chair, members of senior management and our secretary. It is anticipated that new directors will be provided with comprehensive orientation and education as to the nature and operation of the Company and our business, the role of our Board and its committees, and the contribution that an individual director is expected to make. Our Compensation and Nominating Committee will be responsible for overseeing director continuing education designed to maintain or enhance the skills and abilities of the directors and to ensure that their knowledge and understanding of our business remains current. The chair of each committee will be responsible for coordinating orientation and continuing director development programs relating to the committee's mandate.

Code of Ethics

We will adopt a written code of ethics (the "**Code of Ethics**") that applies to all of our officers, directors, employees, contractors and agents acting on behalf of the Company. The objective of the Code of Ethics is to provide guidelines for maintaining our and our subsidiaries integrity, trust and respect. The Code of Ethics addresses compliance with laws, rules and regulations, conflicts of interest, confidentiality, commitment, preferential treatment, financial information, internal controls and disclosure, protection and proper use of our assets, communications, fair dealing, fair competition, due diligence, illegal payments, equal employment opportunities and harassment, privacy, use of Company computers and the internet, political and charitable activities and reporting any violations of law, regulation or the Code of Ethics. Any person subject to the Code of Ethics is required to report all violations of law, regulation or of the Code of Ethics of which they become aware to any one of the Company's senior executives. Our Compensation and Nominating Committee has ultimate responsibility for monitoring compliance with the Code of Ethics. The Code of Ethics will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

Diversity Policy

Under the Companies Law, if at the time an external director is appointed all current members of the Board of Directors who are not controlling shareholders or relatives of controlling shareholders are of the same gender, we are required to appoint an external director of the other gender at that time. We recognize the importance and benefit of having a diverse Board, as we believe that diversity can offer a breadth and depth of perspectives that enhance our Board's performance. We value diversity of abilities, experience, perspective, education, gender, background, race and national origin. Recommendations concerning director nominees are expected to be based on merit and past performance as well as expected contribution to our Board's performance and, accordingly, diversity is taken into consideration. At Closing, 2 of the members of our Board will be female. We have and will continue to recruit and select senior management candidates that represent a diversity of personal attributes including gender, race, and sexual identity. Currently, 17% of our executive officers are female.

In addition, our Board will adopt a formal diversity policy (the "**Diversity Policy**") for the representation and nomination of women on our Board and our senior management team. Aside from compliance with the Companies Law, we have not adopted formal targets for gender or other diversity representation in part due to the need to consider a balance of criteria for each individual appointment. The Company will, however, evaluate the appropriateness of adopting targets in the future.

We anticipate that the composition of our Board and senior management will be shaped by the selection criteria to be established by our Compensation and Nominating Committee, in accordance with our Diversity Policy. This will be achieved by, among other things, ensuring that diversity considerations are taken into account in Board vacancies and senior management, monitoring the level of female representation on our Board and in senior management positions, continuing to broaden recruiting efforts to attract qualified female candidates, and committing to their retention and training.

Committees of our Board

Our Board will initially establish two committees, the Audit Committee and the Compensation and Nominating Committee.

Audit Committee

Our Audit Committee shall be comprised of three directors, all of whom are persons determined by our Board to satisfy the prescribed requirements for audit committee members under applicable Canadian securities laws and the Companies Law as outlined below:

Canadian Requirements (NI 52-110)	Israeli Requirements (Companies Law)
The Audit Committee must consist of at least three directors.	The Audit Committee must consist of at least three directors.
Every Audit Committee member must be independent.(1)	The Audit Committee must include all of the Company's external directors, but may also include one or more directors who are not external directors provided he or she satisfies the criteria set out below.(3)
Every Audit Committee member must be financially literate.(2)	The chair of the Audit Committee must be an external director.
	The Audit Committee may not include the Chairman of the Board of Directors, a controlling shareholder of the Company, a relative of a controlling shareholder, a director employed by or providing services on a regular basis to the Company, to a controlling shareholder or to an entity controlled by a controlling shareholder, or a director who derives most of his or her income from a controlling shareholder.
	The majority of the Audit Committee members must be unaffiliated directors and at least one of the external directors must have "financial expertise". See "Certain Regulatory Matters — Summary of Certain Material Aspects of Israeli Corporate Law — External Directors".(4)

Notes:

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

(3) See "Certain Regulatory Matters — Summary of Certain Material Aspects of Israeli Corporate Law — External Directors".

(4) In general, an "unaffiliated director" under the Companies Law for "public companies," including companies listed on the TSX, is defined as either an external director or as a director who meets the following criteria:

- he or she meets the primary qualifications for being appointed as an external director, except for the requirements that the director possess accounting and financial expertise or professional qualifications; and
- he or she has not served as a director of the company for a period exceeding nine consecutive years, subject to extension for additional terms under certain circumstances. For this purpose, a break of less than two years in the service shall not be deemed to interrupt the continuation of the service.

The quorum required for the convening of meetings of the Audit Committee and for adopting resolutions by the audit committee is a majority of the members of the audit committee, provided such majority is comprised of a majority of independent directors, at least one of whom is an external director.

Under the Companies Law, the approval of the audit committee is required to effect specified actions and transactions with office holders and controlling shareholders and their relatives, or in which they have a personal

interest. See ‘‘Fiduciary Duties of Directors and Officers’’. The Audit Committee may not approve an action or a transaction with a controlling shareholder or with an office holder unless at the time of approval the Audit Committee meets the composition requirements under the Companies Law.

Our Audit Committee will be comprised of Osnat Ronen, who will act as chair of this committee, Ofer Segev and Murray Belzberg. See ‘‘— Biographical Information Regarding the Directors and Executive Officers’’ for further details.

In connection with the Offering our Board will adopt a written charter, as attached in Appendix B, setting forth the purpose, composition, authority and responsibility of our Audit Committee, consistent with both the Canadian securities law requirements of NI 52-110 and the Israeli corporate law requirements of the Companies Law. The Audit Committee will have the duties and responsibilities applicable under both the Companies Law and NI 52-110, and the role of the Audit Committee will also include to assist our Board in fulfilling its oversight of:

- our financial statements and financial reporting processes;
- our systems of internal accounting and financial controls;
- the annual independent audit of our financial statements;
- legal and regulatory compliance;
- reviewing and approving Interested Party transactions and establishing pre-approved criteria for such transactions;
- where the Board of Directors approves the working plan of the internal auditor, to examine such working plan before its submission to the board of directors and proposing amendments thereto;
- examining our internal controls and internal auditor’s performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities;
- examining the scope of our auditor’s work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor;
- establishing anonymous whistleblower procedures, including those providing for the receipt, retention and treatment of anonymous complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- determining whether certain related party actions and transactions are ‘‘material’’ or ‘‘extraordinary’’ for the purpose of the requisite approval procedures under the Companies Law and establishing procedures for considering proposed transactions with a controlling shareholder;
- determining whether there are deficiencies or irregularities in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices;
- determining the approval process for transactions with a controlling shareholder or in which a controlling shareholder has a personal interest; and
- public disclosure items such as quarterly press releases, investor relations materials and other public reporting requirements.

It will be the responsibility of the Audit Committee to maintain free and open means of communication between the Audit Committee, the external auditors and the management of the Company. The Audit Committee will be given full access to the Company’s management and records and external auditors as necessary to carry out these responsibilities. The Audit Committee will also have the authority to carry out such investigations as it sees fit in respect of any matters within its various roles and responsibilities. The Company shall provide appropriate funding, as determined by the Audit Committee, for the payment of compensation to the independent auditor to render or issue an audit report and to any advisors employed by the Audit Committee.

Internal Auditor

Under the Companies Law, the Board of Directors is required to appoint an internal auditor recommended by the Audit Committee, whose role is to examine, among other things, whether the Company's actions comply with applicable law and proper business procedures. The internal auditor may not be an Interested Party, an officer or director of the Company, or a relative of any of the foregoing, nor may the internal auditor be our independent accountant or a representative thereof. We intend to appoint an internal auditor in a timely manner following the completion of this Offering in compliance with the Companies Law.

External Auditor Service Fee

For the year ended December 31, 2018 and the year ended December 31, 2017, we incurred the following fees by our external auditor, E&Y:

(in thousands of U.S. dollars)	**Fiscal 2018**	**Fiscal 2017**
Audit fees[1]	$280	$ 96
Audit related fees[2]	$190	$ —
Tax fees[3]	$ 12	$ 12
All other fees[4]	$ 44	$ 10
Total fees paid	**$526**	**$118**

Notes:

(1) Fees for audit service on an accrued basis.

(2) Fees for assurance and related services not included in audit service above.

(3) Fees for tax compliance, tax advice and tax planning.

(4) All other fees not included above.

Compensation and Nominating Committee

At or prior to the Closing, the Board will form a Compensation and Nominating Committee that will initially be comprised of three directors, each of whom will be a person determined by our Board to be an independent director, and the committee will be charged with reviewing, overseeing and evaluating our compensation, corporate governance and nominating policies. Under the Companies Law, the compensation committee must consist of at least three directors who meet certain independence criteria and must include all of the Company's external directors, one of whom must serve as chair of the committee. Our Compensation and Nominating Committee will be comprised of Ofer Segev (Chair), Osnat Ronen and Murray Belzberg, each of whom is an independent director under Section 1.4 of NI 52-110. See "External Directors".

For additional details regarding the relevant education and experience of each member of our Compensation and Nominating Committee, including the direct experience that is relevant to each committee member's responsibilities in executive compensation, see "— Biographical Information Regarding the Directors and Executive Officers".

Our Board will adopt a written charter setting forth the purpose, composition, authority and responsibility of our Compensation and Nominating Committee consistent with the Corporate Governance Guidelines, including our Diversity Policy. Our Compensation and Nominating Committee's purpose will be to assist our Board in:

- the appointment, performance, evaluation and compensation of our senior executives;
- the recruitment, development and retention of our senior executives;
- maintaining talent management and succession planning systems and processes relating to our senior management;
- developing compensation structure for our senior executives including salaries, annual and long-term incentive plans including plans involving share issuances and other share-based awards;

- assessing the compensation of our directors;
- establishing policies and procedures designed to identify and mitigate risks associated with our compensation policies and practices;
- recommending to the board of directors with respect to the approval of the compensation policy for office holders and, once every three years, or five years from a company's initial public offering, regarding any extensions to a compensation policy that was adopted for a longer period of time;
- reviewing the implementation of the compensation policy and periodically recommending to the board of directors with respect to any amendments or updates of the compensation plan;
- developing and adopting a benefit retirement and savings plans;
- developing our corporate governance guidelines and principles and providing us with governance leadership;
- identifying individuals qualified to be nominated as members of our Board;
- monitoring compliance with the Code of Ethics;
- overseeing director orientation and continuing education;
- reviewing the structure, composition and mandate of Board committees;
- evaluating the performance and effectiveness of our Board and of our Board committees; and
- exempting, under certain circumstances, a transaction with our chief executive officer from requiring approval at a meeting of our shareholders.

Our Compensation and Nominating Committee will be responsible for establishing and implementing procedures to evaluate the performance and effectiveness of our Board, committees of our Board and the contributions of individual Board members. Our Compensation and Nominating Committee will also take reasonable steps to evaluate and assess, on an annual basis, directors' performance and effectiveness of our Board, committees of our Board, individual Board members, our Chair and committee chairs. The assessment will address, among other things, individual director independence, individual director and overall Board skills, and individual director financial literacy. Our Board will receive and consider the recommendations from our Compensation and Nominating Committee regarding the results of the evaluation of the performance and effectiveness of our Board, committees of our Board, individual Board members, our Chair and committee chairs. Our Compensation and Nominating Committee will also be responsible for orientation and continuing education programs for our directors. See also "— Orientation and Continuing Education".

Further, and pursuant to the Companies Law, the responsibilities of the Compensation and Nominating Committee will include recommending to the Board of Directors, for ultimate shareholder approval by a special majority of shareholders, our Compensation Policy governing the compensation of officers and directors based on specified criteria; reviewing modifications to the compensation policy from time to time; reviewing its implementation; and approving, if required by the Companies Law, the actual compensation terms of officers and directors prior to approval by the Board of Directors, under circumstances where board approval is required under the Companies Law. See also "Executive Compensation — Compensation-Setting Process".

Our full Board is responsible for approving the compensation of our executive officers, upon the recommendation of the Compensation and Nominating Committee. In anticipation of becoming a public company, our Board will adopt certain changes to the existing executive compensation framework. All such changes are subject to and conditional upon the successful completion of the Offering. See also "Executive Compensation — Summary Compensation Table".

Directors' and Officers' Liability Insurance

Our and our subsidiaries' directors and officers are covered under our existing directors' and officers' liability insurance. Under this insurance coverage, we and our subsidiaries are to be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our and our subsidiaries directors and officers, subject to a deductible for each loss, which will be paid by us. Our and our subsidiaries' individual directors and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us or our subsidiaries. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of the compensation of our President, CEO, CFO, COO and certain other executive officers of the Company, (collectively, the "**named executive officers**" or "**NEOs**"), who are:

- Hagai Moshe Hillman, *President*;
- Tamir Gedo, *Chief Executive Officer*;
- Hugo Goldman, *Chief Financial Officer*;
- Boaz Hirshberg, *Chief Medical Officer*; and
- Sagi Ben Rimon, *General Manager of Global Operations.*

The compensation expected to be paid to our NEOs for Fiscal 2019, which will be our first year as a public company, is summarized below under the heading "Summary Compensation Table".

Overview

We operate in a dynamic and rapidly evolving market. To succeed in this environment and to achieve our business and financial objectives, we need to attract, retain and motivate a highly talented team of executive officers.

Our executive officer compensation program is designed to achieve the following objectives:

- provide market-competitive compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to our success;
- motivate our executive officers to achieve our business and financial objectives;
- align the interests of our executive officers with those of our shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of our business; and
- provide incentives that encourage appropriate levels of risk-taking by our executive officers and provide a strong pay-for-performance relationship.

We offer our executive officers cash compensation in the form of base salary and an annual bonus, and equity-based or equity-like compensation which has historically been awarded in the form of stock options under our ESOP. We believe that equity-based compensation awards motivate our executive officers to achieve our business and financial objectives, and also align their interests with the long-term interests of our shareholders. See "— Principal Elements of Compensation — ESOP". We provide base salary to compensate employees for their day-to-day responsibilities, at levels that we believe are necessary to attract and retain executive officer talent. While we have determined that our current executive officer compensation program is effective at attracting and maintaining executive officer talent, we intend to evaluate our compensation practices on an ongoing basis to ensure that we are providing market-competitive compensation opportunities for our executive team.

As we transition from being a privately-held company to a publicly-traded company, we will continue to evaluate our compensation philosophy and compensation program as circumstances require and plan to continue to review compensation on an annual basis. As part of this review process, we expect to be guided by the philosophy and objectives outlined above, as well as other relevant factors and the compensation policy-related requirements under the Companies Law.

Compensation-Setting Process

Our Compensation and Nominating Committee will be responsible for assisting our Board in fulfilling its governance and supervisory responsibilities, and overseeing our human resources, succession planning, and

compensation policies, processes and practices, including implementation of the compensation policy adopted pursuant to the Companies Law (the "**Compensation Policy**"). Our Compensation and Nominating Committee will also be responsible for ensuring that our compensation policies and practices provide an appropriate balance of risk and reward consistent with our risk profile. For more information, please see "Committees of our Board — Compensation and Nominating Committee".

In connection with the Offering, our Board will adopt a written charter for our Compensation and Nominating Committee setting out its responsibilities for administering our compensation programs and reviewing and making recommendations to our Board concerning the level and nature of the compensation payable to our directors and officers. Our Compensation and Nominating Committee's oversight will include reviewing objectives, evaluating performance and ensuring that total compensation paid to our executive officers, personnel who report directly to our CEO and various other key executive officers and managers is fair, reasonable and consistent with the objectives of our philosophy and compensation program. See also "Directors and Executive Officers — Committees of our Board — Compensation and Nominating Committee."

Under the Companies Law, we are required to obtain shareholder approval of a Compensation Policy with respect to our directors and officers once every three years. However, a Compensation Policy adopted within nine months from Closing will be valid for five years from the Closing. The Compensation Policy must serve as the basis for decisions concerning the financial terms of employment or engagement of officers, including compensation, benefits, exculpation, insurance and indemnification. The Compensation Policy must take into account, among other things, certain factors, including the advancement of the Company's objectives, the Company's business plan, the Company's long-term strategy, risk management, and creation of appropriate incentives. The Compensation Policy must also include certain principles, such as: a link between variable compensation and long-term performance and measurable criteria; the relationship between variable and fixed compensation; and the minimum holding or vesting period for variable, equity-based compensation. Given these requirements, our Compensation Policy will govern and provide for the following matters: base salary, benefits and perquisites, cash bonuses and commissions, equity based compensation, retirement and termination of service arrangements, exculpation, indemnification and insurance and non-employee directors compensation.

Following the recommendation of our Compensation and Nominating Committee and pursuant to the Companies Law, the Compensation Policy must also be approved by our Board of Directors and shareholders. Shareholder approval must be by a simple majority of all votes cast, provided that: (i) such majority includes a simple majority of the votes cast by non-controlling shareholders having no personal interest in the matter; or (ii) the total number of votes of non-controlling shareholders having no personal interest who voted against such transaction does not exceed 2% of the total voting rights in the Company. Under special circumstances, the Board of Directors may approve the compensation policy despite the objection of the shareholders on the condition that the Compensation Committee and then the Board of Directors decide, on the basis of detailed arguments and after discussing again the Compensation Policy, that approval of the compensation policy, despite the objection of the meeting of shareholders, is for the benefit of the Company.

Generally, under the Companies Law, the compensation terms of directors, the chief executive officer and any employee or service provider who is considered a controlling shareholder must also be approved by the Compensation and Nominating Committee, the Board and the shareholders. However, shareholder approval is not required for director compensation payable in cash up to the maximum amount set forth in the regulations governing the compensation of external directors under the Companies Law. The compensation terms of other officers who report directly to the chief executive officer require the approval of the Compensation and Nominating Committee and the Board, subject to certain exceptions.

In 2019, we retained Korn Ferry International ("**Korn Ferry**"), an independent consulting firm to provide services to us in connection with executive officer and director compensation matters, including, among other things, assisting in the following:

- in reviewing the competitiveness of our current cash and equity-based compensation program for our executive officers and implementing changes to address our transition to a public company; and
- in designing our director compensation program.

Principal Elements of Compensation

Following completion of the Offering, the principal elements of compensation of our executive officers, as set forth in the Company's compensation policy, will be comprised of: (i) base salary; (ii) short-term incentives, consisting of an annual bonus; and (iii) long-term equity incentives, consisting of options and restricted share units ("**RSUs**") granted from time to time under our ESOP. Additional benefits as described below may also be part of the compensation elements of our executive officers.

Base Salaries

Base salary is provided as a fixed source of compensation for our executive officers. Adjustments to base salaries are expected to be determined annually and may be increased based on the executive officer's success in meeting or exceeding individual objectives, as well as to maintain market competitiveness. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope of breadth of an executive officer's role or responsibilities.

Annual Bonuses

Annual bonuses are designed to motivate our executive officers to meet our business and financial objectives generally and any financial or other performance targets in particular. We will grant short-term incentive awards to our executive officers in the form of annual cash bonuses, which are intended to motivate and reward our executive officers for achieving and surpassing annual corporate and individual goals approved by the Board of Directors. We believe that a performance-based bonus program promotes our overall compensation objectives by tying a meaningful portion of our executives' compensation to the overall growth of the business, thereby aligning the interests of our executive officers with the interests of holders of Common Shares and other stakeholders.

Long-term Incentives

The executive officers, along with our directors, employees and consultants, will be eligible to participate in the long-term incentive program which will be comprised of stock options and RSUs to be issued pursuant to the ESOP. The purpose of the long-term incentive program is to promote greater alignment of interests between employees and shareholders, and to support the achievement of the Company's longer-term performance objectives, while providing a long-term retention element.

Our Board will be responsible for administering the ESOP, and the Compensation and Nominating Committee will make recommendations to our Board in respect of matters relating to the ESOP.

ESOP

On June 12, 2018, our Board of Directors approved our ESOP, for the granting of options, shares, restricted shares and RSUs, (together "**Awards**"), in order to provide incentives to our employees, directors, consultants and contractors. While primarily governed by the requirements of the Companies Law, in connection with the Offering we will be adopting certain amendments to our ESOP to comply with applicable rules of the TSX.

A maximum of ● Common Shares are reserved for issuance under our ESOP. As of the date of this prospectus, Common Shares were issuable upon the exercise of outstanding Awards, issued as permitted pursuant to the Companies Law at a weighted-average exercise price of $0.10 per share. Of the foregoing outstanding Awards, options to purchase ● Common Shares, in the aggregate, had vested under the Plan as of that date, with a weighted-average exercise price of $0.10 per share. As of the date of this prospectus, a total of ● Common Shares remained available for issuance under the ESOP. Pursuant to amendments to be adopted in connection with the Offering, administration of the ESOP may be delegated by the Board to the Compensation and Nominating Committee.

Awards granted under the Plan are subject to vesting schedules and, unless determined otherwise by the administrator of the Plan, generally over a period of four years from the applicable vesting commencement date, such that 25% of the awards vest on the first anniversary of the applicable vesting commencement date, and 75% of the awards vest in twelve equal installments upon the lapse of each three-month period thereafter. Subject to

the discretion of the plan administrator, if an Award has not been exercised within seven years after the date of the grant, the Award expires. Unless determined otherwise by the administrator, any period in which a grantee is not our employee or has taken an unpaid leave of absence (excluding a leave for military reserves duty or the mandatory maternity leave determined by law), or in which a grantee shall cease to serve as "service provider" (as defined in the ESOP) of the Company, will not be included in such vesting period.

The ESOP provides for granting Awards in compliance with Section 102 of the Israeli Income Tax Ordinance, 1961 (the "**Ordinance**"), which provides for employees, directors and officers, who are not controlling shareholders and are Israeli residents, favorable tax treatment for compensation in the form of shares or share-based awards issued or granted, as applicable, to a trustee under the "capital gains track" for the benefit of the relevant employee, director or officer and are, or were, to be held by the trustee for at least two years after the date of grant or issuance. Under the capital gains track, we are not allowed to deduct an expense with respect to the grant or issuance of such shares or share-based awards.

According to the ESOP, upon cessation of the grantee's services with the Company, all the outstanding Awards that have vested expire immediately on the date the services cease (the "**Termination Date**"). Awards that are vested will remain exercisable for a period of three (3) months from the grantee's Termination Date (but not later than the expiration date of the Award). If the cessation of the grantee's services is for cause (as defined in the Plan), all the Awards, vested or unvested, terminate immediately and be of no legal effect. Upon cessation of the grantee's services as a result of death, or disability (as defined in the ESOP), the vested Awards will be exercisable by the grantee or by his legal representative, estate or other person to whom his rights are transferred by will or by laws of descent or distribution at any time until the lapse of twelve (12) months from such date of the cessation of employment or service.

In the event of a corporate transaction (a "**Corporate Transaction**"), immediately prior to the effective date of such Corporate Transaction, each Award may, among other things, at the sole and absolute discretion of the Board: (i) be substituted for a successor entity award such that the grantee may exercise the successor entity Award or have it become vested, as the case may be, for such number and class of securities of the successor entity which would have been issuable to the grantee in consummation of such Corporate Transaction, had the Award vested or been exercised (as applicable), immediately prior to the effective date of such Corporate Transaction, given the exchange ratio or consideration paid in the Corporate Transaction, the vesting period and performance conditions (if any) of the Awards, and such other terms and factors that the administrator of the Plan determines to be relevant for purposes of calculating the number of successor entity Awards granted to each grantee; (ii) be assumed by any successor entity such that the grantee may exercise the Award or have his/her Award vest (as applicable), for such number and class of securities of the successor entity which would have been issuable to the grantee in consummation of such Corporate Transaction, had the Award vested or been exercised immediately prior to the effective date of such Corporate Transaction, given the exchange ratio or consideration paid in the Corporate Transaction, the vesting period and performance conditions (if any) of the Awards and such other terms and factors that the Board determines to be relevant for this purpose; or (iii) be cashed out for a consideration equal to the difference between the price received by the shareholders of the Company in the Corporate Transaction and the exercise price, purchase price, or nominal value, as the case may be, of such Award. The administrator of the Plan shall not be obligated to treat all Awards, all Awards held by a grantee, or all Awards of the same type, similarly. Immediately following the consummation of the Corporate Transaction, all outstanding awards shall terminate and cease to be outstanding, except to the extent assumed by a successor entity.

Subject to any provision in the Articles of the Company and to the Board's sole and absolute discretion, in the event of a Corporate Transaction, each grantee may be obligated to participate in the Corporate Transaction and sell his or her shares and/or Awards in the Company, provided, however, that each such share or Award shall be sold at a price equal to that of any other Common Share sold under the Corporate Transaction (and, unless determined otherwise by the Board, less the applicable exercise price), while accounting for changes in such price due to the respective terms of any such Award, and subject to the absolute discretion of the Board.

The Plan shall terminate upon the earliest of (i) the expiration of the ten (10) year period measured from the date the Plan was adopted by the Board, or (ii) the termination of all outstanding Awards in connection with a Corporate Transaction.

Subject to applicable laws and regulations, the Board in its discretion may, at any time and from time to time, amend, alter, extend or terminate the Plan, as it deems advisable, including without limitation, change the vesting and exercise periods.

Our Board may, in its sole discretion, suspend or terminate the ESOP at any time, or from time to time, amend, revise or discontinue the terms and conditions of the ESOP or of any Award granted under the ESOP and any grant agreement relating thereto, subject to any required TSX and shareholder approval, provided that such suspension, termination, amendment, or revision does not adversely alter or impair any Award previously granted except as permitted by the terms of the ESOP or as required by applicable laws. Pursuant to the Companies Law, equity compensation plans and material amendments thereto require the approval of the Compensation and Nominating Committee and shareholders, as well as the Board, where such arrangements are for the compensation of the chief executive officer or directors. In addition, with respect to the issuance of securities in certain circumstances, we intend to follow the Companies Law applicable to us, which requires shareholder approval in the event of issuances to certain related parties, as described above under "Certain Regulatory Matters — Summary of Certain Material Aspects of Israeli Corporate Law — Approval of Related Party Transactions and Disclosure of Personal Interest".

Pursuant to amendments to be made to the ESOP to comply with TSX rules, our Board will be authorized to amend the ESOP or any Award granted thereunder at any time without the consent of a participant provided that such amendment shall (i) not adversely alter or impair any Award previously granted except as permitted by the terms of the ESOP or applicable law, (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the TSX, and (iii) be subject to shareholder approval where required by law the requirements of the TSX or the ESOP. Shareholder approval shall not be required for the following amendments and our Board may make any alterations, amendments or variances which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in the ESOP;
- changes that alter, extend or accelerate the terms of vesting or settlement applicable to any award; and
- a change to the eligible participants under the ESOP; and
- any other amendment that does not require shareholder approval pursuant to the amendment provisions of the ESOP or the TSX rules.

Shareholder approval will be required for any alteration, amendment or variance that:

- increases the maximum number of Common Shares issuable under the ESOP, other than pursuant to adjustment pursuant to a change in capitalization;
- reduces the exercise price of outstanding Awards or extends the expiry date of an Award benefitting an insider; or
- results in any change to the amendment provision of the ESOP that is subject to shareholder approval under the TSX's rules.

No such amendment to the ESOP shall cause the ESOP in respect of RSUs to cease to be a plan described in section seven of the Tax Act or any successor to such provision and no such amendment to the ESOP shall cause the ESOP in respect of DSUs to cease to be a plan described in regulation 6801(d) of the Tax Act or any successor to such provision.

Summary Compensation Table

The following table sets out information concerning the expected Fiscal 2019 compensation to be earned by, paid to, or awarded to the NEOs:

					Non-equity Incentive Plan Compensation				
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Share-based Awards ($)**	**Option-Based Awards ($)**	**Annual incentive plan[1]**	**Long-term incentive plans**	**Pension Value ($)**	**All Other Compensation ($)[2]**	**Total Compensation ($)**
Hagai Hillman, ... *President*	2019	225,000	—	1,972,500	112,500	—	—	24,567	2,334,567
Tamir Gedo, ... *Chief Executive Officer*	2019	200,000	—	2,630,000	150,000	—	—	41,393	3,021,393
Hugo Goldman, ... *Chief Financial Officer*	2019	225,000	—	3,914,813	112,500	—	—	23,333	4,275,646
Boaz Hirshberg, ... *Chief Medical Officer*	2019	165,278	—	1,315,000	82,639	—	—	36,111	1,599,028
Sagi Ben Rimon, ... *General Manager of Global Operations*	2019	161,667	—	—	40,417	—	—	21,667	223,750

Notes:

(1) Amounts reflect the projected annual incentive for each individual assuming 100% of the 2019 target objectives are achieved.

(2) Amounts reflect the cost of car allowance, car expenses and tax gross-up for car and a one-time relocation expense of $19,444 for Dr. Hirshberg.

Employment Agreements, Termination and Change of Control Benefits

We have entered into written employment agreements with each of our NEOs. Each of these agreements contains provisions regarding confidentiality, non-competition/non-solicitation and ownership of intellectual property. The non-competition provision applies for a period that is generally 12 months following termination of employment. The enforceability of employment agreement covenants not to compete are subject to customary limitations and, under applicable Israeli law, may not be enforceable if they are considered prejudicial to the individual's ability to earn a livelihood. In addition, we are required to provide notice prior to terminating the employment of our executive officers, other than in circumstances where an executive officer is not entitled to severance pay under Israeli law, a breach of trust, or the executive officer's breach of the terms of confidentiality, non-competition/non-solicitation and ownership of intellectual property provisions of the relevant employment agreement.

The table below shows the incremental payments that would be made to our NEOs under the terms of their employment agreements upon the occurrence of certain events, if such events were to occur immediately following the completion of the Offering.

Name and Principal Position	Event	Severance ($)[1]	Other Payments ($)	Total ($)
Hagai Hillman, ... *President*	Termination other than for cause	122,639	—	122,639
Tamir Gedo, ... *Chief Executive Officer*	Termination other than for cause	20,222	—	20,222
Hugo Goldman, ... *Chief Financial Officer*	Termination other than for cause	15,000	—	15,000
Boaz Hirshberg, ... *Chief Medical Officer*	Termination other than for cause	1,157	—	1,157
Sagi Ben Rimon, ... *General Manager of Global Operations*	Termination other than for cause	13,417	—	13,417

Notes:

(1) Severance payments are calculated based on base salary and reflect only statutory severance payments due to each individual in accordance with Israeli law. No individual is entitled to contractual severance payments beyond such statutory entitlements.

Outstanding Option-Based Awards and Share-Based Awards

The following table sets out information concerning the option-based and share-based awards granted to our NEOs that we expect to be outstanding upon completion of the Offering:

	Option-based Awards				Share-based Awards		
Name and Principal Position	**Number of Common Shares underlying unexercised options[1]**	**Option exercise price**	**Option expiration date**	**Value of unexercised in-the-money options[2]**	**Number of Shares that have not vested**	**Market or payout value of share-based awards that have not vested**	**Value of vested share-based awards not paid out or distributed**
Hagai Hillman, ... *President*	—	—	—	—	—	—	—
Tamir Gedo, ... *Chief Executive Officer*	—	—	—	—	—	—	—
Hugo Goldman,[3] . . . . *Chief Financial Officer*	17,450	par	August 5, 2025	C$514,775			
	287,275	par	December 28, 2025	C$8,474,612			
	148,852	par	March 17, 2026	C$4,391,134			
Boaz Hirshberg,[4] . . . . *Chief Medical Officer*	—	—	—	—	—	—	—
Sagi Ben Rimon, ... *General Manager of Global Operations*	11,633	par	August 5, 2025	C$343,173	—	—	—
	89,941	par	December 28, 2025	C$2,653,259			

Notes:

(1) The options reflected in this column were granted pursuant to the ESOP, and, in connection with Closing, each such option will become exercisable for one Common Share.

(2) Assumes an Offering Price of C$29.50 per Offered Share, the midpoint of the Offering Price range.

(3) Mr. Goldman will be issued 148,852 options in connection with the Closing, exercisable at the Offering Price.

(4) Dr. Hirshberg will be issued 50,000 options in connection with the commencement of his employment with the Company, exercisable at par.

Incentive Plan Awards — Value Vested or Earned During the Year

The following table indicates, for each of our NEOs, a summary of the value of the option-based and share-based awards expected to be vested in accordance with their terms during Fiscal 2019 (assuming the continued employment of each NEO):

Name and Principal Position	Option-Based Awards — Value Expected to be Vested During the Year[1]	Share-Based Awards — Value Expected to be Vested During the Year
Hagai Hillman, *President*	—	—
Tamir Gedo, *Chief Executive Officer*	—	—
Hugo Goldman, *Chief Financial Officer*	C$10,707,202	—
Boaz Hirshberg, *Chief Medical Officer*	—	—
Sagi Ben Rimon, *General Manager of Global Operations*	C$ 1,798,143	—

Note:

(1) The value of options expected to be vested during the year is calculated based on the assumed Offering Price of C$29.50 per Offered Share, the midpoint of the Offering Price range.

DIRECTOR COMPENSATION

Directors' Compensation

Our director compensation program is designed to attract and retain global talent to serve on our Board, taking into account the risks and responsibilities of being an effective director, as well as our growth strategy and business objectives. Our objectives regarding director compensation are to follow best practices with respect to retainers and the format and weighting of the cash and equity components of compensation, having regard to the experience and expertise of our Board members and their contributions to the Board.

Under the Companies Law, external directors may be compensated only in accordance with the applicable regulations. These regulations permit the payment of cash compensation within a specified range, based on the size of the company, or cash or equity compensation that is consistent with the compensation paid to the other independent directors.

The total compensation for all non-executive directors will be comprised of a cash retainer, plus committee fees in accordance with the Companies Law. In addition to the cash retainer and committee fees, the two Israeli external directors will be paid meeting fees. A retainer premium may also be provided to the Board Chair and to the committee chairs to reflect the additional time commitment, level of responsibility and skills required in those roles. We may also issue share options to our directors under our ESOP.

The chart below outlines our proposed director compensation program for our non-executive directors is as follows:

Type of Fee		Amount (US$)
Board Retainer	Board Member[(1)]	$ 66,300/year
	Chair	$368,750/year
Committee Retainer	Audit Committee Chair	$ 13,150/year
	Compensation and Nominating Committee Chair	$ 13,150/year
	Committee Membership	$ 13,150/year
Meeting Fees	Board / Committee Meeting	$500/meeting

Note:

(1) We have also reserved a pool of 90,000 stock options under our ESOP, to be allocated among our non-executive directors.

All directors are entitled to be reimbursed for expenses reasonably incurred by them in carrying out their duties as directors.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of our directors, executive officers, employees, former directors, former executive officers or former employees or any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to us or any of our subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided us or any of our subsidiaries.

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have severally agreed to purchase on Closing an aggregate of ● Offered Shares pursuant to the Offering at a price of C$ ● per Offered Share for aggregate gross proceeds of C$150,000,000 payable in cash to the Company, against delivery of the Offered Shares on the Closing Date or such later date as the Company and the Underwriters agree, but no later than ● , 2019, subject to and in compliance with all of the necessary legal requirements and conditions contained in the Underwriting Agreement. The Offered Shares are being offered and sold to the public in each province and territory of Canada in an initial public offering, and are being offered and sold to "qualified institutional investors" in the United States pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**").

In consideration for their services in connection with the Offering, the Company has agreed to pay the Underwriters a fee equal to C$ ● per Offered Share (being ● % of the Offering Price), including any Offered Shares forming part of the Over-Allotment Option. It is estimated that the total expenses of the Offering, not including the Underwriters' fee, will be approximately C$ ● . All such expenses of the Offering will be paid by the Company.

Prior to the Offering, there was no public market for the Offered Shares. The Offering Price of C$ ● per Offered Share was determined by negotiation among the Company and the Underwriters and the Underwriters propose to offer the Offered Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Offered Shares at the price specified on the cover page of this prospectus, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Offered Shares is less than the price paid by the Underwriters to the Company. Any such reduction will not affect the net proceeds received by the Company. The Underwriters may form a selling group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Underwriters out of their fees.

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters the Over-Allotment Option, which is exercisable, in whole or in part, at any time for a period of 30 days after Closing to purchase from the Company up to an additional ● Offered Shares (representing 15% of the aggregate number of Offered Shares sold in the base Offering) on the same terms as set forth above for the purpose of covering the Underwriters' over-allocation position, if any, and consequent market stabilization. If the Over-Allotment Option is exercised in full, the total price to the public will be C$ ● , the Underwriters' Fee will be C$ ● and the net proceeds to the Company will be C$ ● (before deducting the expenses of the Offering). This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Offered Shares to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires such Offered Shares under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Underwriting Agreement, the Underwriters may, at their discretion, terminate the Underwriting Agreement upon the occurrence of certain events, including "material change out", "disaster out", "proceedings to restrict distribution out" and "market out" clauses. The Underwriters are, however, severally obligated to take up and pay for all of the Offered Shares that they have agreed to purchase if any of the Offered Shares are purchased under the Underwriting Agreement.

We have severally agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under securities legislation, and to contribute to any payments that the Underwriters may be required to make in respect thereof.

There is currently no market through which the Offered Shares may be sold. The Company has applied to list the Common Shares on the TSX under the symbol "BOLP". Listing is subject to approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the listing application

and there is no assurance that it will do so. See "Risk Factors". Subscriptions for Offered Shares will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing is expected to occur on ● , 2019 or such other date as the Company and the Underwriters may agree, but in any event not later than ● 2019. Closing is conditional upon the Offered Shares being approved for listing on the TSX, the completion of the Pre-Closing Capital Changes, receipt of certain shareholder approvals and investor acknowledgements and waivers in connection with the completion of the Offering, and other customary closing conditions.

The Offered Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement provides that the Underwriters may offer and sell the Offered Shares in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act. Until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

All sales of Offered Shares to purchasers in Canada will be made only by securities dealers appropriately registered to make such sales under the dealer registration requirements of applicable Canadian securities laws.

Cowen and Company, LLC is not registered to sell securities in any Canadian jurisdiction and, accordingly, will only sell Offered Shares outside of Canada and will not, directly or indirectly, sell or solicit offers to purchase the Offered Shares in Canada.

Notice to Prospective Investors in Israel

This document does not constitute a prospectus under the Israel Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority nor have the securities offered under this document been approved or disapproved by the Israel Securities Authority or registered for sale in Israel. The Offered Shares will not be offered or sold to the public in Israel, except that the underwriters may offer and sell such shares, and distribute this prospectus to (i) a limited number of persons in accordance with the applicable Israeli securities law and (ii) investors listed in the first addendum, or the Addendum, to the Israel Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the TASE, underwriters purchasing for their own account, venture capital funds, entities with equity in excess of NIS 50 million and "qualified individuals," each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors (in each case, purchasing for their own account or, where permitted under the Addendum, for the accounts of their clients who are investors listed in the Addendum). Qualified investors are required to complete and sign a questionnaire and provide supporting documents to confirm that they fall within the scope of the Addendum.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Offered Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Offered Shares while the Offering is in progress. These transactions may also include over-allocating or making short sales of the Offered Shares, which involves the sale by the Underwriters of a greater number of Offered Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Offered Shares in the open market. In making this determination, the

Underwriters will consider, among other things, the price of Offered Shares available for purchase in the open market compared with the price at which they may purchase Offered Shares from the Company through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Offered Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Offered Shares in the open market. Any naked short sales will form part of the Underwriters' over-allocation position. A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such Offered Shares under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulatory authorities and the UMIR (as defined in the Glossary), the Underwriters may not, at any time during the period of distribution, bid for or purchase Offered Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of the Offered Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including UMIR, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Offered Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Offered Shares are listed, in the over-the-counter market, or otherwise.

Non-Certificated Inventory System

No certificates representing the Offered Shares to be sold in the Offering will be issued to purchasers in this Offering. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Offered Shares will receive only a customer confirmation of purchase from CDS Participants from or through which such Offered Shares are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of Offered Shares will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly.

Lock-up Arrangements

Pursuant to the Underwriting Agreement, each of the Company, our executive officers and directors, the Principal Shareholder and certain of our other shareholders have agreed that he, she or it will not, directly or indirectly, without the prior written consent of the Joint Bookrunners, on behalf of the Underwriters, such consent not to be unreasonably withheld, issue, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any of our equity securities, or other securities convertible or exchangeable into or otherwise exercisable into our equity securities or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our equity securities, or agree or publicly announce any intention to do any of the foregoing for a period commencing on the date hereof and ending 180 days after the Closing Date, subject to certain limited exceptions, including the sale of our Common Shares pursuant to the exercise of the Over-Allotment Option, or the issuance of our Common Shares pursuant to or in connection with our equity incentive compensation plans (the "**Lock-Up Agreements**").

The holders of approximately ● Common Shares, representing ● % of the Company's issued and outstanding Common Shares after the completion of the Offering, and assuming that the Over-Allotment Option is not exercised (● % if the Over-Allotment Option is exercised in full) have entered into Lock-Up Agreements.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a shareholder who acquires as beneficial owner Common Shares pursuant to this Offering and who, at all relevant times, for purposes of the Tax Act, (a) is resident or deemed to be resident in Canada, (b) holds the Common Shares as capital property, and (c) deals at arm's length with us and the Underwriters and is not affiliated with us or the Underwriters (a "**Beneficial Holder**"). Generally, the Common Shares will be considered to be capital property to a Beneficial Holder unless they are held or acquired in the course of carrying on a business or as part of an adventure or concern in the nature of trade. The Common Shares are not "Canadian securities", as defined in the Tax Act, for the purpose of the irrevocable election under subsection 39(4) of the Tax Act to treat all such "Canadian securities" owned by a Beneficial Holder as capital property, and therefore such election will not apply to the Common Shares. Beneficial Holders who do not hold the Common Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Beneficial Holder: (a) that is a "financial institution", as defined in the Tax Act, for purposes of the mark-to-market rules, (b) an interest in which would be a "tax shelter investment", as defined in the Tax Act, (c) that is a "specified financial institution", as defined in the Tax Act, (d) which has made an election under the Tax Act to determine its Canadian tax results in a foreign currency, (e) if the Company is or will be a "foreign affiliate" (as defined in the Tax Act) of such Beneficial Holder or of another corporation that does not deal at arm's length with the Beneficial Holder for the purposes of the Tax Act, or (f) that has entered, or will enter, into a "derivative forward agreement", as defined in the Tax Act, with respect to the Common Shares. Any such Beneficial Holder to which this summary does not apply should consult its own tax advisor with respect to the tax consequences of the Offering.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) ("**Tax Proposals**") before the date of this prospectus and the current published administrative practices of the Canada Revenue Agency. No assurance can be made that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Beneficial Holder of a Common Share, and no representation concerning the tax consequences to any particular Beneficial Holder or prospective Beneficial Holder are made. Accordingly, prospective Beneficial Holders of Common Shares should consult their own tax advisors with respect to an investment in the Common Shares having regard to their particular circumstances. Purchasers of Common Shares who are non-residents, or deemed to be non-residents, of Canada for purposes of the Tax Act should consult their own tax advisors regarding their particular circumstances.

Taxation of Beneficial Holders of Common Shares

Currency Conversion

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Common Shares (including dividends, adjusted cost base and proceeds of disposition) must generally be expressed in Canadian dollars. Amounts denominated in any other currency must be converted into Canadian dollars generally based on the exchange rate quoted by the Bank of Canada on the date such amounts arose or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

Dividends on Common Shares

A Beneficial Holder will be required to include in computing such Beneficial Holder's income for a taxation year the amount of any dividends, if any, received (or deemed to be received) on the Common Shares, including

amounts deducted for Israeli withholding tax. Dividends received on the Common Shares by a Beneficial Holder who is an individual will not be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from "taxable Canadian corporations" (as defined in the Tax Act). A Beneficial Holder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income.

To the extent that Israeli withholding tax is payable by a Beneficial Holder in respect of any dividends received on shares of our common stock, the Beneficial Holder may be eligible for a foreign tax credit against the Beneficial Holder's federal income taxes or a deduction in computing such Beneficial Holder's income under the Tax Act to the extent and under the circumstances described in the Tax Act. Beneficial Holders should consult their own tax advisors regarding the availability of a foreign tax credit or deduction, having regard to their particular circumstances.

Dispositions of Common Shares

Upon a disposition or deemed disposition of a Common Share, a capital gain (or loss) will generally be realized by a Beneficial Holder to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of the Common Share to the Beneficial Holder immediately before the disposition and any reasonable costs of disposition. The Beneficial Holder's cost for purposes of the Tax Act of Common Shares will include all amounts paid or payable by the Beneficial Holder for the Common Shares, subject to certain adjustments under the Tax Act.

Taxation of Capital Gains and Capital Losses

A Beneficial Holder will generally be required to include in computing its income for the taxation year of disposition, one-half of the amount of any capital gain (a "taxable capital gain") realized in such year. One-half of a capital loss (an "allowable capital loss") must be deducted by a Beneficial Holder against taxable capital gains realized in that year. Allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or in any subsequent year against taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act. Taxable capital gains realized by a Beneficial Holder who is an individual may give rise to alternative minimum tax depending on the Beneficial Holder's circumstances. A "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on certain investment income, including an amount in respect of a taxable capital gain arising from the disposition of a Common Share.

Additional Refundable Tax

A Beneficial Holder that is, throughout its taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), including taxable capital gains and certain dividends.

Foreign Property Information Reporting

A Beneficial Holder that is a "specified Canadian entity" (as defined in the Tax Act) for a taxation year or a fiscal period and whose total "cost amount" (as defined in the Tax Act) of "specified foreign property" (as defined in the Tax Act), including the Common Shares, at any time in the year or fiscal period exceeds CAD$100,000 will be required to file an information return with the CRA for the taxation year or fiscal period disclosing certain prescribed information in respect of such property. Subject to certain exceptions, a taxpayer resident in Canada, other than a corporation or trust exempt from tax under Part I of the Tax Act, will be a "specified Canadian entity", as will certain partnerships. The Common Shares will be "specified foreign property" to a Beneficial Holder. Penalties may apply where a Beneficial Holder fails to file the required information return in respect of such Beneficial Holder's "specified foreign property" on a timely basis in accordance with the Tax Act.

The reporting rules in the Tax Act relating to "specified foreign property" are complex and this summary does not purport to address all circumstances in which reporting may be required by a Beneficial Holder. Beneficial Holders should consult their own tax advisors regarding the reporting rules contained in the Tax Act.

Offshore Investment Fund Property Rules

The Tax Act contains provisions (the "**OIF Rules**") which, in certain circumstances, may require a Beneficial Holder to include an amount in income in each taxation year in respect of the acquisition and holding of the Common Shares if (1) the value of the Common Shares may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of the capital stock of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (collectively, "**Investment Assets**"); and (2) it may reasonably be concluded that one of the main reasons for the Beneficial Holder acquiring, holding or having the Common Shares was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the Beneficial Holder.

In making the determination under point (2) in the preceding paragraph, the OIF Rules provide that regard must be had to all of the circumstances, including (i) the nature, organization and operation of any non-resident entity, including the Company, and the form of, and the terms and conditions governing, the Holder's interest in, or connection with, any such non-resident entity, (ii) the extent to which any income, profit and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of any non-resident entity, including the Company, are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the Holder, and (iii) the extent to which any income, profits and gains of any non-resident entity, including the Company, for any fiscal period are distributed in that or the immediately following fiscal period.

If applicable to the Common Shares held by a Beneficial Holder, the OIF Rules generally require a Beneficial Holder to include in the Beneficial Holder's income for each taxation year in which such Beneficial Holder owns the Common Shares the amount, if any, by which (i) the total of all amounts each of which is the product obtained when the Beneficial Holder's "designated cost" (as defined in the Tax Act) of the Common Shares at the end of a month in the year is multiplied by 1/12 of the aggregate of the prescribed rate of interest for the period including that month plus two percentage points exceeds (ii) any dividends or other amounts included in computing such Beneficial Holder's income for the year (other than a capital gain) from the Common Shares determined without reference to the OIF Rules. Any amount required to be included in computing a Beneficial Holder's income in respect of the Common Shares under these provisions will be added to the adjusted cost base and the designated cost of the Common Shares to the Beneficial Holder.

The OIF Rules are complex and their application will potentially depend, in part, on the reasons for a Beneficial Holder acquiring, holding or having the Common Shares. Beneficial Holders are urged to consult their own tax advisors regarding the application and consequences of the OIF Rules in their particular circumstances.

CERTAIN ISRAELI TAX CONSIDERATIONS

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our Common Shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Israeli Tax Considerations and Government Programs

The following is a summary of the current tax regime in the State of Israel, which applies to us and to persons who hold our Common Shares.

This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include traders in securities or persons who do not hold our Common Shares as a capital asset. Some parts of this discussion are based on new tax legislation which has not been subject to judicial or administrative interpretation. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

HOLDERS AND POTENTIAL INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE ISRAELI OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.

General Corporate Tax Structure in Israel

The standard corporate tax rate in Israel is currently 23.0%. Capital gains derived by an Israeli resident company are subject to tax at the prevailing corporate tax rate.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for research and development expenditures, including capital expenditures, for the year in which they are incurred if:

- the expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- the research and development is for the promotion or development of the company; and
- the research and development is carried out by or on behalf of the company seeking the deduction.

However, the amount of such deductible expenses shall be reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Expenditures not so approved are deductible over a three-year period from the first year that the expenditures were made if the research or development is for the promotion or development of the company.

Tax Benefits under the Law for the Encouragement of Industry (Taxes), 1969

Under the Law for the Encouragement of Industry (Taxes), 1969 (the "**Industry Encouragement Law**"), Industrial Companies (as defined below) are entitled to the following tax benefits, among others: deductions over an eight-year period for purchases of know-how and patents; deductions over a three-year period of expenses involved with the issuance and listing of shares on a stock market; the right to elect, under specified conditions, to file a consolidated tax return with other related Israeli Industrial Companies; accelerated depreciation rates on equipment and buildings.

Under the Industry Encouragement Law, an "Industrial Company" is defined as a company which is an Israeli resident for tax purposes, which at least 90% of the income of which, in any tax year, determined in Israeli currency, exclusive of income from government loans, capital gains, interest and dividends, is derived from an "Industrial Enterprise" owned by it. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production activity.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon the approval of any governmental authority. We believe that we may qualify as an Industrial Company within the meaning of the Industry Encouragement Law. The Israel Tax Authority may determine that we do not qualify as an Industrial Company, which could entail our loss of the benefits that relate to this status. There can be no assurance that we will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Taxation of Our Shareholders

Capital gains

Capital gain tax is imposed on the disposal of capital assets by an Israeli resident, and on the disposal of capital assets by a non-resident of Israel if those assets (i) are located in Israel, (ii) are shares or a right to shares in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel. The Ordinance distinguishes between "Real Gain" and "Inflationary Surplus." Real Gain is the excess of the total capital gain over Inflationary Surplus. The Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase of the relevant asset's price that is attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. Inflationary Surplus is not subject to tax.

Real Gain accrued by individuals on the sale of our Common Shares will be taxed at the rate of up to 25%. However, if the individual shareholder is a "Substantial Shareholder" (i.e., a person who holds, directly or indirectly, alone or "Together with Another Person," 10% or more of one of the "Means of Control" of the Israeli resident company) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%. For purposes of this paragraph, the term "Together with Another Person" means together with his or her "Relative," as well as with a person who is not his or her Relative and who has a permanent cooperation with him or her under an agreement in material matters of the Company, directly or indirectly. The term "Relative" means any of the following: (i) a spouse, brother, sister, parent, parent of a parent, descendant and descendant of a spouse, and spouse of any of the aforementioned; and (ii) a descendant of a brother or sister and a brother or sister of a parent. Also, for purposes of this paragraph, the term "Means of Control" generally includes the right to vote in a general meeting of shareholders, the right to receive profits, the right to nominate a director or a general manager, the right to receive assets upon liquidation (after payment of debts), or the right to instruct someone who holds any of the aforesaid rights regarding the manner in which he or she is to exercise such right(s), and whether by virtue of shares, rights to shares or other rights, or in any other manner, including by means of voting agreements or trust agreements. In addition, capital gains generated by an individual claiming deduction of financing expenses in respect of such gain will be taxed at the rate of up to 30%.

Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income — in 2019, a tax rate of 23% for corporations and a marginal tax rate of up to 47% for individuals.

Notwithstanding the foregoing, capital gain derived from the sale of our Common Shares by a shareholder who is a non-resident of Israel may be exempt from Israeli taxation, provided that all of the following conditions are met: (i) the Common Shares were purchased upon or after the listing of the securities on the stock exchange, (ii) the seller does not have a permanent establishment in Israel to which the derived capital gain is attributable, (iii) if the seller is a corporation, no more than 25% of its Means of Control, as defined above, are held, directly and indirectly, by shareholders who are Israeli residents, alone or Together with Another Person, as defined above, or along with another Israeli resident, and (iv) if the seller is a corporation, there are no Israeli residents that are directly or indirectly entitled to 25% or more of the revenues or profits of the corporation. In addition, the sale of our Common Shares by a non-Israeli resident shareholder may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty.

Upon the sale of securities, the purchaser, the Israeli stockbroker or the Israeli financial institution through which the shares are held is obligated, subject to the above exemptions, to withhold tax from the Real Gain at the rate of 25% or 23% in respect of an individual or corporation, respectively.

Upon the sale of securities traded on a stock exchange, a detailed return, including a computation of the tax due, must be filed and an advance payment must be made on January 31 and July 31 of every tax year, in respect of sales of securities made within the previous six months by Israeli residents for whom tax has not already been deducted. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and the regulations promulgated thereunder, there is no need to file a return and no advance payment must be paid. Capital gains are also reportable on the annual income tax return.

Dividends

A shareholder who is an Israeli resident individual generally will be subject to income tax at a rate of 25% on dividends paid by us. However, a 30% tax rate will apply if the dividend recipient is a Substantial Shareholder, as defined above, at the time of distribution or at any time during the preceding 12-month period. If the recipient of the dividend is an Israeli resident corporation, such dividend generally should be exempt from Israeli income tax, provided that the source of the dividend is income that was derived or accrued within Israel.

Dividends distributed by an Israeli resident company to a non-resident of Israel (either individual or corporation) are generally subject to tax at the rate of 25% (30% if the dividend recipient is a Substantial Shareholder at the time of distribution or at any time during the preceding 12-month period). These rates may be reduced under the provisions of an applicable tax treaty. Such dividends paid to non-Israeli residents are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a Nominee Company (whether the recipient is a Substantial Shareholder or not), unless a reduced tax rate is provided under an applicable tax treaty, provided that a certificate from the Israel Tax Authority allowing for a reduced withholding tax rate is obtained in advance.

We are obligated to withhold tax upon the distribution of dividends.

A non-resident of Israel who receives dividends from which Israeli tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, and (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Surtax

Individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at the rate of 3% on annual income exceeding NIS 640,000, which amount is linked to the annual change in the Israeli consumer price index (NIS 649,560 for the 2019 tax year), including, but not limited to, dividends, interest and capital gain.

Foreign exchange regulations

Non-residents of Israel who hold our Common Shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, in non-Israeli currency at the prevailing rate of exchange. However, Israeli income tax is generally required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of currency exchange control has not been eliminated, and these controls may be restored at any time by administrative action.

Estate and gift tax

Israeli law presently does not impose estate or gift taxes.

In addition to all other information set out in this prospectus, the following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in the Company and the Offered Shares. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may also become important factors that affect our future financial condition and results of operations. The occurrence of any of the risks discussed below could materially adversely affect our business, prospects, financial condition, results of operations or cash flow. The Offered Shares are only suitable for investors (i) who understand the potential risk of capital loss, (ii) for whom an investment in the Offered Shares is part of a diversified investment program and (iii) who fully understand and are willing to assume the risks involved in such an investment program. Prospective purchasers of Offered Shares should carefully consider the following risks before investing in us and the Offered Shares.

Risks Related to Regulatory Matters

Our business is dependent on licences and certain GSP, GAP and IMC-GMP certifications (the "Good Practice Certifications"), which may prevent us from being able to carry on or expand our operations if these are not obtained or maintained.

Our medical cannabis products and pharmaceutical product candidates contain substances derived from the cannabis plant and are classified as "controlled substances" in most jurisdictions. Controlled substances are subject to a high degree of regulation and, consequently, our operations require government licences and approvals. Our ability to propagate, grow, cultivate, store, manufacture, distribute, export from, import to and sell medical cannabis and related products in Israel, Portugal and any other country is dependent on our ability to obtain and maintain certain licences, approvals, permits or other authorizations from regulatory authorities in each relevant jurisdiction. See "Certain Regulatory Matters — Our Licences". To the extent such licences, permits and approvals are required and not obtained or maintained, we will be prevented from operating or expanding our business. In addition, the conduct of clinical trials is also subject to the receipt of government licences and approvals. To the extent such licences, permits and approvals are required and not obtained or maintained, we may be prevented from conducting or continuing current or future clinical trials.

In order to maintain certain licences, we must continue to satisfy numerous reporting requirements. See "Certain Regulatory Matters — Our Licences". If we are found in breach of any such licence requirements, we may have our licences revoked. One of the requirements to obtain and maintain our licences includes IMC-GMP, GSP, and GAP certification, which are contingent upon certain requirements and standards we must adhere to.

There can be no assurance that any licences or the Good Practice Certifications currently held by us will be extended or renewed, or that they will be extended or renewed on the same or similar terms or in a timely fashion.

Failure to adhere to applicable regulations, failure to comply with the requirements of our licences, or any failure to meet required quality standards or to maintain our IMC-GMP, GSP, and GAP certification may result in possible sanctions including the revocation of our licences to operate our business, our suspension or expulsion from a particular market or jurisdiction, and the imposition of fines and censures.

The medical cannabis industry is a nascent industry and we cannot fully predict the impact of the compliance regime the MCU and INFARMED are implementing will have on our operations in Israel or Portugal, or the implications of corresponding applicable regulatory regimes in other countries, particularly in Europe and other jurisdictions where we intend to test and, if approved, market our products. Similarly, we cannot predict the time required to secure all appropriate regulatory approvals for our products in various applicable jurisdictions, including receipt of licences and certifications in Portugal, or when we will receive pharmaceutical GMP certification. We also cannot predict the time required to secure all appropriate regulatory approvals to conduct our clinical trials or the extent of testing and documentation that may be required by governmental authorities in such jurisdictions.

Regulatory authorities in such jurisdictions could also add new requirements as conditions for obtaining approvals. The imposition of additional requirements or our inability to meet them in a timely fashion or at all

may delay our ability to produce, sell, import or export our products, prevent our clinical development and product approval efforts, or delay or prevent us from obtaining regulatory approval for new product candidates or new indications for existing products. Any delays in obtaining, or failure to obtain or maintain required regulatory approvals, may significantly delay or impact the development of our products and sales initiatives.

Further, once our products are approved, the FDA, European Medicines Agency and other regulatory agencies have substantial authority to require additional testing and reporting, perform inspections, change product labeling or mandate withdrawals of our products. Failure to comply with these laws and regulations could subject us to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. We may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could subject us to liability, harm our reputation, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money. Defending against these lawsuits and proceedings could result in substantial costs and diversion of management's attention. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources.

Risks associated with the Approval Requirements applicable to our Common Shares.

Our Procedures and the terms ascribed to our Common Shares by our Articles relating to dormant shares are designed to ensure that the number of Common Shares acquired or held by any Holder, or over which the Holder exercises direction or control, is at all times within the Applicable Limit so that we will remain in compliance with the terms of our Licences. However, as the regulations imposing the Applicable Limit and certain other aspects of the Israeli Cannabis Law have only been recently implemented, the restrictions applicable to licence holders remain subject to interpretation and only limited guidance on the application of the Applicable Limit to shareholders of a publicly traded company that is available at this time. As such, there can be no assurance that the MCU will consider the provisions of our Articles or the Procedures sufficient to avoid an automatic expiry of our Licences in the event that a Holder exceeds the Applicable Limit. While we believe that the provisions of our Articles and the Procedures described above will achieve compliance with the Applicable Limit, until we have express confirmation from the MCU or other applicable regulatory authorities that the measures we have implemented meet with their approval, there is a risk that the MCU will take the position that our Licences have automatically expired as a result of any Holder purchasing, acquiring or holding Common Shares in excess of the Applicable Limit, despite the procedures described above.

Our ability to produce and sell our medical products in, and export our medical products to, other jurisdictions outside of Israel is dependent on compliance with additional regulatory and other requirements.

We are required to obtain licences to export from Israel and to import into the recipient country. For a producer to be permitted to export medical cannabis products, it must be approved by the Ministry of Health and the Israel Police department, have IMC-GMP and GSP certifications and a manufacturing licence under the CMPR as well as having obtained all applicable import permits or approvals in the destination country. We expect that the actual export of medical cannabis products under the CMPR will commence approximately nine months to one year from the date of adoption of the Export Approval, subject to the completion of the legislation and regulatory framework related to export of medical cannabis. Our current certification of compliance with IMC-GMP standards and any other IMC-GMP certification that we may receive in the future, subject us to extensive ongoing compliance reviews to ensure that we continue to maintain compliance with IMC-GMP standards. There can be no assurance that we will be able to continue to comply with these standards.

Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for our products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our products to be marketed or sold, or achieving such amendments to the laws and regulations may take a prolonged period of time.

Our ability to operate in our proposed facility in Portugal is dependent on receiving authorization for the cultivation, import and export of cannabis, and in the future will be dependent on our pending authorization for the manufacture of cannabis products and IMC-GMP certification, by INFARMED. All such licences and approvals are subject to ongoing compliance and reporting requirements and renewal. These licences are only valid for a single growing season and must be renewed for subsequent growing seasons.

The Portuguese legal framework for medical cannabis products implements, and is subject to, certain laws, regulations, guidelines, and ordinances adopted by the European Union and the various governmental organizations and agencies governed by the European Union, including IMC-GMP certification. Law 176/2006 requires companies that cultivate, harvest, and collect cannabis, or manufacture, process, package, and store active pharmaceutical ingredients, to adhere to the standards set by the Guideline on Good Agricultural and Collection Practice (GACP), published by the European Medicines Agency. Consequently, our ability to operate in our proposed facility in Portugal and also our ability to export our products to countries in the European Union is contingent on receiving the appropriate government licences and approvals from the European Union.

Although we plan to begin production at in Portugal with a view toward facilitating exports of our cannabis products to countries in the European Union from Portugal rather than from Israel, there is no assurance that these European Union countries will authorize the import of our cannabis products from Portugal, or that Portugal will authorize or continue to authorize such exports. Each country in the European Union (or elsewhere) may impose restrictions or limitations on imports that require the use of, or confer significant advantages upon, producers within that particular country.

Risks Related to Production

We face risks inherent in an agricultural business, and an inability to grow crops successfully will interrupt our business activities.

Our business involves the propagation and growing of cannabis for medical purposes, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business. Adverse weather conditions represent a significant operating risk to us, affecting quality and quantity of production and the levels of farm inputs. Other related risks include but are not limited to the following which may create crop failures and supply interruptions for us: (i) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; (ii) disease spread, hazards and pests; (iii) crop-raiding, sabotage or vandalism; and (iv) any future climate change with a potential shift in weather patterns leading to droughts and associated crop losses. Although we currently grow our products in greenhouses and all growing conditions are carefully monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not interfere with our crop growth. In addition, we are currently contemplating growing our products outdoors in addition to greenhouses.

Due to regulatory restrictions, we may also encounter difficulties with the importation of raw materials and seeds and other materials required to maintain our cultivation facilities. As our operations expand, we also face the risk of delays in acquiring the necessary equipment and supplies to support the expansion of our greenhouses and other cultivation areas. As a result, we may be unable to achieve our production targets.

Further, we may not be able to maintain or obtain permits for our farmland to support production levels or sustained accelerated growth. Even if a sufficient amount of farmland with the requisite permits is available, it may not be available on acceptable economic terms. Inability to ensure our farmland is operational could negatively affect our ability to conduct our operations or to expand.

We currently rely on one key facility, and disruption of operations at this facility could significantly interfere with our ability to continue our product testing, development and production activities.

While we are currently expanding our operations into Portugal, such operations are not yet active and will not be active until we acquire required licences from the government of Portugal. Consequently, our operations and resources are currently only active in Revadim Industrial Zone, Israel. We could be adversely affected by changes or developments affecting our Revadim Facility, including but not limited to changes to zoning laws, facility design errors, environmental pollution, non-performance by third party contractors, increases in

materials or labour costs, labour disputes or disruptions, inability to attract sufficient numbers of qualified workers, productivity inefficiencies, equipment or process failures, production errors, disruption in the supply of energy and utilities, a breach of security, failure of heating and cooling systems or electrical delivery systems, and/or catastrophic events such as wars, terrorist attacks, accidents, fires, explosions, earthquakes or storms. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by the Israeli Police and the MCU (including agents thereof), could also have an impact on our ability to continue operating under MCU licences or the prospect of renewing our licences.

We rely on key components of our production process, such as energy and third-party transportation services, and a disruption in the availability of those key components, or in increase in their cost, could adversely impact our business.

Our business is dependent on a number of key inputs and their related costs including raw materials and supplies related to our growing operations, as well as electricity, water and other utilities. Greenhouse growing in particular can use extensive amounts of electricity. Our medical cannabis growing operations consume considerable energy, making us vulnerable to rising energy costs. Any significant interruption, price increase or negative change in the availability or economics of required materials and supplies and, in particular, rising or volatile energy costs, could adversely affect us.

In addition, our operations would be significantly disrupted by a prolonged power outage. Our ability to compete and grow cannabis is dependent on having access, at a reasonable cost and in a timely manner, to electricity, labour, equipment, parts and components. No assurances can be given that we will be successful in maintaining our required supply of labour, equipment, parts and components.

We may rely on third parties, farmers and agriculturalists to cultivate some of the cannabis we use. There is no assurance that cannabis provided by such farmers and agriculturalists will not be limited, interrupted, restricted in certain geographic regions, be of satisfactory quality or be delivered in a timely manner.

Cannabis products are perishable and we will depend on fast and efficient third-party transportation services to distribute our products. Any prolonged disruption of third-party transportation services could have an adverse effect on us. Rising costs associated with the third-party transportation services used by us to ship our products may also adversely impact our business and our ability to operate profitably.

Given the nature of our products, security of the product during transportation to and from our facilities is a significant priority. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of the MCU, could have an impact on our ability to continue operating under our GSP certification, our licences or the prospect of renewing our licences. See "Certain Regulatory Matters — Israeli Medical Cannabis Regime — Development of Regulatory Framework in Israel".

Our suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which our operations rely.

Manufacturing difficulties, disruptions or delays could limit supply of our products and limit our product sales.

Manufacturing biologic human therapeutic products is difficult, complex and highly regulated. We currently are involved in the manufacture of many of our products and plan to manufacture many of our product candidates. Our ability to adequately and timely manufacture and supply our products and product candidates is dependent on the uninterrupted and efficient operation of our facilities, which may be impacted by: availability of power, capacity of manufacturing facilities; contamination by microorganisms or viruses, or foreign particles from the manufacturing process; compliance with regulatory requirements, including the potential shut down of our facilities by regulators for non-compliance; timing and actual number of production runs and production success rates and yields; updates of manufacturing specifications; contractual disputes with our suppliers and contract manufacturers; timing and outcome of product quality testing, which may result in the write-off of failed batches; and/or breakdown, failure, substandard performance or improper installation or operation of equipment and electricity fallouts.

If the efficient manufacture and supply of our products or product candidates is interrupted, we may experience delayed shipments, obsoletion of products, delays in our clinical trials, supply constraints, stock-outs,

adverse event trends, contract disputes and/or recalls of our products. If we are at any time unable to provide an uninterrupted supply of our products to patients, patients may elect to use, or physicians may elect to prescribe, competing therapeutics instead of our products, which could have a material adverse effect on our product sales, business and results of operations.

We are subject to environmental, health and safety regulations and risks, which may subject us to liability under environmental laws.

Our operations are subject to environmental and health and safety regulation in the various jurisdictions in which we operate. These regulations mandate, among other things, the maintenance of air and water quality standards and impose requirements for land reclamation. They also set forth limitations on the emissions and discharges to water, air and land, the generation, handling, transportation, storage and disposal of solid and hazardous waste, and employee health and safety. We believe that environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental or employee health and safety laws or more vigorous enforcement thereof could require extensive changes to our operations or give rise to material liabilities.

Failure to comply with applicable laws, regulations and permitting requirements may result in fines or other enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and require us to take corrective measures including significant additional capital expenditures for installation of additional equipment. We may also be required to compensate those suffering environmental loss or damage by reason of our operations and may have civil or criminal fines or penalties imposed on us for violations of applicable environmental laws or regulations.

We are dependent on the success of our quality control systems, which may fail, and cause a disruption of our business and operations.

The quality and safety of our products are critical to the success of our business and operations. As such, it is imperative that our (and our service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could require us to suspend our product development and sales activities.

An inability to renew our leases, or a renewal of our leases with a higher rental rate, may disrupt our operations or increase our operating costs.

We may be unable to renew or maintain our leases (commercial, real property or farmland) on commercially acceptable terms or at all. In addition, in the event of non-renewal of any of our leases, we may be unable to locate suitable replacement properties for our facilities or we may experience delays in relocation that could lead to a disruption in our operations. In Israel, we do not have the option to purchase land now or in the future due to government land ownership regulations. Consequently, we will always be subject to lease/tenant risks at our Revadim Facility or any other location to which we may expand in Israel.

Risks Related to Drug Development

The success of our pharmaceutical business will depend on the success of our product candidates, which are at early stages of development, and from sales or licensing of future drugs that we may develop in the future, and we do not expect to generate revenue from our product candidates for at least several years.

Given the early stage of development of certain of our product candidates, there is no assurance that any of them will be effective as treatments for the medical conditions they are intended to address or that our research and development programs will result in regulatory approval of any product or the development of any commercially viable products. To achieve profitable operations, we must successfully develop, gain regulatory approval, and market future products. None of our products have yet been approved by the Ministry of Health,

FDA, Health Canada, or any similar regulatory authority. To obtain regulatory approvals for our products being developed and to achieve commercial success, clinical trials must demonstrate that the products are effective and safe for human use. Any or all of our potential products under development never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Products may fail to reach the market for a number of reasons, including, but not limited to:

- the product was not effective or not more effective than currently available therapies in treating a specified condition or illness;
- the product did not demonstrate acceptable clinical trial results even though it demonstrated positive preclinical trial results, for reasons that could include changes in the standard of care of medicine;
- the product was not cost effective in light of existing therapeutics;
- the product had harmful side effects in animals or humans;
- the necessary regulatory bodies, such as the Ministry of Health or European Medicines Agency, did not approve the product for an intended use;
- the product was not economical for us to manufacture and commercialize;
- other parties had or may have had proprietary rights relating to the product, such as patent rights, and did not let us sell the product on reasonable terms, or at all;
- we and certain licencees, partners, contracted organizations or independent investigators may have failed to effectively conduct clinical development or clinical manufacturing activities, including having failed to satisfy quality control standards; and
- the process to obtain regulatory approval or patient reimbursement for products is uncertain or not well-defined.

Positive results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research. Similarly, positive results from early stage clinical trials may not be indicative of favourable outcomes in later-stage clinical trials. The FDA, the MCU or other regulatory authorities may also disagree with our interpretation of the data in the granting of regulatory approvals, including on whether our product candidates are eligible for the 505(b)(2) regulatory pathway approval process. Even successfully completed large-scale clinical trials may not result in marketable products.

There is no assurance that any future studies, if undertaken, will yield favourable results. The early stage of our product development makes it particularly uncertain whether any of our product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of the products in development will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. If we are successful in developing current and future product candidates into approved products, we will still need to develop or obtain manufacturing, marketing and distribution capabilities, through which we may experience many potential obstacles such as the inability to produce a product in commercial quantities at an acceptable cost; competition; the inability to build and maintain strong sales, distribution and marketing capabilities; the non-acceptance of the product by patients, the medical community or third-party payors; capacity constraints; negative publicity surrounding our product candidates; quality control problems; or other disruptions.

Clinical trials for our products in development are expensive, time consuming, uncertain and susceptible to change, delay or termination, which may limit our ability to conduct such trials or complete them successfully.

Our cannabinoid-based pharmaceutical product candidates are currently under development and have not been finalized for sale. There are no assurances that any of the product candidates we are currently developing will be proven effective or be approved for sale by the relevant regulatory authorities, or that such product candidates will become saleable products.

The Ministry of Health, the FDA, the European Medicines Agency or other regulatory authorities may:

- suspend, delay or terminate our clinical trials at any time;
- require us to conduct additional clinical trials;
- require a particular clinical trial to continue for a longer duration than originally planned; or
- require a change to our development plans such that we conduct clinical trials for our products in development in a different order than we had planned, which could increase the costs and time required for the completion of trials for a particular proposed product.

The Ministry of Health or any other regulatory body in jurisdictions where we operate could suspend or terminate the registrations and quota allotments we require in order to procure and handle controlled substances, for various reasons, including reasons outside of our control. Furthermore, as we expand our clinical trials, including into the United States in particular, there is no assurance that the FDA or other regulatory authorities will accept data from clinical trials conducted in jurisdictions other than their own (including the State of Israel), resulting in the need for duplication of clinical trials in multiple jurisdictions that would be costlier and more time-consuming.

In addition, we are required to demonstrate the safety and efficacy of products developed for each intended use through extensive preclinical studies and clinical trials. Clinical trials are expensive, time consuming and difficult to design and implement. The results of the preclinical testing and clinical trials are uncertain, and a product can fail at any stage of clinical development. Even if the results of our clinical trials are favourable, the clinical trials for a number of our products in development are expected to continue for several years and may take significantly longer to complete. The testing process can take many years and may include post-marketing studies and surveillance, which could result in substantial additional expense and the outcomes could result in further label restrictions or the loss of regulatory approval for an approved indication.

Although the testing and production of medical cannabis products is more advanced in Israel than in other jurisdictions, there have been relatively few clinical trials on the benefits of cannabinoids as compared to many other types of medication. Some of the statements made in this prospectus concerning the potential medical benefits of cannabinoids are based on published articles and reports with details of research studies and clinical trials. As a result, the statements made in this prospectus are subject to the experimental parameters, qualifications, and limitations in the studies that have been completed. Although we believe that the articles and reports with details of research studies and clinical trials referenced in this prospectus reasonably support their conclusions regarding the medical benefits, viability, safety, efficacy, and dosing of cannabinoids as set out in this prospectus, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabinoids. Given these risks, uncertainties and assumptions, prospective purchasers of Common Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this prospectus or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabinoids, which could have a material adverse effect on the demand for our products.

Our product candidates may not become saleable products and, in addition, if there are delays or setbacks in clinical trials, we will be delayed in or prevented from commercializing certain of our products in development, eliminating or delaying our ability to earn revenue from those products.

The commencement and completion of clinical trials for our products may be delayed, prevented or terminated for a number of reasons. Our product development costs will increase if delays or setbacks are experienced in clinical testing. Significant clinical trial delays could shorten any periods during which we may have the exclusive right to commercialize our products or allow our competitors to bring products to market before we are able to bring our products to market, which would impair our ability to successfully commercialize our products.

Additionally, changes in regulatory requirements and policies may occur, and we may need to amend study protocols to reflect these changes. Amendments may require us to resubmit our study protocols to regulatory authorities or IRBs or ethics committees for re-examination, which may impact the cost, timing, or successful completion of that trial. We may also discover, through clinical trials, new safety issues for our existing products, which could in turn decrease our revenues and harm our business.

Even after a product is on the market, safety concerns may require additional or more extensive clinical trials as part of a risk management plan for the product or for approval of a new indication. Additional clinical trials initiated could result in substantial additional expense and the outcomes could result in further label restrictions or the loss of regulatory approval for an approved indication.

Negative results from clinical trials or studies conducted by others and reported events involving the safety or efficacy of our products may have an adverse impact on our product development efforts.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors, or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials could adversely affect the marketability of our products.

Safety problems or indications of potential safety problems can arise as products and proposed products in development are evaluated in clinical trials, including investigator sponsored studies, or as marketed products are used in clinical practice. We are required to continuously collect and assess adverse events that have been reported to us and to communicate to regulatory agencies these adverse events and safety signals regarding our products. If any of our products cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, regulatory authorities may take any of a number of actions including interrupt, delay or halt clinical trials; deny regulatory approval of our product candidates; impose restrictions on distribution; withdraw their approval; require more onerous labeling statements; change the way the product is administered; require us to conduct additional clinical trials; or require us to recall any product that is approved. In addition, our relationships with our collaboration partners may suffer, we could be sued and held liable for harm caused to patients, and our reputation may suffer. We may voluntarily suspend or terminate our clinical trials or voluntarily withdraw or recall that product from the market if it has already been approved for commercial sale.

In addition, regulatory agencies, IRBs or data safety monitoring boards may at any time recommend the temporary or permanent discontinuation of clinical trials or request that we cease using investigators in the clinical trials if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements, or that they present an unacceptable safety risk to participants. Although we have not to date been asked by a regulatory agency, IRB or data safety monitoring board to temporarily or permanently discontinue a clinical trial, if we elect or are forced to suspend or terminate a clinical trial of any product candidates, the commercial prospects for that product will be harmed and our ability to generate revenue from that product may be delayed or eliminated. Furthermore, any of these events may result in labeling statements such as warnings or contraindications. In addition, such events or labeling could prevent us or our partners from achieving or maintaining market acceptance of the affected product and could substantially increase the costs of commercializing our product candidates and impair our ability to generate revenue from the commercialization of these products either by us or by our collaboration partners.

If regulatory agencies determine that we or other parties (including clinical trial investigators, those operating patient support programs or licencees of our products) have not complied with the applicable reporting, other pharmacovigilance or other safety or quality assessment requirements, we may become subject to additional inspections, warning letters or other enforcement actions, including fines, marketing authorization withdrawal and other penalties. Our products in development and marketed products can also be affected by safety problems or signals occurring with respect to products that are similar to ours and that implicate an entire class of products. Further, as a result of clinical trials, including sub-analyses or meta-analyses of earlier clinical trials (a meta-analysis involves the use of various statistical methods to combine results from previous separate but related studies) performed by us or others, concerns may arise about the sufficiency of the data or studies underlying a product's approved label. Such actual or perceived safety problems or concerns can lead to revised or restrictive labeling for our products, or the potential for restrictive labeling that may result in our decision not to commercialize a product candidate; requirement of risk management activities or other regulatory agency compliance actions related to the promotion and sale of the our products; mandated post-marketing commitments or pharmacovigilance programs for our approved products; product recalls of our approved products; revocation of approval for our products from the market completely, or within particular therapeutic

areas or patient types; increased timelines or delays in being approved by the FDA or other regulatory bodies; and/or fewer treatments or product candidates being approved by regulatory bodies.

Any such events could prevent us from achieving or maintaining market acceptance of the affected product and could substantially increase the costs of commercializing our product candidates and impair our ability to generate revenue from the commercialization of these products.

We rely, and will continue to rely, on third parties to conduct a significant portion of our preclinical and clinical development activities, among other things, and we will be dependent on the performance of those third parties, whose activities may be outside our control.

We rely on independent third-party clinical investigators to recruit patients and conduct clinical trials on our behalf in accordance with applicable study protocols, laws and regulations. Further, we rely on unaffiliated third-party vendors to perform certain aspects of our clinical trial operations. In the future, we may enter into co-development arrangements with other pharmaceutical or medical devices companies that will provide for the other company to conduct certain clinical trials for the product we co-develop. Many important aspects of the services performed for us by these third parties are out of our direct control. We also rely on third parties to supply the materials for the research and development of our products. If there is any dispute or disruption in our relationship with third parties, or if they are unable to provide quality services in a timely manner and at a feasible cost, our active development programs will face delays. Further, if any of these third parties fails to perform as we expect or if their work fails to meet regulatory requirements, our testing could be delayed, cancelled, or rendered ineffective. Failure to maintain these relationships, poor performance by these companies or disputes with these companies could negatively impact our business.

We may not be successful in our efforts to identify, licence or discover additional products, which would require us to limit the range of our product offerings.

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval and commercialization of our existing product candidates, the success of our business also depends in part upon our ability to identify, licence or discover additional product candidates. Our research programs or licensing efforts may fail to yield additional product candidates for clinical development for a number of reasons, including but not limited to the following:

- our research or business development methodology or search criteria and processes may be unsuccessful in identifying potential products;
- we may not be able to assemble sufficient resources to acquire or discover additional potential products;
- our potential products may not succeed in preclinical or clinical testing;
- our potential products may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval;
- competitors may develop alternatives that render our potential products obsolete or less attractive;
- potential products we work to develop may be covered by third parties' patents or other exclusive rights;
- the market for potential products may change during our program so that such it may become unreasonable to continue to develop certain products;
- failure to engage doctors and professors due to various reasons;
- a potential candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a potential candidate may not be accepted as safe and effective by patients, the medical community or third-party payors.

If any of these events occurs, we may be forced to abandon our development efforts for a program or programs, or we may not be able to identify, licence or discover additional potential products. Research

programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or products that ultimately prove to be unsuccessful.

Risk Related to Public Perception

Unfavourable publicity or unfavourable consumer perception of us or cannabis generally may constrain our sales and revenue.

We believe the cannabinoid industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the products. Consumer perception of our products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of cannabinoids. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabinoid market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention, or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could reduce the demand for our products.

Adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

In addition, since our products in development contain controlled substances, their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for our products in development. These pressures could also limit or restrict the introduction and marketing of our products in development. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable for our products. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, our reputation may be harmed. Furthermore, in jurisdictions where our products are classified as "controlled substances", they may be subject to import/export and research restrictions that could delay or prevent the development of our products in those jurisdictions.

Pharmaceutical cannabinoid and other product candidates, if approved, may be unable to achieve the expected market acceptance and, consequently, limit our ability to generate revenue from new products.

Even when product development is successful and regulatory approval has been obtained, our ability to generate revenue depends on our ability to gain acceptance of our products from physicians and patients and sell our approved products. There is no assurance that our pharmaceutical cannabinoid product candidates will achieve the expected market acceptance and revenue if and when they obtain the requisite regulatory approvals. The market acceptance of any product depends on a number of factors, including the indication statement and warnings approved by regulatory authorities on the product label, continued demonstration of efficacy and safety in commercial use, physicians' willingness to prescribe the product, guidelines and recommendations published by professional societies, practice management groups, insurance carriers, physicians' groups, private health and science foundations and organizations, reimbursement from third-party payors such as government health care systems and insurance companies, the price of the product, the nature of any post-approval risk management plans mandated by regulatory authorities, competition, and marketing and distribution support.

The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our products obsolete, less competitive or less marketable.

The medical cannabis industry is in its early stages of development and it is likely that we, and our competitors, will seek to introduce new products in the future. Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize our business. The process of developing our products is complex and requires significant continuing costs, development efforts, and third-party commitments. Our failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect our business. We may be unable to anticipate changes in our potential customer requirements that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our existing technologies, develop (or purchase) new technology that

addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our proprietary technology entails significant technical and business risks. We may not be successful in using new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Risks Related to Product Liability

We face the risk of exposure to product liability claims, regulatory action and litigation if our products cause loss or injury.

As a manufacturer and distributor of products designed to be ingested by humans, we face a risk of exposure to product liability claims, regulatory action and litigation if our products cause, or are alleged to have caused, significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that the products produced by us caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

We may not be able to obtain insurance coverage for all of the risks we face, exposing us to potential uninsured liabilities.

A product liability claim or regulatory action against us could result in increased costs and could adversely affect our reputation with our clients and consumers generally. There can be no assurance that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

We have insurance, including product liability insurance and clinical trials insurance coverage, to protect our assets, operations and employees. Our existing insurance coverage is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed. In addition, there is no assurance that such insurance will be renewed and that it will be adequate to cover our liabilities, including potential product liability claims, or will be generally available in the future or, if available, that premiums will be commercially justifiable. Further, there is no assurance that that our insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. The availability of insurance, surety bonds, letters of credit and other forms of financial assurance is affected by our insurers', sureties' and lenders' assessment of our risk and by other factors outside of our control such as general conditions in the insurance and credit markets. If we were to incur substantial liabilities in excess of policy limits or at a time when we were not able to obtain adequate liability insurance on commercially reasonable terms, our business, results of operations and financial condition could be adversely affected to a material extent. In addition, negative publicity associated with any claims, regardless of the claim's merit, may decrease the future demand for our products.

Presence of THC in our CBD products or other products not intended to contain THC may cause adverse consequences to users of our products that will expose us to the risk of liability and other consequences.

Our products are made from cannabis, which contains THC. As a result, certain of our products that are intended to be primarily CBD-based products, or other products, may contain various levels of THC. THC is an illegal or controlled substance in many jurisdictions. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to end users who test positive for THC attributed to use of our products through unintentional presence in our products of THC, even if only in trace amounts. In addition, certain metabolic processes in the body may negatively affect the results of drug tests. As a result, we may have to recall our products from the market. Positive tests may adversely affect the end user's reputation, ability to obtain or retain employment and participation in certain athletic or other

activities. A claim or regulatory action against us based on such positive test results could adversely affect our reputation and expose us to liability.

If any of the products that we produce or intend to produce are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all.

In addition, a product recall may require significant attention from our management. There can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the products produced by us were subject to recall, our image and the image of that product (and other products sold by us) could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products. Additionally, product recalls may lead to increased scrutiny of our operations by the Ministry of Health, the FDA, Health Canada, or any other applicable similar regulatory authority, requiring further attention by our management and potential legal fees and other expenses.

Risks Related to Management and Personnel

We rely on our management and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees, including our President and CEO. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

In addition, we are subject to a variety of business risks generally associated with growing companies, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Future growth and expansion could place significant strain on our management personnel and likely will require us to recruit additional management personnel.

There can be no assurance that we will be able to manage our expanding operations (including any acquisitions) effectively, that we will be able to sustain or accelerate our growth or that such growth, if achieved, will result in profitable operations, that we will be able to attract and retain sufficient management personnel necessary for continued growth, or that we will be able to successfully make strategic investments or acquisitions.

Our senior management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day to day management of our business and will increase our expenses.

Most of individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies compared to senior management of other publicly-traded companies. Our senior management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day to day management of our business.

We expect to incur significant accounting, legal, insurance and other expenses as a result of being a public company, which could cause our results of operations and financial condition to suffer. Compliance with

applicable securities laws in Canada and the rules of the TSX substantially increase our expenses, including our accounting and legal costs. Furthermore, compliance with applicable securities laws and regulations makes some activities more time-consuming and costlier. Reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes and controls, and on our personnel.

Furthermore, we expect that compliance with the laws, rules and regulations that public companies are subject to will make it more expensive for us to obtain director and officer liability insurance, and may require us to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as officers.

We may become subject to liability arising from any fraudulent or illegal activity by our employees, contractors and consultants.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for us to identify and deter misconduct by our employees and other third parties, and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, monetary fines or contractual damages on us, reputational harm, diminished profits and future earnings, and curtailment of our operations.

Risks Related to Our Status As An Israeli Company

Your rights and responsibilities as a shareholder will be governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of Canadian companies.

The rights and responsibilities of the holders of our Common Shares are governed by our amended and restated Articles and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in Canadian companies. Certain provisions in the Companies Law may be interpreted to impose additional obligations and liabilities on holders of our Common Shares that are not typically imposed on shareholders of Canadian companies. For example, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our Common Shares that are not typically imposed on shareholders of Canadian corporations. See "Certain Regulatory Matters — Summary of Certain Material Aspects of Israeli Corporate Law".

Our corporate headquarters and principal research and development activities are located in Israel and, therefore, our business and operations may be adversely affected by political, economic and military conditions in Israel.

We are incorporated under Israeli law and our corporate headquarters, including our principal research and development facilities, are located in Israel. In addition, certain of our key employees and directors and officers are residents of Israel. Accordingly, political, economic and military conditions in the Middle East in general,

and in Israel in particular, may directly affect our business, product development and results of operations, and we may be adversely affected by a significant increase in the rate of inflation or a significant downturn in economic or financial conditions in Israel.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries, and since 2000, there have been increasing occurrences of terrorist violence. In recent years, hostilities between Israel and Hezbollah in Lebanon (and Syria) and Hamas in the Gaza Strip have both involved missile strikes in various parts of Israel causing disruption of economic activities. This violence has strained Israel's relationship with its Arab citizens, Arab countries and, to some extent, with other countries around the world. Our corporate headquarters and principal research and development activities are located in the range of missiles that could be fired from Lebanon, Syria or the Gaza Strip into Israel. In addition, Israel faces threats from more distant neighbors, in particular, Iran (which is believed to be an ally of Hamas in Gaza and Hezbollah in Lebanon). Any armed conflicts involving Israel or in the region or any political instability in the region, including acts of terrorism as well as cyberattacks or any other hostilities involving or threatening Israel, would likely negatively affect business conditions and could make it more difficult for us to conduct our operations in Israel, which could increase our costs and adversely affect our financial results. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East, such as damages to our facilities resulting in disruption of our operations. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflict involving Israel could adversely affect our operations and results of operations.

Several countries, principally in the Middle East, as well as certain companies, organizations and movements, restrict their commercial activities with Israel or Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Similarly, Israeli companies are subject to limitations while conducting business with entities from several countries. Such business restrictions and boycotts, particularly if they become more widespread, may materially and adversely impact our ability to sell our products and the expansion of our business. We could be adversely affected by the interruption or curtailment of trade between Israel and its trading partners.

Strikes and work stoppages in Israel and the obligations of our personnel to perform military service may prevent us from continuing our research, development, growing and marketing activities.

Strikes and work stoppages occur relatively frequently in Israel. If Israeli trade unions threaten additional strikes or work stoppages and such strikes or work stoppages occur, these may, if prolonged, have a material adverse effect on the Israeli economy and on our business, including our ability to deliver products to our customers in a timely manner.

As of December 31, 2018, we had 101 employees based in Israel. Our operations could be disrupted by the obligations of some of our personnel to perform military service. Certain of our employees in Israel, generally males, including executive officers, may be called upon to perform obligatory military reserve service on an annual basis until they reach the age of 40 (and in some cases, up to age 49) and, in certain emergency circumstances, may be called to immediate and prolonged active duty on very short notice. Our operations could be disrupted by the absence for military service for extended periods of a significant number of our employees. Such disruption could materially and adversely affect our business and results of operations.

Enforcing a Canadian judgment against us and our current executive officers and directors, or asserting Canadian securities law claims in Israel, may be difficult.

As a corporation incorporated and headquartered in Israel, service of process upon us and upon our directors and officers and any Israeli experts named in this prospectus, most of whom reside outside of Canada, may be difficult from within Canada. Furthermore, because a majority of our assets and most of our directors, officers and such Israeli experts are located outside of Canada, any judgment obtained in Canada against us or any of them may be difficult to collect within Canada and may not be enforced by an Israeli court.

We have irrevocably appointed ● as our agent to receive service of process in any action against us in any Canadian federal or provincial jurisdiction arising out of this offering or any purchase or sale of securities in connection with this offering.

We have been informed by our legal counsel in Israel that it may be difficult to assert Canadian securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws on the basis that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. There is little binding case law in Israel addressing these matters. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. Consequently, our investors may be effectively prevented from pursuing remedies under Canadian securities laws against us or any of our non-Canadian directors and officers.

See "Enforcement of Judgments Against Foreign Persons" for additional information on your ability to enforce civil claim against us and our executive officers and directors.

Provisions of our Articles and Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and negatively affect the price of our Common Shares.

Israeli corporate law regulates mergers and requires tender offers for acquisitions of shares above specified thresholds; requires special approvals for certain transactions involving directors, officers or significant shareholders; and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and therefore negatively affect the price of our Common Shares. For example, under the Companies Law, upon the request of a creditor of either party to a proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger.

Our Company must comply with both Canadian and Israeli tax laws, and Israeli tax considerations may make potential transactions difficult unappealing to us or to our shareholders, especially for those shareholders whose country of residence does not have a tax treaty with Israel, which exempts such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction, during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. In order to benefit from the tax deferral, a pre-ruling from the Israel Tax Authority might be required.

Any Israeli government funding that we receive for research and development expenditures may limit or prohibit our ability to manufacture products and transfer know-how outside of Israel and require us to satisfy specified conditions.

We have received funding from the Israeli government through the Israel Innovation Authority (formerly the Office of the Chief Scientist of the Ministry of Economy and Industry), (the "**IIA**"), for a significant portion of our research and development expenditures. Israeli law requires that products developed with government funding be manufactured in Israel, unless the IIA approves otherwise. Although products based on IIA-funded technologies and know-how may be sold freely, the transfer of or grant of any right (including liens) in the

underlying IIA-funded technologies and know-how is restricted. Any such transfer is subject to the approval of the IIA and if the transfer is made outside of Israel, then it is generally conditioned on payment of a redemption fee, which may be substantial. Any approval, if given, will generally be subject to additional financial obligations.

If we fail to comply with the restrictions and conditions imposed in connection with IIA funding, we may be subject to the sanctions that are set forth under Israeli law, including the possible refund of any payments previously received together with interest and penalties, and in certain circumstances we may also be subject to criminal charges. The difficulties and cost of obtaining the approval of the IIA for the transfer of manufacturing rights, technology or know-how outside of Israel could prevent us from entering into strategic alliances or other transactions that provide for such a transfer, which in turn could adversely affect our business, results of operations and financial condition.

Risks Related to Intellectual Property

We rely on intellectual property and may not be able to protect intellectual property rights throughout the world.

Our success is heavily dependent upon intangible property and technology that we own and/or licence from others. We rely upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information we consider important to the development and success of our business. We utilize various methods to protect our proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. Further, identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors. There can be no assurance that the steps taken by us to protect intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of our intangible property, technology or processes. Other companies may also be able to materially duplicate our proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, we may have to litigate to enforce our intangible property rights, which could result in substantial costs and divert management's attention and other resources.

Further, we may be unable to obtain registrations for our intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which we are not aware, or we may encounter claims from prior users of similar intellectual property in areas where we operate or intend to conduct operations. If any of our products are approved and marketed for an indication for which we do not have an issued patent, our ability to use our patents to prevent a competitor from commercializing a non-branded version of our commercial products for that non-patented indication could be significantly impaired or even lost. In addition, we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending or contemplated patent applications will result in issued patents. Competitors may independently develop similar products, duplicate our products, design around our patent rights, or obtain patents and proprietary rights that block or compete with our products.

Policing the unauthorized use of our current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources, and filing, prosecuting, and defending patents on all of our product candidates in all jurisdictions throughout the world would be prohibitively expensive. Therefore, we have filed applications and/or obtained patents only in key markets, such as Israel, Canada, the United States and certain countries in Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and their products may compete with ours.

In addition, if competitors infringe on our intellectual property, we may have to participate in litigation, interference or other proceedings that are expensive and divert management's attention to determine the right to a patent or other intellectual property or the validity of any patent granted. In any infringement proceeding, some or all of our current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid,

unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defence proceedings could put one or more of our current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued.

We may become subject to claims for remuneration or royalties for assigned service invention rights by us or our employees, which could result in litigation and adversely affect our business.

We may become party to, or be threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products, including interference or derivation proceedings before the Israeli Patent Office, the Canadian Intellectual Property Office, the United States Patent and Trademark Office and other applicable patents offices in foreign jurisdictions. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future (including issued patents resulting from currently pending patent applications, some of which may still be confidential). Defence of these claims, regardless of their merit, may involve substantial litigation expense and may be a substantial diversion of employee resources from our business. If we are found to infringe a third party's intellectual property rights, we could be required to obtain a licence from such third party to continue commercializing the affected products, or not be able to commercialize the affected products at all, as we may not be able to obtain any required licence on commercially reasonable terms. Under certain circumstances, including by court order, we could be forced to cease commercializing certain products in development. In addition, in any such proceeding or litigation, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations. Any claims by third parties that we have misappropriated their confidential information or trade secrets could have a similar negative impact on our business.

We have entered into assignment of invention agreements with our research and development employees pursuant to which such individuals agreed to assign to us all rights to any inventions created during or as a result of their employment or engagement with us or in our field of business. A significant portion of our intellectual property has been developed by our employees in the course and as a result of their employment with us. Under the Israeli Patent Law, 5727-1967, ("**Patent Law**"), inventions conceived by an employee during the scope of his or her employment with a company and as a result thereof are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no agreement between an employer and an employee with respect to the employee's right to receive compensation for such "service inventions," the Israeli Compensation and Royalties Committee (the "**Committee**"), a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her service inventions and the scope and conditions for such remuneration. The Committee (decisions of which have been upheld by the Israeli Supreme Court) has held that employees may be entitled to remuneration for their service inventions despite such employees having specifically waived any such rights to remuneration. A recent decision by the Committee clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that in certain circumstances; such waiver does not necessarily have to be explicit. In order to determine the scope and validity of such wavier, the Committee will examine, on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). As a result of certain of the Committee's decisions and uncertainty regarding how the Committee reaches decisions, there is considerable uncertainty around the application of the Patent Law.

Although our employees have agreed to assign to us service invention rights and have specifically waived their right to receive any special remuneration for such assignment beyond their regular salary and benefits, we may face claims that the assignment is not enforceable or demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

We are party to a number of licences that give us rights to use third-party intellectual property that is necessary or useful to our business, including Trojan™ and Sedds™. See "Business Overview". Our success will

depend, in part, on the ability of the licensor to maintain and enforce its licensed intellectual property, in particular, those intellectual property rights to which we have secured exclusive rights. Without protection for, or access to the intellectual property we have licensed, other companies might be able to offer substantially similar or better products than us or utilize substantially similar or better processes than us, which could have a material adverse effect on us.

Furthermore, we also rely on unpatented trade secrets and improvements, unpatented internal know-how and technological innovation. However, trade secrets are difficult to protect. We protect these rights mainly through confidentiality agreements with our corporate partners, employees, consultants and vendors and close monitoring of the markets in which we operate. In the case of employees, certain consultants and other applicable parties, the agreements provide that all inventions made by an individual or party while employed or engaged by us will be our exclusive property. We cannot be certain that these parties will comply with these agreements, these agreements effectively assign intellectual property rights to us, we have adequate remedies for any breach or that our trade secrets, or internal know-how or technological innovation will not otherwise become known or be independently discovered by our competitors. In certain circumstances, inventions become jointly owned by us and our corporate partner, and it can be difficult to determine who owns a particular invention and disputes could arise regarding those inventions. If our trade secrets, internal know-how, technological innovation or confidential information become known or independently discovered by competitors or if we enter into disputes over ownership of inventions, we could lose the competitive advantage of those innovations.

Risks Related to Electronic Security

We may experience breaches of security at our facilities or in respect of information systems, electronic documents and data storage and may face risks related to breaches of applicable privacy laws.

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with our operations. Our operations depend, in part, on how well we and our suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses.

We have not experienced any material losses to date relating to cyberattacks or other information security breaches, but there can be no assurance that we will not incur any such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

We collect, process, maintain and use data, including sensitive and personal information on individuals, which is available to us through online activities and other customer interactions. Our current and future marketing programs may depend on our ability to collect, maintain and use this information, and our ability to do so is subject to evolving international, Israeli, Canadian and U.S. laws and enforcement trends. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with our practices or fail to be observed by our employees or business partners. If so, we may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt our reputation, force it to spend significant amounts to defend our practices and distract our management.

Certain of our marketing practices rely upon e-mail, social media and other means of digital communication to communicate with consumers on our behalf. We may face risk if our use of e-mail, social media or other means of digital communication is found to violate applicable laws. We post our privacy policy and practices concerning the use and disclosure of user data on our websites. Any failure by us to comply with its posted privacy policy or other privacy-related laws and regulations could result in proceedings which could potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, our compliance costs may increase, our ability to effectively engage customers through personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and the potential for reputational harm or liability for security breaches may increase.

Risks Related to this Offering and Ownership of Our Common Shares

There are risks related to forward-looking information in this prospectus.

The forward-looking information included in this prospectus relating to, among other things, our future results, performance, achievements, prospects, intentions or opportunities or the markets in which we operate or expect to operate (including, in particular, the information contained in "Prospectus Summary", "Business Overview", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Share Capital", "Dividend Policy", "Principal Shareholder", "Directors and Executive Officers", "Executive Compensation", "Director Compensation" and this section, "Risk Factors") is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those described in this prospectus. See "Forward-Looking Information".

The market price of our Common Shares may be volatile, which could result in substantial losses for investors purchasing Common Shares in this Offering.

The price of the Common Shares will fluctuate with market conditions and other factors, and it may decline below the Offering Price. If a holder of Common Shares sells its Common Shares, the price received may be more or less than the original investment. Some of the factors that may cause the market price of our Common Shares to fluctuate include:

- market perception of the investment opportunity presented by companies in the cannabis business;
- actual or anticipated fluctuations in our quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which we operate;
- addition or departure of our executive officers and other key personnel;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- operating and share price performance of other companies that investors deem comparable to us fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;

- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets.

In particular, companies in the cannabis industry have experienced significant volatility in recent years, potentially due to the recency of public trading of securities of cannabis companies, limited supply of investment opportunities, short-selling activity and rapidly changing regulatory developments. As well, certain institutional investors may base their investment decisions on market perceptions of the cannabis industry or on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Common Shares may be materially adversely affected.

We expect that our officers, directors and Principal Shareholder (greater than 10% shareholders) will collectively control, directly or indirectly, approximately ● % of the voting power and interests in our outstanding Common Shares upon completion of the Offering. Subsequent sales of our Common Shares by these shareholders, or the market perception that holders of a large number of Common Shares intend to sell Common Shares, could have the effect of lowering the market price of our Common Shares. Further, the perceived risk associated with the possible sale of a large number of Common Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our shareholders to sell their Common Shares, thus causing the market price of our Common Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Common Shares by our officers, directors or Principal Shareholder could cause other institutions or individuals to engage in short sales of the Common Shares, which may further cause the market price of our Common Shares to decline.

From time to time our directors and executive officers may sell Common Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive officers may sell a significant number of Common Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Common Shares. These sales could cause the market price of our Common Shares to decline. Any decline in the market price of Common Shares may also impede our ability to raise additional capital and might cause remaining holders of Common Shares to lose all or part of their investment.

There are risks associated with the potential dilution of our Common Shares.

We may raise additional funds in the future by issuing equity securities. Such equity securities could contain rights and preferences superior to those of the Common Shares issued pursuant to the Offering and holders of Common Shares will have no pre-emptive rights in connection with such further issues. The Board of Directors has the discretion to determine if an issuance of equity securities is warranted, the price at which such issuance is effected and the other terms of issue of any equity securities, including Common Shares or equity securities convertible into Common Shares. In addition, additional Common Shares may be issued by us in connection with the exercise of options granted following the completion of the Offering. To the extent holders of our options or other convertible securities convert or exercise their securities and sell the Common Shares they receive, the trading price of the Common Shares may decrease due to the additional number of Common Shares available in the market. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares. In addition, we cannot predict the size of future issuances of our equity securities, including Common Shares, or the effect, if any, that future issuances and sales of our equity securities, including Common Shares will have on the market price of our Common Shares. Sales of substantial amounts of our Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Common Shares.

After Closing, assuming the exercise of the Over-Allotment Option in full, we will have ● Common Shares outstanding. Pursuant to the Underwriting Agreement, each of us, our directors and executive officers and certain of our other shareholders have agreed that they will not, directly or indirectly, without the prior written consent of the Joint Bookrunners on behalf of the Underwriters, (such consent not to be unreasonably withheld), issue, offer, sell, grant any option to purchase or otherwise dispose of (or announce any intention to do so) any of our equity securities, or securities convertible or exchangeable into our equity securities for a period commencing on the Closing Date and ending 180 days after the Closing Date, subject to certain exceptions. Following the expiration of the 180-day period, the Common Shares that will be outstanding immediately following completion of the Offering will be available for sale in the public markets subject to restrictions under applicable securities laws in Canada. In addition, following Closing there will be Options to acquire ● Common Shares outstanding. The Common Shares issuable upon the exercise of these Options, will, to the extent permitted by any applicable vesting requirements, lock-up agreements and restrictions under applicable securities laws in Canada, also become eligible for sale in the public market.

The Underwriters might waive the provisions of these Lock-Up Agreements and allow the subject shareholders to sell their Common Shares at any time. There are no pre-established conditions for the grant of such a waiver by the Underwriters, and any decision by them to waive those conditions may depend on a number of factors, which might include market conditions, the performance of our Common Shares in the market and our financial condition at such time. If the restrictions in such Lock-Up Agreements are waived, additional Common Shares will be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Common Shares.

AKC, our officers and directors control a large percentage of our issued and outstanding Common Shares and such officers and directors may have the ability to control matters affecting us and our business.

Upon completion of the Offering, we will have a small number of shareholders who will own, in the aggregate, approximately a ● % equity interest in us, assuming completion of the Offering and that the Over-Allotment Option is fully exercised, on a non-diluted basis. See "Principal Shareholder". Such shareholders will have the ability to exercise significant influence over matters submitted to the shareholders for approval, whether subject to approval by a majority of the shareholders or subject to a class vote or special resolution.

We are currently controlled, and after the Offering is completed will continue to be controlled, by AKC. Upon completion of the Offering, AKC will have an approximate ● % interest in our Company through ownership of, or control or direction over, ● Common Shares. If the Over-Allotment Option is exercised in full. As a result, AKC, or affiliates thereof, will have significant influence over us and our affairs. As long as AKC, or an affiliate thereof, owns or controls at least a majority of our outstanding Common Shares, it will have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other shareholders may vote. This control may include the election and removal of directors, the size of our Board, any amendment of our Articles, or the approval of any significant corporate transaction, including a sale of substantially all of our assets.

Additionally, AKC's interests may not align with the interests of our other shareholders.

An active, liquid and orderly trading market for our Common Shares may not develop, and you may not be able to resell Common Shares at or above the initial public offering price.

We have applied to have the Common Shares listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved our listing application and there is no assurance that the TSX will approve the listing application.

Although listing on the TSX is a condition to the Closing, there is currently no market through which our Common Shares may be sold and, if a market for our Common Shares does not develop or is not sustained, you may not be able to resell your Common Shares purchased in this Offering. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares and the extent of issuer regulation. The Offering Price of our Offered Shares was determined through negotiations between the Company and the Underwriters. We cannot predict the prices at which the Common Shares will trade upon Closing and the Offering Price may not be indicative of the market price of our Common Shares after the Offering. If an active and liquid trading market for the Common Shares does not develop or is not maintained, investors may have difficulty selling their Common Shares. There can be no assurance that there will be sufficient liquidity of the Common Shares on the trading market, or that we will continue to meet the listing requirements of the TSX or any other public listing exchange on which the Common Shares may subsequently be listed.

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about us or our business, our trading price and volume could decline.

The trading market for our Common Shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence covering us, the trading price for our Common Shares would be negatively impacted. If we obtain securities or industry analyst coverage and one or more of the analysts who cover us downgrade our Common Shares or publish inaccurate or unfavourable research about our business, or more favourable relative recommendations about our competitors, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Common Shares could decrease, which could cause our trading price and volume to decline.

We may not be able or willing to pay any dividends.

No dividends on the Common Shares have been paid to date and there is no assurance as to whether we will be profitable enough to pay dividends, or determine to do so even if sufficiently profitable. We anticipate that, for the foreseeable future, we will retain future earnings and other cash resources for the operation and development of our business. Payment of any future dividends will be at the discretion of the Board of Directors after considering many factors, including our earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements. Our ability to pay dividends is subject to our future financial. Our Board must also approve any dividends at their sole discretion. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Management may be unable to use the proceeds of the Offering effectively.

We currently intend to allocate the net proceeds received from the Offering as described under "Use of Proceeds", however, management will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under "Use of Proceeds" if it believes it would be in our best interests to do so. shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds of the Offering. Any failure by management to apply these funds effectively could have a material adverse effect on our business, financial condition or results of operations, or cause the price of the Common Shares to decline. Additionally, we may not be successful in implementing our business strategies and our actual capital expenditures and capital expenditure requirements may be materially different from expected expenditures described in this prospectus.

Ownership of our shares may be considered unlawful in some jurisdictions and owners of our shares may consequently be subject to liability in some jurisdictions.

Cannabis-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretation of these laws are unclear, in some jurisdictions, financial benefit directly or indirectly arising from conduct that would be considered unlawful in such

jurisdiction may be viewed to be within the purview of these laws and regulations, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability. Each prospective investor should contact his, her or its own legal advisor.

The valuation of our biological assets is subject to certain assumptions and estimates.

As required by IFRS, we measure the value of our biological assets (consisting of cannabis plants) using the income approach at fair value less costs to sell up to the point of harvest. As market prices are generally not available for biological assets while they are growing, we are required to make assumptions and estimates relating to, among other things, expected harvest yields, selling prices and costs to sell. The assumptions and estimates used to determine the fair value of biological assets, and any changes to such prior estimates, directly affect our reported results of operations. If actual yields, prices, costs, market conditions or other results differ from our estimates and assumptions, there could be material adjustments to our results of operations.

Risks Related to Exchange Rate

Exchange rate fluctuations between the Canadian dollar, the U.S. dollar, the New Israeli Shekel, the Euro and other foreign currencies may negatively affect our future revenues.

We will be exposed to the financial risk related to the fluctuation of foreign exchange rates. We generate substantially all of our revenues in NIS, including executive compensation, employee salaries and payments to service providers in Israel. The majority of our operating expenses are incurred in Israel in NIS and, as we expand into Portugal, will be incurred increasingly in Euros. We also enter into foreign currencies transactions for imported goods and equipment predominantly from North America and Europe, and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes between the Canadian dollar, the U.S. dollar and the NIS, and the Euro. As we expand internationally and enter new markets, we will be subject to additional foreign currency exchange risks. In addition, a portion of our financial assets is held in NIS. As a result, our financial results may be affected by fluctuations in the exchange rates of currencies between the NIS and other currencies. Although exposure to currency fluctuations to date has not had a material adverse effect on our business, there can be no assurance that any future hedging transactions we engage in will provide sufficient protection and that such fluctuations in the future will not have a material adverse effect on our operating results and financial condition. To date, we have not hedged our exposure to currency fluctuations.

Risks Related to Competition

We operate in a highly competitive industry, and may not be able to maintain our operations or develop them as currently proposed if we are unable to outperform our competitors.

An increase in the number of companies competing in the medical cannabis industry could limit our ability to expand our operations. Some competitors may have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. There is no assurance that we will be able to compete successfully against current and future competitors. These companies may have an advantage in marketing approved products and may obtain regulatory approval of the product candidates before we are able to. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in more concentrated resources among a smaller number of competitors. To remain competitive, we will require a continued level of investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis.

As well, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of cannabis for medical purposes in some form or another.

Our failure to develop products that compete successfully against other products and to acquire and retain physicians who prescribe our drugs once developed and patients who use them may prevent us from achieving profitability or growing our revenue.

Our success depends on our ability to attract and retain patients and physicians who prescribe our drugs. There are many factors which could impact our ability to attract and retain patients, including but not limited to our ability to continually produce desirable and effective products, the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option and other companies producing and supplying similar products.

Our ability to commercialize our pharmaceutical cannabinoids, alone or with other parties, will also depend in part on the extent to which consumers of our products will be able to receive reimbursement for their purchases of our products from government and health administration authorities, private health maintenance organizations and health insurers and other healthcare payors.

Significant uncertainty exists as to the reimbursement status of newly approved healthcare products, particularly those containing or derived from cannabis. The reimbursement policies of government healthcare programs and regulated commercial insurance plans are subject to legislative and/or administrative actions. Legislative or regulatory policies or other government initiatives that preclude or limit the coverage or reimbursement available for our products, whether now or in the future, require that we pay increased rebates, limit our ability to offer co-pay payment assistance to commercial patients, limit the pricing of pharmaceutical products or reduce the use of our products could reduce our profitability. Expansion into new markets may be subject to additional requirements in respect of documentation and other considerations that result in additional costs. In addition, pricing and reimbursement decisions in certain countries can be affected by decisions taken in other countries, which can lead to mandatory price reductions and/or additional reimbursement restrictions across a number of other countries, which may thereby adversely affect our sales and profitability.

Government and other healthcare payors are challenging the prices charged for medical products and services, and may exclude our cannabis products from their formulary coverage lists, limit the types of patients for whom coverage will be provided or limit the level of reimbursement, which would negatively impact the demand for, and revenues of, our products. The industry competition to be included in formulary lists often leads to downward pricing pressures on pharmaceutical products. Any such changes may adversely impact our revenues.

LEGAL PROCEEDINGS

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. Except as disclosed below, we believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

On March 11, 2016, a motion was filed in the District Court, Tel-Aviv for approval of a class action against Sheifa and seven other cannabis cultivating companies in Israel (together, the "**Growers**") seeking an estimated total amount of 133 million NIS (the "**Motion**"). The Motion set out three claims: (i) the Growers used chemical pesticides in the cannabis growing process, in contradiction to applicable regulations; (ii) the concentration of the active ingredients in the cannabis marketed was lower than publicized by the Growers and, therefore, the Growers misled their customers; and (iii) cannabis supplied by the Growers was marketed in defective packaging. On March 8, 2017, together with six other Growers, Sheifa submitted a joint response to the Motion. There was a preliminary hearing for the Motion on January 7, 2018, and a second preliminary hearing on October 29, 2018. The matter is still outstanding.

The Company has provided Mr. Hagai Hillman with an undertaking to indemnify him for certain liabilities in connection with the above mentioned claim and three additional claims currently pending against Sheifa, as well as in connection with certain tax liabilities related to Sheifa or that may arise in connection with the future transfer of Sheifa to the BOL Group.

On January 4, 2019, legal counsel to the holder of the 2017 Investor CLA (the "**2017 CLA Claimant**") provided a letter to the Borrowing Parties claiming that, pursuant to the terms of the 2017 Investor CLA, the

loan provided by the 2017 CLA Claimant to the Borrowing Parties should be converted to a number of Common Shares equal to 21% of the outstanding share capital of the Company prior to giving effect to the Offering (the "**2017 CLA Claim**"). On January 29, 2019, we sent a letter to the 2017 CLA Claimant rejecting the 2017 CLA Claim and initiating discussions with a view to settlement. On June 12, 2019, the 2017 CLA Claim was settled, pursuant to which it was agreed that the 2017 CLA Claimant would be entitled to Common Shares equal to approximately 3.78% of the outstanding share capital of the Company prior to giving effect to the Offering (the "**Settlement Shares**"). In accordance with the terms of the settlement, such entitlement shall be satisfied by the issuance of the Settlement Shares to the 2017 CLA Claimant as part of the Pre-Closing Capital Changes. The settlement reached also grants the 2017 CLA Claimant the right to appoint an observer to the Board of Directors of the Company so long as the 2017 CLA Claimant continues to hold at least 50% of the Settlement Shares. See "Corporate Structure — Pre-Closing Capital Changes".

LEGAL MATTERS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Offered Shares, will be passed upon on our behalf by Stikeman Elliott LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As at the date of this prospectus, the partners and associates of each of Stikeman Elliott LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly and indirectly, less than 1% of our outstanding securities or other property, or our affiliates.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this prospectus, there are no material interests, direct or indirect, of any of our directors or executive officers, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Related Party Transactions".

AUDITOR, TRANSFER AGENT AND REGISTRAR

E&Y, Chartered Professional Accountants, located at 144 Menachem Begin Road, Tel Aviv 649102, Israel, is our auditor.

The transfer agent and registrar for the Common Shares will be TMX Trust Company at its principal office in Toronto, Ontario

INTEREST OF EXPERTS

No person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a part of this prospectus, or prepared or certified a report or valuation described or included in this prospectus, has received or shall receive or holds a direct or indirect interest in any securities or property of the Company or any associates or affiliates of the Company.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

We are incorporated under the laws of the State of Israel. Service of process upon us and upon our directors and officers and any Israeli experts named in this prospectus, most of whom reside outside of Canada, may be difficult to obtain within Canada. Furthermore, because a majority of our assets and most of our directors, officers and such Israeli experts are located outside of Canada, any judgment obtained in Canada against us or any of them may be difficult to collect within Canada.

We have irrevocably appointed ● as our agent to receive service of process in any action against us in any Canadian court arising out of this offering or any purchase or sale of securities in connection with this offering.

We have been informed by our legal counsel in Israel that it may be difficult to assert Canadian or U.S. federal securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian or U.S. federal securities laws on the basis that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. There is little binding case law in Israel addressing these matters. If Canadian or U.S. law is found to be applicable, the content of applicable Canadian or U.S. law must be proven as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Subject to specified time limitations and legal procedures, under the rules of private international law currently prevailing in Israel, Israeli courts may enforce a Canadian or U.S. judgment in a civil matter which, subject to certain exceptions, is non-appealable, including a judgment based upon the civil liability provisions of Canadian securities laws or the U.S. Securities Act or the U.S. Exchange Act and including a monetary or compensatory judgment in a non-civil matter, provided that, among other things, the following key conditions are met:

- the judgment is obtained after due process before a court of competent jurisdiction, according to the laws of the jurisdiction in which the judgment is given and the judgment is enforceable according to the law of the foreign jurisdiction in which the relief was granted;
- the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel; and
- the substance of the judgment and its enforcement is not contrary to the law, public policy, security or sovereignty of the State of Israel.

Even if the above conditions are met, an Israeli court will not enforce a Canadian or U.S. judgment in a civil matter if:

- the judgment was given in a jurisdiction whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases);
- the judgment was obtained by fraud;
- the opportunity given to the defendant to bring its arguments and evidence before the court was not reasonable in the opinion of the Israeli court;
- the judgment was rendered by a court not competent to render it according to the laws of private international law as they apply in Israel;
- the judgment is contradictory to another judgment that was given in the same matter between the same parties and that is still valid; or
- at the time the action was brought in the foreign court, a lawsuit in the same matter and between the same parties was pending before a court or tribunal in Israel.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in NIS, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in NIS at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in non-Israeli currency. Pending collection, the amount of the judgment of an Israeli court stated in NIS ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

MATERIAL CONTRACTS

This prospectus includes a summary description of certain of our material agreements. The summary description discloses all attributes material to an investor in the Offered Shares but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR, at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

The following are our only material contracts that will be in effect on Closing (other than certain agreements entered into in the ordinary course of business):

(a) The Revadim Lease Agreement. See "Corporate Structure — History of the Business; Recent Developments".

(b) The Zabar Kama Partnership Agreement. See "Corporate Structure — History of the Business; Recent Developments".

(c) The Distribution Agreement. See "Corporate Structure — History of the Business; Recent Developments".

(d) The Propagation Licence. See "Israel Medical Cannabis Regime — Our Licences".

(e) The Growing Licence. See "Israel Medical Cannabis Regime — Our Licences".

(f) The Manufacturing Licence. See "Israel Medical Cannabis Regime — Our Licences".

(g) The Underwriting Agreement. See "Plan of Distribution".

(h) The Founders Agreement. See "Corporate Structure — History of the Business; Recent Developments".

(i) The Exclusive Licences. We entered into two research and licence agreements on May 3, 2018, and May 14, 2018, respectively with Yissum Research and Development Company of the Hebrew University of Jerusalem, pursuant to which Yissum Research Development Company granted us an exclusive licence to make commercial use of Trojan™ and Sedds™ in order to develop, manufacture, market, distribute or sell a product, as defined in the agreements.

(j) The Portugal Expansion Agreements. See "Glossary".

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

GLOSSARY

The following terms used in this Prospectus have the meanings set forth below, unless otherwise indicated.

"**2017 CLA Claim**" has the meaning ascribed thereto under "Legal Proceedings".

"**2017 CLA Claimant**" has the meaning ascribed thereto under "Legal Proceedings".

"2017 Investor CLA" means the Convertible Loan Agreement entered into by the Borrowing Parties and a certain party thereto dated as of June 7, 2017.

"**ABA**" means applied behaviour analysis.

"**Adjusted cash cost per gram and gram equivalent sold**" has the meaning ascribed thereto under "Management's Discussion and Analysis".

"**Adjusted EBITDA**" has the meaning ascribed thereto under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

"**Agriculture Land Regulation**" the he Israeli Rural Settlement Law (Qualifications for the Use of Land and Water), 5727-1967 and guidelines published in connection thereto.

"**AIM**" is the Alternative Investment Market (London Stock Exchange).

"**AKC**" means Triple A.K.C General Partnership, a general partnership formed under the laws of Israel.

"**AKC CLA**" means the Convertible Loan Agreement (as amended) entered into by and among the Borrowing Party and AKC dated as of October 14, 2018, and closed in November 2018.

"allowable capital loss" means one-half of a capital loss. See "Certain Canadian Federal Income Tax Considerations Taxation of holders of Common Shares — Taxation of Capital Gains and Capital Losses" for more detail.

"**AMAR**" means the Unit of Medical Device and Accessories under the Ministry of Health.

"**Amir**" means Amir Marketing and Investments in Agriculture Ltd., (an Israeli public company whose securities are listed for trading on the TASE).

"**Annual Consolidated Financial Statements**" has the meaning ascribed thereto under "Selected Consolidated Financial Information".

"**APIs**" means active pharmaceutical ingredients.

"**Applicable Limit**" has the meaning ascribed thereto under "Description of Share Capital — Israel Cannabis Law Approval Requirements in Respect of our Shares".

"**Approval Requirements**" has the meaning ascribed thereto under "Description of Share Capital—Israel Cannabis Law Approval Requirements in Respect of our Shares".

"**Articles**" means the means the amended and restated articles of association of BOL Pharma, as amended from time to time, which will take effect immediately prior to the Closing.

"**ASD**" means Autism Spectrum Disorder.

"**Audit Committee**" means the audit committee of the Company, as further described under the heading "Corporate Governance — Committees of the Board — Audit Committee".

"**Awards**" has the meaning ascribed thereto under "Executive Compensation — Principal Elements of Compensation — ESOP".

"**Beneficial Holder**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations".

"**BMO**" means BMO Nesbitt Burns Inc.

"**BNS**" means BioNanoSim (BNS) Ltd.

"**Board**" or "**Board of Directors**" means the board of directors of the Company.

"**BOL Agro-Tech**" means Breath of Life Agro-Tech Ltd.

"**BOL Industries**" means Breath of Life Industries Ltd.

"**BOL Israel**" means Breath of Life Israel Ltd.

"**BOL Manufacturing**" means Breath of Life Cannabis Manufacturing of Medical Products Ltd.

"**BOL Nano Solutions**" means BOL Nano Solutions Ltd.

"**BOL Portugal**" means Breath of Life Portugal Unipessoal Lda.

"**Borrowing Parties**" means BOL Industries, the Company, Mr. Hagai Hillman and Mr. Tamir Gedo.

"**BPD**" means borderline personality disorder.

"**BPL**" means Breath of Life Pharma Ltd.

"**Brokers**" means the declaration to be provided under the Procedures by a person holding shares in connection with ownership and control of shares.

"**CAGR**" means compound annual growth rate.

"**Cannabis Law for Medical Purposes**" means Portuguese law No. 33/2018, adopted on July 18, 2018.

"**Cash cost per gram and gram equivalent sold**" has the meaning ascribed thereto under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

"**CBC**" means cannabichromen.

"**CBD**" means cannabidiol.

"**CBDA**" means cannabidiolic acid.

"**CBDV**" means cannabidivarin.

"**CBG**" means cannabigerol.

"**CBGA**" means cannabigerolic acid.

"**CGI-I**" means Clinical Global Impression-Improvement.

"**CBN**" means cannabinol.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CDS Participants**" means participants in the CDS depository service.

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**CKD**" means chronic kidney disease.

"**Closing**" means the closing of the Offering.

"**Closing Date**" means ● , and in any event not later than ● .

"**CMPR**" means all guidelines and directives issued by the IMC pursuant to Resolution 1587 adopted in June 2016 by the Israeli Government, which went into effect on April 29, 2019, for the "medicalization" of medical cannabis operations and the transition from a "Licensed Company-Patient Regime" to a "Prescribed Medicine Regime" in Israel.

"**Code of Ethics**" has the meaning ascribed thereto under "Corporate Governance — Code of Ethics".

"**Common Shares**" means the ordinary shares of the Company having a par value of NIS 0.10 each.

"**Companies Law**" means the Israeli Companies Law, 5759-1999, as amended, including the regulations promulgated thereunder.

"**Company**" or "**BOL Pharma"** means Breath of Life International Ltd. and, unless the context otherwise requires, includes its direct and indirect subsidiaries and predecessors or other entities controlled by any of them.

"**Compensation and Nominating Committee**" means the compensation and nominating committee of the Company, as further described under the heading "Corporate Governance — Committees of the Board — Compensation and Nominating Committee".

"**Compensation Policy**" has the meaning ascribed thereto under "Executive Compensation — Compensation-Setting Process".

"**Consenting Shareholders**" has the meaning ascribed thereto under "Pre-Closing Capital Changes".

"**Consolidated Financial Statements**" has the meaning ascribed thereto under "Selected Consolidated Financial Information".

"**Convention**" means the Single Convention on Narcotic Drugs, 1961 of the United Nations, which was amended in 1972.

"**COO**" means chief operating officer.

"**Corporate Transaction**" has the meaning ascribed thereto under "Executive Compensation — Principal Elements of Compensation — ESOP".

"**Cowen**" means Cowen and Company, LLC.

"**CRA**" means Canada Revenue Agency.

"**Dangerous Drugs Ordinance**" means the Israeli Dangerous Drugs Ordinance New Version, 1973.

"**Director**" means a member of the Company's Board of Directors.

"**Distribution Agreement**" means the distribution agreement between SLE and BOL Manufacturing, dated March 2017.

"**Diversity Policy**" has the meaning ascribed thereto under "Corporate Governance — Diversity Policy".

"**Dormant Shareholder**" has the meaning ascribed thereto under "Description of Share Capital — Common Shares — Dormant Shares".

"**Dormant Shares**" has the meaning ascribed thereto under "Description of Share Capital — Common Shares — Dormant Shares".

"**Effective Interested Party**" means a controlling Person of an Interested Party or of a Material Shareholder, whether by virtue of its holdings of the Company's shares or by virtue of a shareholders' agreement.

"**EMA**" means the European Medicines Agency.

"**ERP**" means our custom enterprise resource planning system which monitors every plant throughout each step of cultivation.

"**ESOP**" means the 2018 employee share incentive plan approved by the Board on June 12, 2018.

"**ESRD**" means end stage renal disease.

"**Ethics Committee**" means the ethics committee of an institution in which clinical studies are scheduled to be conducted, as required under the guidelines for clinical trials in human subjects implemented pursuant to the *Israeli Public Health Regulations (Clinical Trials in Human Subjects), 1980*, as amended from time to time.

"**EU"** means the European Union.

"**EU Regulation No. 1252/2014**" means Commission Delegated Regulation (EU) No. 1252/2014, dated May 28, 2014.

"**EU5**" means Germany, Italy, France, Spain and the United Kingdom, for the purpose of the LifeSci Advisors market study.

"**EU-GAP**" means the Guideline on Good Agricultural and Collection Practice (GACP).

"**EU-GMP**" means the good manufacturing practices established by EU Regulation No. 1252/2014.

"**EU Regulation No. 1252/2014**" means European Union Directive 2001/83/EC, as supplemented by Commission Delegated Regulation (EU) No. 1252/2014, dated May 28, 2014.

"**Exchange**" means has the meaning ascribed thereto under "Description of Share Capital".

"**Exchange Rights**" has the meaning ascribed thereto under "Description of Share Capital".

"**Exclusive Licences**" means the two research and licence agreements the Company entered into on May 3, 2018, and May 14, 2018, respectively with Yissum Research and Development Company of the Hebrew University of Jerusalem, pursuant to which Yissum Research Development Company granted us an exclusive licence to make commercial use of Trojan™ and Sedds™ in order to develop, manufacture, market, distribute or sell a product, as defined in the agreements.

"**Export Approval**" means the Israeli cabinet's approval of the export of finished medical cannabis products through the adoption of Government Resolution No. 4490.

"**extraordinary general meeting**" means any meeting of the shareholders of BOL Pharma other than an annual meeting of the shareholders.

"**E&Y**" means Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, the Company's auditors.

"**FDA**" means the United States Food and Drug Administration.

"**FDC Act**" has the meaning ascribed thereto under "Industry Overview—FDA Approval Process".

"**Financial Intermediary**" means any bank, trust company, credit union or other financial institution.

"**Fiscal 2016**" refers to the 12-month period ended December 31, 2016.

"**Fiscal 2017**" refers to the 12-month period ended December 31, 2017.

"**Fiscal 2018**" refers to the 12-month period ended December 31, 2018.

"**Fiscal 2019**" refers to the 12-month period ending December 31, 2019.

"**Founders Agreement**" means the founders agreement between BPL and BNS, dated March 25, 2018.

"**Gandyr CLA**" means the Joinder Agreement to the AKC CLA (as amended) entered into by the Borrowing Parties and Gandyr Investments Ltd., dated as of December 4, 2018.

"**GAP**" means Good Agriculture Practices, which is a certificated compliance standard published by the Israeli Ministry of Health's Medical Cannabis Unit, and is based on international standards.

"**GCP**" means ICH-Good Clinical Practice, which is an international ethical and scientific quality standard for designing, conducting, recording and reporting trials that involve the participation of human subjects.

"**GDP**" means IMC-Good Distribution Practices, which is a certificated compliance standard published by the Israeli Ministry of Health's Medical Cannabis Unit, and is based on international standards.

"**General Manager**" means the general manager of an institution in which clinical studies are scheduled to be conducted, as required under the guidelines for clinical trials in human subjects implemented pursuant to the *Israeli Public Health Regulations (Clinical Trials in Human Subjects), 1980*, as amended from time to time.

"**Growers**" has the meaning ascribed thereto under "Legal Proceedings".

"**Growing Licence**" means the growing licence BOL Agro-Tech received on September 20, 2018.

"**GSP**" means Good Security Practices, which is a certificated compliance standard published by the Israeli Ministry of Health's Medical Cannabis Unit.

"**HSQ-ASD**" means Home Situations Questionnaire-Autism Spectrum Disorder.

"**HMO**" means health maintenance organization.

"**Holder**" means a person or group of persons acting together who, directly or indirectly, acquire, hold or maintain control or direction over Common Shares, and shall include, if the Holder is a corporation, its subsidiaries and affiliated companies, or, if the Holder is an individual, her or his immediate family members who reside together or whose livelihood is dependant on one another, and for greater certainty shall also include any person or group of persons that acquires control of any such Holder, all within the meaning of such terms as they are used in, and interpreted and applied under, the Companies Law.

"**ICH-GCP**" means the ICH standards of Good Clinical Practices.

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board.

"**IIA**" means the Israel Innovation Authority.

"**IMC**" means Israel Medical Cannabis.

"**IMC-GMP**" means Good Manufacturing Practice, which is a certificated compliance standard published by the Israeli Ministry of Health's Medical Cannabis Unit, and is based on international standards.

"**IND**" means Investigational New Drug Application.

"**Industry Encouragement Law**" has the meaning ascribed thereto under "Certain Israeli Tax Considerations — Tax Benefits under the Law for the Encouragement of Industry (Taxes), 1969".

"**INFARMED**" means the National Authority for Medicines and Health Products, I.P.

"**Interested Party**" includes a substantial shareholder, a person with the power to appoint one or more directors or a General Manager of the Company, and a person who serves as a Director or as General Manager of the Company, whether by virtue of its holdings of the Company's shares or by virtue of a shareholders' agreement.

"**Interim Financial Statements**" has the meaning ascribed thereto under "Selected Consolidated Financial Information".

"**Investment Assets**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations — Taxation of Holders of Common Shares — Offshore Investment Fund Property Rules".

"**Investor Rights Agreement**" has the meaning ascribed thereto under "Principal Shareholder — Investor Rights Agreement".

"**IRB**" means a regulatory authorities or institution review board, as the case may be.

"**Israel Securities Authority**" or "**ISA**" means the Israel Securities Authority.

"**Israel Securities Law**" means The Israeli Securities Law, 5728-1968, as amended.

"**Israeli Cannabis Law**" means each of the Dangerous Drugs Ordinance and the directives and guidelines issued by the MCU, including the CMPR.

"**IT**" means information technology.

"**ITA**" means the Israeli Tax Authority.

"**Joint Bookrunners**" means, collectively, BMO, Cowen and Scotia.

"**Korn Ferry**" means Korn Ferry International.

"**Land Lessor**" has the meaning ascribed thereto under the heading "Certain Regulatory Matters — Israeli Medical Cannabis Regime — Licences — Types of Licences — Operation of a Growing Facility".

"**Law 15/93**" means Article 4 of the Portuguese *Legal Regime Applicable to the Trafficking and Consumption of Narcotic Drugs and Psychotropic Substances* under Law No. 15/93, adopted on January 22, 1993.

"**Law 176/2006**" means Chapter III and Section IV of Law No. 176/2006, dated August 30, 2006, as amended.

"**Law 30/2000**" means Law No. 30/2000, adopted on July 1, 2001 by the Portuguese government.

"**Licence**" means a licence issued by the Director of the Medical Cannabis Unit of the Ministry of Health to an entity, authorizing it to conduct one of the main five activities in the value chain for medical cannabis products (which consist of propagation, growing, production, storage and distribution, and pharmacy).

"**LifeSci Advisors**" means LifeSci Advisors, LLC, and references to information provided by LifeSci Advisors are references to a report prepared by LifeSci Advisors regarding ASD market sizing and treatable patients in January 2019 that was commissioned by the Company, or to a report regarding market sizing and treatable patients for seven other specified indications, as commissioned by the Company from February through April 2019.

"**Lock-Up Agreements**" has the meaning ascribed thereto under the heading "Plan of Distribution — Lock-up Arrangements".

"**Manufacturing Licence**" means the manufacturing licence BOL Manufacturing received on September 20, 2018.

"**Material Shareholder**" means a shareholder who holds 5% or more of the Company's issued share capital or voting rights therein, whether by virtue of its holdings of the Company's shares or by virtue of a shareholders' agreement.

"**MCU**" means the Medical Cannabis Unit of the Israel Ministry of Health.

"**MCU Approval**" has the meaning ascribed thereto under "Description of Share Capital — Israel Cannabis Law Approval Requirements in Respect of our Shares".

"**Medical Grade**" means the appropriate quality level for medical use of cannabis-based products subject to the quality requirements of the MCU, which include GSP, GAP, GMP, GDP, that define the standards that the various stages of the medical cannabis production chain.

"**Ministry of Health**" means the Ministry of Health of Israel.

"**Motion**" has the meaning ascribed thereto under "Legal Proceedings".

"**NASDAQ**" means Nasdaq stock market.

"**NCE**" means new chemical entities.

"**NDAs**" has the meaning ascribed thereto under "Certain Regulatory Matters — FDA Approval Process — Clinical Trials".

"**NEO**" means the named executive officers of the Company, who are the President, CEO, CFO, COO and the General Manager of BOL Israel.

"**NI 52-110**" has the meaning ascribed thereto under the heading "Certain Regulatory Matters — Summary of Certain Material Aspects of Israeli Corporate Law — Board of Directors".

"**NI 58-101**" has the meaning ascribed thereto under the heading "Directors and Executive Officers — Directors".

"**NIS**" means New Israeli Shekels, the lawful currency of the State of Israel.

"**OAD**" means prescription oral antidiabetic drug.

"**Offered Shares**" means the Common Shares qualified for distribution under this prospectus.

"**Offering**" means this initial public offering of Common Shares.

"**Offering Price**" means the price at which each Offered Share will be sold pursuant to the Offering.

"**OIF Rules**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations — Taxation of Holders of Common Shares — Offshore Investment Fund Property Rules".

"**Old Cannabis Regulation**" means the Licensed Company-Patient Regime, under these regulations, the MCU issued licences to patients which would directly contact a licensed company for distribution of the Medical Cannabis products required by such patient and which expired on April 29, 2019 (subject to a short transition period). Under the Old Cannabis Regulation only eight companies were licensed to operate in the field of Medical Cannabis in Israel.

"**Ordinance**" has the meaning ascribed thereto under "Executive Compensation — Principal Elements of Compensation — ESOP".

"**Our Crowd CLA**" means the Joinder Agreement to the AKC CLA (as amended) entered into by the Borrowing Parties and Our Crowd Israel general partner, dated as of November 26, 2018.

"**Outstanding Shares**" means the total number of our Common Shares that are issued and outstanding on a non-diluted basis at any particular time, excluding any Common Shares that are Dormant Shares at that time, unless and until such time as the MCU confirms to the Company that ownership percentages for the purposes of the Approval Requirements may be calculated on the basis of the total number of Common Shares that are issued and outstanding on a non-diluted basis at any particular time, without excluding any Common Shares that are Dormant Shares.

"**Over-Allotment Option**" means the option granted by us to the Underwriters to purchase, on a *pro rata* basis, up to an additional 15% of the aggregate number of Offered Shares at the Offering Price, exercisable, in whole or in part, for a period of thirty (30) days from the Closing Date.

"**Ownership Declaration**" means the declaration to be provided under the Procedures by a person holding Common Shares in connection with ownership and control of Common Shares.

"**Participant Declaration**" means the declaration of a Participant, a Broker or Financial Intermediary with respect to the number of Common Shares held by a Holder in a single account with such Participant at a specific time.

"**PK Studies**" means pharmacokinetic studies.

"**Portugal Expansion Agreements**" means, collectively, (i) the agreement entered into by BOL Portugal dated February 27, 2019 in respect of the purchase of 4.3 million square feet of cultivation area in Portugal; and (ii) the agreement dated April 10, 2019 pursuant to which BOL Portugal has secured dried cannabis supply from a cultivator in Portugal with 8 million square feet of cultivation area. See "Business Overview — Medical Cannabis Operations — Cultivation".

"**Portuguese Cannabis Law**" means Portuguese law No. 8/2019 and various laws, regulations, and policies adopted by the Portuguese Government in relation thereto.

"**Pre-Closing Capital Changes**" means the actions set out under "Corporate Structure—Pre-Closing Capital Changes".

"**Pre-IND**" means Pre-Investigational New Drug Application.

"**Principal Shareholder**" means a person or company that is the direct or indirect beneficial owner of or exercises control or direction over more than 10 percent of any class or series of voting securities of the Company.

"**Procedures**" has the meaning ascribed thereto under "Description of Share Capital — Special Operating Procedures for Identifying Dormant Share Ownership".

"**Prohibition Partners**" means PP Intelligence Ltd.

"**Propagation Licence**" means the propagation licence BOL Agro-Tech received from the MCU on September 20, 2018.

"**Pure**" means pure cannabinoids.

"**R&D Committee**" means the special research and development committee within the MCU.

"**Registered Plans**" means, collectively, an RRSP, RRIF, RESP, RDSP or TFSA.

"**RESP**" means a registered education savings plan.

"**Revadim Facility**" means our facility located at Revadim, Revadim Industrial Zone, 7982000, Israel.

"**Revadim Lease Agreement**" means the Lease Agreement entered into by BOL Manufacturing and Park Revadim Agricultural Association Ltd. dated as of June 12, 2017.

"**RRIF**" means a registered retirement income fund.

"**RRSP**" means a registered retirement savings plans.

"**RSUs**" means restricted stock units.

"**Scotia**" means Scotia Capital Inc.

"**SEDAR**" means the Canadian System for Electronic Document Analysis and Retrieval.

"**Settlement Shares**" has the meaning ascribed thereto under "Legal Proceedings".

"**Sheifa**" means Breath of Life Ltd.

"**SLE**" means Salomon, Levine and Elstein Ltd.

"**SRS-t**" means Social Responsiveness Scale.

"**Subject Shareholders**" has the meaning ascribed thereto under "Description of Share Capital".

"**Subsidiary Shares**" has the meaning ascribed thereto under "Description of Share Capital".

"**Super-Pharm**" means Super-Pharm (Israel) Ltd., an Israeli pharmacy chain that is controlled by Leon Koffler.

"**TASE**" means the Tel Aviv Stock Exchange.

"**Tax Act**" means the *Income Tax Act* (Canada).

"**Tax Proposals**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations".

"**taxable capital gain**" means one-half of a capital gain. See "Certain Canadian Federal Income Tax Considerations — Taxation of Holders of Common Shares — Taxation of Capital Gains and Capital Losses".

"**Termination Date**" has the meaning ascribed thereto under "Executive Compensation — Principal Elements of Compensation — ESOP"

"**Teva**" means Teva Pharmaceutical Industries Limited.

"**Transfer Agent**" has the meaning ascribed thereto under "Description of Share Capital — Israel Cannabis Law Restrictions on Share Ownership".

"**TFSA**" means a tax-free savings account.

"**THC**" means D9 tetrahydrocannabinol.

"**THCA**" means D9 tetrahydrocannabinolic acid.

"**TSX**" means the Toronto Stock Exchange.

"**U.S.**" means the United States of America.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**UMIR**" means Universal Market Integrity Rules for Canadian Marketplaces.

"**Underwriters**" means, collectively, the Joint Bookrunners and ● , ● and ● .

"**Underwriting Agreement**" means the underwriting agreement dated ● , 2019 between the Company and the Underwriters.

"**Underwriters' Fee**" means the fee payable to the Underwriters in connection with the Offering.

"**US$**" or "**U.S. Dollars**" means United States dollars.

"**Whole-Plant**" means whole-plant extract.

"**Zabar Kama**" means Zabar-Kama Agricultural Cooperative Society Ltd.

"**Zabar Kama Partnership Agreement**" means the Partnership Agreement entered into by and among BOL Israel, BOL Agro-Tech and Zabar Kama dated as of June 19, 2017.

INDEX TO FINANCIAL STATEMENTS

BREATH OF LIFE INTERNATIONAL LTD.

INDEPENDENT AUDITOR'S REPORT AND AUDITED FINANCIAL STATEMENTS OF BREATH OF LIFE INTERNATIONAL LTD. AND ITS SUBSIDIARIES

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

(U.S. dollars in thousands)

INDEX

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Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF

BREATH OF LIFE INTERNATIONAL LTD.

Opinion

We have audited the consolidated financial statements of Breath of Life International Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018, 2017 and 2016, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tel-Aviv, Israel
May 23, 2019

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

BREATH OF LIFE INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	December 31, 2018	December 31, 2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$15,485	$ 19
Trade receivables	5	387	195
Other accounts receivable	6	2,160	543
Biological assets	7	611	213
Inventories	8	2,398	1,235
		21,041	2,205
NON-CURRENT ASSETS:			
Restricted cash		246	182
Property, plant and equipment, net	9	6,502	2,385
		6,748	2,567
Total assets		$27,789	$4,772

The accompanying notes are an integral part of the consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

U.S. dollars in thousands

	Note	December 31, 2018	December 31, 2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Bank credit		$ —	$ 104
Current maturities of long-term loans	12	718	64
Trade payables		2,205	1,142
Other accounts payable and accrued expenses	11	2,475	2,681
		5,398	3,991
NON-CURRENT LIABILITIES:			
Long-term loans from banks	12	127	238
Convertible loans	12	28,944	4,979
Other long-term liabilities		331	473
Employee benefit liabilities, net	10	150	170
		29,552	5,860
Total liabilities		34,950	9,851
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	15		
Share capital and premium		3,302	359
Reserve from share-based payment transactions		12,835	—
Reserve from transactions with non-controlling interests		8,751	533
Translation reserve		593	(4)
Accumulated deficit		(33,689)	(5,960)
		(8,208)	(5,072)
Non-controlling interests		1,047	(7)
Total equity		(7,161)	(5,079)
Total equity and liabilities		$27,789	$4,772

The accompanying notes are an integral part of the consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	Year ended December 31, 2018	2017	2016
Revenues		$ 3,516	$ 3,010	$ 2,273
Cost of revenues		5,783	2,524	343
Gross profit (loss) before fair value adjustments		(2,267)	486	1,930
Fair value adjustments:				
Unrealized change in fair value of biological assets		1,210	1,080	1,957
Realized fair value adjustments on inventory sold in the period		(1,026)	(1,132)	(1,259)
Total fair value adjustments		184	(52)	698
Gross profit (loss)		(2,083)	434	2,628
Research and development expenses		(2,095)	(593)	(51)
Selling and marketing expenses		(1,365)	(1,059)	(725)
General and administrative expenses		(2,767)	(2,900)	(1,183)
Share-based compensation	15c	(12,835)	—	—
Other operating expenses		(22)	(343)	—
Total operating expenses		(19,084)	(4,895)	(1,959)
Operating profit (loss)	16	(21,167)	(4,461)	669
Finance expense, net		(8,227)	(1,905)	(67)
Net income (loss)		(29,394)	(6,366)	602
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation to presentation currency		532	13	(23)
Re-measurement gain (loss) on defined benefit plans		9	(22)	—
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		541	(9)	(23)
Total comprehensive income (loss)		$(28,853)	$(6,375)	$ 579
Net income (loss) attributable to:				
Equity holders of the Company		(27,738)	(5,818)	602
Non-controlling interests		(1,656)	(548)	—
		(29,394)	(6,366)	602
Total comprehensive income (loss) attributable to:				
Equity holders of the Company		(27,132)	(5,825)	579
Non-controlling interests		(1,721)	(550)	—
		$(28,853)	$(6,375)	$ 579
Net income (loss) per share attributable to equity holders of the Company	17			
Basic and diluted net income (loss) per share (in U.S. dollars):		$ (2.39)	$ (0.51)	$ 0.05

The accompanying notes are an integral part of the consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
U.S. dollars in thousands

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserve from share-based payment transactions	Reserve from transactions with non-controlling interests	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2016	$ —*)	$ —*)	$ —	$ —	$ 4	$ (722)	$ (718)	$ —	$ (718)
Issue of share capital	—*)	359	—	—	—	—	359	—	359
Issue of shares to non-controlling interests	—	—	—	615	—	—	615	75	690
Net income	—	—	—	—	—	602	602	—*)	602
Other comprehensive income (loss)	—	—	—	—	(23)	—	(23)	—	(23)
Balance as of December 31, 2016	—*)	359	—	615	(19)	(120)	835	75	910
Issue of share capital	—*)	*)	—	—	—	—	—	—	—
Issue of bonus shares (see Note 15b)	—*)	—*)	—	—	—	—	—	—	—
Issue of shares to non-controlling interests	—	—	—	329	—	—	329	57	386
Benefit to non-controlling interests from receipt of convertible loan (see Notes 12c and 12e)	—	—	—	(411)	—	—	(411)	411	—
Net loss	—	—	—	—	—	(5,818)	(5,818)	(548)	(6,366)
Other comprehensive loss	—	—	—	—	15	(22)	(7)	(2)	(9)
Balance as of December 31, 2017	—*)	359	—	533	(4)	(5,960)	(5,072)	(7)	(5,079)
Issue of share capital	—*)	2,060	—	—	—	—	2,060	—	2,060
Issue of bonus shares (see Note 15b)	33	(33)	—	—	—	—	—	—	—
Issue of shares to non-controlling interests	—	—	—	8,249	—	—	8,249	2,744	10,993
Conversion of convertible loans	—*)	883	—	—	—	—	883	—	883
Cost of share-based payment	—	—	12,835	—	—	—	12,835	—	12,835
Benefit to non-controlling interests from receipt of convertible loan (see Notes 12c and 12e)	—	—	—	(31)	—	—	(31)	31	—
Net loss	—	—	—	—	—	(27,738)	(27,738)	(1,656)	(29,394)
Other comprehensive loss	—	—	—	—	597	9	606	(65)	541
Balance as of December 31, 2018	$ 33	$3,269	$12,835	$8,751	$593	$(33,689)	$ (8,208)	$ 1,047	$ (7,161)

*) Represents an amount of less than $1.

The accompanying notes are an integral part of the consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2018	**2017**	**2016**
Cash provided by (used in) operating activities:			
Net income (loss) for the year	$(29,394)	$(6,366)	$ 602
Adjustments for non-cash items:			
Unrealized gain on changes in fair value of biological assets	(1,210)	(1,080)	(1,957)
Fair value adjustment on sale of inventory	1,026	1,132	1,259
Loss on changes in fair value of financial liabilities	6,969	1,636	—
Interest accrued	—	—	15
Share-based payment	12,835	—	—
Depreciation of property, plant and equipment	445	157	119
Loss from disposal and write-off of property plant and equipment	108	418	—
Employee benefit liabilities, net	(8)	16	87
	20,165	2,279	(477)
Changes in non-cash working capital:			
Decrease (increase) in trade receivables, net	(215)	(130)	59
Decrease in other accounts receivable	(1,729)	(281)	(186)
Decrease (increase) in other long-term receivable	(153)	(94)	53
Decrease (increase) in inventories, net of fair value adjustments	(2,335)	(1,684)	(1,856)
Decrease (increase) in biological assets, net of fair value adjustments	779	1,396	1,468
Increase in trade payables	1,197	808	22
Increase (decrease) in other accounts payable and accrued expenses	1,046	1,304	(65)
Net cash used in operating activities	(11,639)	(2,768)	(380)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(5,141)	(793)	(214)
Change in restricted cash	(81)	(175)	—
Net cash used in investing activities	(5,222)	(968)	(214)

The accompanying notes are an integral part of the consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

U.S. dollars in thousands

	Year ended December 31,		
	2018	**2017**	**2016**
Cash provided by (used in) financing activities:			
Share capital issued, net of issue costs	$ 2,060	$ —	$ 359
Proceeds from non-controlling interest	10,993	386	690
Proceeds from bank borrowings	1,143	13	—
Repayment of bank borrowings	(484)	(80)	(94)
Proceeds from other long-term liabilities	—	—	230
Cash paid for interest	(38)	—	—
Long-term convertible loans received	18,545	3,140	—
Changes in bank credit, net	(100)	38	38
Net cash provided by financing activities	32,119	3,497	1,223
Effect of foreign exchange on cash and cash equivalents	208	(177)	(198)
Increase (decrease) in cash and cash equivalents	15,466	(416)	431
Cash and cash equivalents at beginning of year	19	435	4
Cash and cash equivalents at end of year	$15,485	$ 19	$ 435
(a) Supplemental disclosure of non-cash activities:			
Purchase of property and equipment on credit	$ —	$1,090	$ —

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1: GENERAL

a. Information:

Breath of Life International Ltd. (the "Company" or "BOL") was established and incorporated in Israel as a private company. The Company's main office is located in the industrial zone of Revadim, Israel.

The Company's operations are in the medical cannabis and cannabinoid-based pharmaceutical industries with operations spanning the main elements of the production value chain from cultivation through production and extraction, formulation and product development, and product research and testing. BOL, through its subsidiaries (collectively, the "Group"), is accredited by the Israeli Ministry of Health Medical Cannabis Unit ("MCU") with both Good Agricultural Practices ("GAP"), an Israeli certification for cultivation, and Good Manufacturing Practices ("GMP"), an Israeli certification for manufacturing of finished products. These GAP and GMP certifications conform to the standards of the Israeli Government Resolution No. 1587 — Cannabis for Medicinal Purposes and Research ("CMPR").

The Group operates in one reporting segment. For all reporting periods presented, the revenues of the Group were generated from sales of medical cannabis products to customers in Israel. BOL and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

b. In early 2018 the Company and Sheifa Le'chaim Ltd. ("Sheifa"), an entity under common control and management with the Company, effectively completed a business combination of Sheifa's operations into the Company. During the reporting period, the Company's efforts and resources focused on organizing the operations of the Group under the new regulation in the field of medical cannabis in Israel, while Sheifa operated at that time under the former regulation of medical cannabis in Israel and sold its products based on its license to operate using its own facilities. After receiving the required certificates for cultivation, manufacturing and selling of medical cannabis products under the new regulation in Israel, the remaining medical cannabis products of Sheifa were sold to the Group and Sheifa's business activity was divided among the Company's subsidiaries.

This business combination under common control has been accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts. Comparative financial information for periods prior to the business combination have been restated as if the combination had taken place at the beginning of the earliest comparative period presented.

c. Approval of consolidated financial statements:

These consolidated financial statements of the Company were authorized for issue by the board of directors on May 23, 2019.

d. Definitions:

In these financial statements:

The Company, or BOL	— Breath of Life International Ltd.
The Group	— Breath of Life International Ltd. and its Subsidiaries.
Subsidiaries	— Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Sheifa	— Sheifa Le'chaim Ltd., a company under common control.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation:

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's financial statements have been prepared on a cost basis, except for:

– Financial liabilities (convertible loans) which are presented at fair value through profit or loss.

– Biological assets which are presented at fair value less cost to sell up to the point of harvest.

U.S. dollars in thousands

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has elected to present the profit or loss items using the function of expense method.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

As of December 31, 2018 and 2017, major subsidiaries over which the Company has control, directly or indirectly, include:

	Percentage ownership	
Subsidiaries (all incorporated in Israel except BOL Portugal)	**2018**	**2017**
Breath of Life Industries Ltd. (“Industries” or “BOL Industries”)	86.98%	88%
Breath of Life Pharma Ltd. (“Pharma” or “BOL Pharma”)	86.81%	86.81%
Breath of Life Israel Ltd. (“Israel” or “BOL Israel”)	100%	100%
Breath of Life Israel Cannabis Genetics Ltd. (“Genetics”)	100%	100%
Breath of Life Cannabis Manufacturing of Medical Products Ltd. (“Manufacturing” or “BOL Manufacturing”)	100%	100%
BOL Trade and Services in Israel Ltd. (“Trade and Services”)	100%	100%
Breath of Life Agro-Tech Ltd. (“Agro-Tech” or “BOL Agro-Tech”)	74%	74%
Breath of Life Portugal Unipessoal Lda. (“BOL Portugal”)	100%	100%
Breath of life Nano Solutions Ltd. (“Nano Solutions”)	51%	—

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

The disposal of a subsidiary that does not result in a loss of control is recognized as a change in equity. Upon the disposal of a subsidiary resulting in loss of control, the Company:

– Derecognizes the subsidiary’s assets (including goodwill) and liabilities.

– Derecognizes the carrying amount of non-controlling interests.

– Derecognizes the adjustments arising from translating financial statements carried to equity.

– Recognizes the fair value of the consideration received.

– Recognizes the fair value of any remaining investment.

– Reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.

– Recognizes any resulting difference (surplus or deficit) as gain or loss.

c. Business combinations under common control:

Business combination under common control is accounted for by applying the pooling of interests method. Under this method:

– All assets and liabilities of the combining parties are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

– No 'new' goodwill is recognized as a result of the combination.

– The statement of profit or loss and other comprehensive income reflects the results of the combining parties.

– Comparative periods are restated as if the combination had taken place at the beginning of the earliest comparative period presented or, if later, the date from which the combining parties were subject to common control.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency of the Company and its Israeli subsidiaries is New Israeli Shekel ("NIS").

The Group determines the functional currency of each Group entity.

The financial statements are presented in U.S. dollars ("USD"), the presentation currency, since the Company believes that financial statements in USD provide more relevant information to the investors and users of the financial statements who are located outside of Israel.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, and of each Group entity for which the functional currency is not the presentation currency are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

g. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 — inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

h. Biological assets:

The Company's biological assets consist of cannabis plants.

The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. These costs include the direct cost of planting and growing materials as well as other indirect costs such as utilities and supplies used in the cultivation process. Indirect labor for individuals involved in the cultivation and quality control process is also included, as well as depreciation on growing equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item cost of revenues on the Company's statements of profit or loss and other comprehensive income in the period that the related product is sold.

The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. The fair value is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred (e.g., post-harvest costs). The net unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the gross profit for the related period and are recorded in a separate line on the face of the Company's statements of profit or loss and other comprehensive income.

Determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The Company accretes fair value on a straight line basis according to stage of growth (e.g., a cannabis plant that is 50% through its growing cycle would be ascribed approximately 50% of its harvest date expected fair value, subject to wastage adjustments).

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. For the inputs and assumptions used in determining the fair value of biological assets, please refer to Note 7.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

i. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to net realizable value.

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value.

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection. All

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of revenues on the Company's statements of profit or loss and other comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold and costs of share-based payments which are recorded as a separate line items on the face of the statements of profit or loss and other comprehensive income. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

j. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement and calculated on a straight-line basis over the useful lives of the assets at annual rates as follows:

	%	Mainly %
Greenhouses and production equipment	7	7
Furniture and laboratory equipment	6-7	6
Motor vehicles	15	15
Machinery and Computers	7-33	7
Leasehold improvements	See below	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

k. Revenue recognition:

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The Company adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption is recognized in retained earnings as of January 1, 2018 and comparatives will not be restated. The adoption of this new standard had no material impact on the amounts recognized in the consolidated financial statements.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a 'point in time' or 'over time', the assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligations.

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to or upon delivery and revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with the Company's previous revenue recognition policy under IAS 18.

l. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received, and the Company will comply with the attached conditions. When the grant relates to an expense item, it is recognized as income on a systematic basis over the

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Government non-royalty-bearing grants received from the Israeli Innovation Authority ("IIA") are recognized at the time the Company is entitled to each such grant on the basis of the related costs incurred and recorded as a deduction from research and development expenses.

m. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

As a lessee, the Company classified lease agreements as operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

n. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective amount of expenses that should be capitalized to an asset during its development.

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

For the years ended December 31, 2018, 2017 and 2016, no development expenditures were capitalized as all of the criteria for recognition described above were not met.

o. Financial instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement.

The Company elected to early adopt the provisions of the IFRS 9 on January 1, 2016, and apply all of its requirements from that date.

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

– The Company's business model for managing financial assets; and

– The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

Impairment of financial assets:

The Group evaluates at the end of each reporting period the loss allowance for financial debt instruments measured at amortized cost. The Group has short-term financial assets, principally trade receivables, in respect of which the Group applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. The impairment loss, if any, is recognized in profit or loss with a corresponding allowance that is offset from the carrying amount of the assets.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets:

A financial asset is derecognized only when:

– The contractual rights to the cash flows from the financial asset has expired; or

– The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

– The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

2. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss:

Financial liabilities designated at fair value through profit or loss are designated upon initial recognition based upon the criteria in IFRS 9. Transaction costs incurred at initial recognition are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss, except for changes that can be attributed to changes in the financial liability's credit risk which are recorded in other comprehensive income. For all reporting periods in these consolidated financial statements, changes attributable to credit risk of the financial liabilities were immaterial.

Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

3. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

p. Employee benefit liabilities:

The Company has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has defined contribution plans pursuant to section 14 to the Israeli Severance Pay Law under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

The Company also operates a defined benefit plan in respect of severance pay pursuant to the Israeli Severance Pay Law. According to the Severance Pay Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies (the "plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

q. Share-based payment transactions:

The Company's employees and service providers are entitled to remuneration in the form of equity-settled share-based payments.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

r. Provisions:

A provision in accordance with IAS 37 is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

Following are the types of provisions included in the financial statements:

Legal claims:

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

s. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

t. Earnings (loss) per share:

Earnings (loss) per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary Shares outstanding during the period.

Potential Ordinary Shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary Shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Biological assets and inventory:

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 7 for further information.

Fair value of financial instruments:

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as growth rates, operating margins, discount rates and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis or stress testing techniques.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

Legal claims:

In estimating the likelihood of outcome of legal claims filed against the Group entities, Group management rely on the opinion of legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims may be determined in courts, the results could differ from these estimates.

NOTE 4: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases (the "new Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal changes of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.
- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.
- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.
- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease
- The new Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases — leases for which the underlying asset is of low financial value and short-term leases (up to one year).

The new Standard is effective for annual periods beginning on or after January 1, 2019.

The new Standard permits lessees to use one of the following approaches:

1. Full retrospective approach — according to this approach, a right-of-use asset and the corresponding liability will be presented in the statement of financial position as if they had always been measured according to the provisions of the new Standard. Accordingly, the effect of the adoption of the new Standard at the beginning of the earliest period presented will be recorded in equity. Also, the Company will restate the comparative data in its financial statements. Under this approach, the balance of the liability as of the date of initial application of the new Standard will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest on the commencement date of the lease will be used.
2. Modified retrospective approach — this approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the new Standard will be calculated using the lessee's incremental borrowing rate of interest on the date of initial application of the new Standard. As for the measurement of the right-of-use asset, the Company may choose, on a lease-by-lease basis, to apply one of the two following alternatives:
   - Recognize an asset in an amount equal to the lease liability, with certain adjustments.
   - Recognize an asset as if the new Standard had always been applied.

Any difference arising on the date of first-time application of the new Standard as a result of applying the modified retrospective approach will be recorded in equity.

The Company believes that it will apply the modified retrospective approach upon the initial adoption of the new Standard whereby the right-of-use asset will be measured at an amount equal to the lease liability.

The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application will result in an increase in both assets (right-of-use asset) and lease liabilities in the amount of $10,234.

U.S. dollars in thousands

NOTE 4: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Continued)

b. IFRIC 23, Uncertainty over Income Tax Treatments:

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted.

The Company does not expect the Interpretation to have any material effect on the financial statements.

NOTE 5: TRADE RECEIVABLES

	December 31,	
	2018	**2017**
Trade receivables — patients and credit card receivables	$299	$195
Trade receivables — wholesale	88	—
Trade receivables	$387	$195

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As of December 31, 2018 and 2017, there were no material past-due receivables.

NOTE 6: OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2018	**2017**
Advances to suppliers	$ 660	$ 73
Government authorities	1,409	408
Other receivables	91	62
Other accounts receivable	$2,160	$543

NOTE 7: BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2017	$ 488
Changes in fair value less cost to sell due to biological transformation	1,080
Production costs capitalized	1,112
Transferred to inventory upon harvest	(2,508)
Foreign exchange translation	41
Balance at December 31, 2017	213
Changes in fair value less cost to sell due to biological transformation	1,210
Production costs capitalized	1,843
Transferred to inventory upon harvest	(2,622)
Foreign exchange translation	(33)
Balance at December 31, 2018	$ 611

As of December 31, 2018, and 2017, the weighted average fair value less cost to sell was $0.89 and $1.99 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

U.S. dollars in thousands

NOTE 7: BIOLOGICAL ASSETS (Continued)

The inputs and assumptions used in determining the fair value of biological assets include:

1. Selling price per gram — calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices.
2. Post-harvest costs — calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.
3. Attrition rate — represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
4. Average yield per plant — represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
5. Stage of growth — represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

	December 31,		10% change as at December 31,	
	2018	2017	2018	2017
Average selling price per gram of dried cannabis (in U.S. dollars)	$2.07	$2.88	$142	$31
Average post-harvest costs per gram of dried cannabis (in U.S. dollars)	$1.18	$0.89	$81	$9
Attrition rate	3%	3%	$1	Less than $1
Average yield per plant (in grams)	110	122	$61	$21
Average stage of growth	28%	74%	$61	$20

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

During the years ended December 31, 2018 and 2017, the Company's biological assets produced 2,833,360 grams and 1,312,550 grams of dried cannabis, respectively.

During 2018, the quantities of cannabis goods sold per prescription increased compared to the previous year. Since the selling price in Israel in 2018 for each prescription was a fixed amount pursuant to regulations issued by the Israeli MCU, and the selling price does not vary based on the quantity sold, this resulted in a decrease in the average selling price per gram.

During 2018, the Company increased its production and inventories in anticipation of receiving authorization from the Israeli government, under the CMPR, to export cannabis upon becoming an approved exporter. This caused an increase in overhead costs which resulted in an increase in the average post-harvest costs per gram.

As of December 31, 2018 and 2017, it was expected that the Company's biological assets would yield approximately 2,372,150 grams and 144,260 grams, respectively, of dried cannabis when harvested.

The Company's estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

U.S. dollars in thousands

NOTE 8: INVENTORIES

	December 31, 2018		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	$1,222	$556	$1,778
Finished goods			
Packaged dried cannabis	398	90	488
Cannabis oil	76	56	132
Balance as at December 31, 2018	$1,696	$702	$2,398

	December 31, 2017		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	$614	$546	$1,160
Finished goods			
Packaged dried cannabis	31	19	50
Cannabis oil	16	9	25
Balance as at December 31, 2017	$661	$574	$1,235

During the years ended December 31, 2018 and 2017, the Company recognized $3,102 and $1,599, respectively, of inventory expensed to cost of revenues.

During the years ended December 31, 2018 and 2017, the Company recognized a loss of approximately $554 and $116, respectively, due to the write-down of its cannabis oil products to net realizable value. These write-downs are included on a net basis in the capitalized cost of inventories in the above tables.

Cost of revenues in 2018 and 2017 also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

U.S. dollars in thousands

NOTE 9: PROPERTY, PLANT AND EQUIPMENT, NET

	Greenhouses and production equipment	Furniture and laboratory equipment	Motor vehicles	Machinery and computers	Leasehold improvements	Total
Cost:						
Balance at January 1, 2017	$ 297	$ 184	$ 182	$ 221	$ 145	$1,029
Additions during the year	124	507	89	506	1,052	2,278
Disposals during the year	(317)	(367)	(80)	(66)	(155)	(985)
Foreign currency translation	23	26	21	41	50	161
Balance, December 31, 2017	127	350	212	702	1,092	2,483
Additions during the year	2,235	434	109	2,100	150	5,028
Disposals during the year	—	—	(201)	—	—	(201)
Foreign currency translation	(98)	(44)	(11)	(137)	(88)	(378)
Balance December 31, 2018	$2,264	$ 740	$ 109	$2,665	$1,154	$6,932
Accumulated Depreciation:						
Balance at January 1, 2017	$ 278	$ 55	$ 47	$ 44	$ 49	$ 473
Depreciation during the year	15	78	30	—	34	157
Disposals during the year	(307)	(115)	(33)	(41)	(71)	(567)
Foreign currency translation	18	5	6	2	4	35
Balance, December 31, 2017	4	23	50	5	16	98
Depreciation during the year	47	20	106	194	78	445
Disposals during the year	—	—	(93)	—	—	(93)
Foreign currency translation	(2)	(2)	(4)	(8)	(4)	(20)
Balance, December 31, 2018	$ 49	$ 41	$ 59	$ 191	$ 90	$ 430
Net Book Value:						
December 31, 2017	$ 123	$ 327	$ 162	$ 697	$1,076	$2,385
December 31, 2018	$2,215	$ 699	$ 50	$2,474	$1,064	$6,502

NOTE 10: EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit only for employees not under Section 14. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract or a collective employees agreement based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans, as detailed below:

1. Defined contribution deposit:

The Company's agreements with part of its employees are in accordance with section 14 of the Israeli Severance Pay Law. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. The expenses for the defined benefit deposit in 2018, 2017 and 2016 were $697, $360 and $127, respectively.

U.S. dollars in thousands

NOTE 10: EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Continued)

2. Defined benefit plans:

The Company accounts for the payment of compensation, that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Company deposits amounts in a long-term employee benefit fund and in qualifying insurance policies.

3. Expenses recognized in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,		
	2018	**2017**	**2016**
Current service cost	$38	$51	$66
Interest expenses	9	9	7
Total employee benefit expenses	$47	$60	$73
Interest income on plan assets	$ 3	$ 3	$ 2

4. The defined benefit liability (asset), net:

	December 31,	
	2018	**2017**
Defined benefit obligation	$223	$248
Fair value of plan assets	(73)	(78)
Net defined benefit liability (asset)	$150	$170

5. Changes in the present value of defined benefit liabilities:

	2018	**2017**
Balance at January 1,	$248	$177
Current service cost	38	51
Interest expenses	9	9
Benefits paid	(40)	(45)
Re-measurement loss (gain) on defined benefit plans	(14)	34
Foreign currency translation effect	(18)	22
Balance at December 31,	$223	$248

6. Changes in the fair value of plan assets:

Plan assets comprise assets held by a long-term employee benefit funds and qualifying insurance policies.

	2018	**2017**
Balance at January 1,	$(78)	$(38)
Interest income	(3)	(3)
Return, net of interest income	5	(12)
Benefits paid	27	9
Amounts deposited	(30)	(28)
Foreign currency translation effect	6	(6)
Balance at December 31,	$(73)	$(78)

NOTE 10: EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Continued)

7. The principal assumptions underlying the defined benefit plan

	2018	2017	2016
		%	
Discount rate	3.57	4.28	4.2
Salary growth	4	4	4

The sensitivity analyses below have been determined based on reasonably possible changes of the principal assumptions underlying the defined benefit plan as mentioned above, occurring at the end of the reporting period.

If the discount rate would be one percent higher (lower), the defined benefit obligation would decrease (increase) by $19 ($23) if all other assumptions were held constant.

If the expected salary growth would increase (decrease) by one percent, the defined benefit obligation would increase (decrease) by $23 ($20).

NOTE 11: OTHER PAYABLES

	December 31,	
	2018	2017
	U.S. dollars in thousands	
Accrued expenses	$1,740	$ 937
Equipment vendors	—	1,090
Employees and payroll accruals	614	509
Other payables	121	145
	$2,475	$2,681

NOTE 12: FINANCIAL INSTRUMENTS

a. Bank loans:

	Loan currency	Interest	December 31, 2018	Current maturities	Carrying amount of long-term loan
			U.S. dollars in thousands		
Loans	NIS	2.25%-4%	$845	$718	$127

	Loan currency	Interest	December 31, 2017	Current maturities	Carrying amount of long-term loan
			U.S. dollars in thousands		
Loans	NIS	1.6%-4.6%	$302	$64	$238

During the years ended December 31, 2018 and 2017, the Company recognized interest expenses amounted to $38 and $11, respectively.

b. On July 6, 2016, the Company signed a loan agreement with a group of lenders (the "Agreement"), according to which the lenders transferred to the Company NIS 1,290 thousand (approximately $332). According to the Agreement, the loan principal will bear annual interest at the rate of 0.5% from the date the loan is transferred to the Company and its repayment will commence 36 months after this

NOTE 12: FINANCIAL INSTRUMENTS (Continued)

date subject to the pace of profits accrued in the Company. In addition, the Company issued to the group of lenders 429 Ordinary Shares.

In December 2016, the Company reached an understanding with the aforementioned group of lenders to amend the agreement (the "Amendment"). According to the Amendment, effective from May 10, 2017, the loan principal, including the accrued interest, will bear annual interest at the rate of 5% and the repayment date has been updated to the earlier of 48 months after the date of signing the Agreement or 24 months after an initial public offering of the Company's shares is executed. In addition, the Company issued to the group of lenders an additional 46 Ordinary Shares.

The fair value of the loan liability based on the terms of the Amendment was initially estimated at $230, using a market rate of interest (14.5%). The balance of the proceeds of $102 was attributed to the issuance of the Ordinary Shares and recognized as share capital and premium in equity.

The carrying amount of this loan as of December 31, 2018 and 2017, including accrued interest is $331 and $314, respectively.

Interest expenses and amortization of discount for the years ended December 31, 2018 and 2017, amounted to $42 and $37, respectively.

c. On June 7, 2017, (the "Closing") Industries signed an agreement with a private investor (the "Agreement" and the "Lender"), according to which the Lender agreed to provide Industries a convertible loan of up to NIS 11,000 thousand (approximately $3,102). As of December 31, 2017, Industries received NIS 9,000 thousand (approximately $2,548). On February 5, 2018, an additional amount of NIS 485 thousand (approximately $141) was received from the Lender on account of this loan.

The balance of the outstanding principal bears interest at the rate of three-month LIBOR + 5%, compounded annually. In addition, it was agreed that accrued interest and the principal amount will be repaid to the Lender in 24 quarterly payments only if the loan was not converted into shares during the conversion period (24 months from the Closing). In order to secure the fulfillment of Industries' undertakings by virtue of the agreement, the Company and its principal shareholders created and recorded a senior charge on their shares in Industries.

In accordance with the Agreement, the Lender was entitled to convert the loan principal to Ordinary Shares of any of the BOL Group companies (other than the Group Companies holding the Israeli MCU licenses) at the lower of: (i) an agreed upon valuation with respect to the BOL Group companies and (ii) a 20% discount on the pre-money valuation of each of the BOL Group companies pursuant to a financing round defined in the agreement. In addition, in accordance with the terms of the Agreement, upon receipt of an additional investment (following the date of the Agreement) of at least $10,000, Industries has the right to repay the loan subject to the Lender's right to convert the loan principal (excluding accrued interest) into Ordinary Shares of the Company.

The Company designated this convertible loan to be measured at fair value through profit or loss (transaction costs upon initial recognition were recognized in profit or loss). As the conversion option is more beneficial to the Lender than the repayment of the loan (based on the estimated current valuation of the Company), the Company expects the loan will be converted. Accordingly, the fair value of the loan is the loan balance divided by 80% and discounted at a risk-free interest rate to the valuation date.

The fair value of financial instruments is categorized within Level 3 of the fair value hierarchy.

In addition, upon initial recognition of the convertible loan, the Company recorded a credit to non-controlling interests ("NCI") of $350 with a corresponding charge to equity of the Company due to the benefit to the NCI of Industries based on the likelihood of the settlement of the loan by the Company instead of by Industries.

As of December 31, 2018 and 2017, the fair value of the convertible loan was $4,199 and $4,192, respectively.

For the years ended December 31, 2018 and 2017, the Company recognized expenses of approximately $200 and $1,564, respectively, in its consolidated statements of profit or loss and other comprehensive income due to changes in the fair value of this convertible loan.

On January 23, 2019, further to AKC's investment in the Company (see Note 12d below), Industries and the Company have notified the Lender of the conversion of the loan into Ordinary Shares of the Company.

Refer to Note 12d and Note 13 below, for further information.

d. On October 14, 2018, the Company entered into a transaction pursuant to which Triple A.K.C General Partnership ("AKC"), will provide the Company with a convertible loan in the aggregate amount of $30,000 up to $38,000 (the "AKC-CLA" or "AKC Investment").

The proceeds of the AKC-CLA will be provided in installments pursuant to compliance with certain milestones determined in the agreement between the parties. Each installment of the AKC-CLA will bear interest at an annual rate of 8%, compounded annually.

U.S. dollars in thousands

NOTE 12: FINANCIAL INSTRUMENTS (Continued)

The maturity date of the AKC-CLA is 4 years following closing and payable in a period of 18 months thereafter. The AKC-CLA will be automatically converted into Ordinary Shares upon completing an initial public offering of the shares of any company in the Group, and the listing of that company's shares for trading on a stock exchange at a company valuation of at least $400,000.

Assuming conversion of the entire amount of the AKC-CLA, AKC will be entitled to shares of the Company representing between 24.5% (in the event an amount of $30,000 is finally lent) and 29.5% (in the event an amount of $38,000 is finally lent) of the Company's outstanding shares prior to the completion of the initial public offering, on a fully diluted basis, prior to giving effect to any exercise of the additional option described in the following paragraph.

AKC was also granted an option to invest in the Company an additional amount which is equal to the amount of the AKC-CLA (up to $38,000), with the same conversion terms as described above. AKC has certain additional rights related to strategic decisions of the Company and the right to appoint an observer to the board of directors of the Company.

During 2018, AKC provided the Company with a total of $10,000 (NIS 37,430 thousand) out of the AKC-CLA.

The Company designated this convertible loan to be measured at fair value through profit or loss (transaction costs upon initial recognition were recognized in profit or loss). The fair value of the loans was estimated using the Merton Model which took into consideration three different scenarios, based on the terms of the AKC-CLA. In order to calculate the fair value, the Company's management determined the probabilities of each scenario as of the valuation date, changes in fair value are recognized in profit or loss. Any changes in the probability of an initial public offering will have significant effect on the fair value.

The fair value of financial instruments is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the following key assumptions:

Expected Volatility	90.58%-113.83%
Annual Risk-Free Rate	2.52%-2.54%
Expected Dividend Yield	0%

As of December 31, 2018, the fair value of the AKC-CLA was $15,383.

For the year ended December 31, 2018, the Company recognized expenses of $5,626 in its consolidated statement of profit or loss and other comprehensive income due to changes in the fair value of the outstanding balance of the AKC-CLA.

Subsequent to the reporting period, AKC provided the Company with approximately $10,355 (NIS 37,468 thousand) under the AKC-CLA.

Refer to Note 19e for further information.

e. In November 2018, further to the AKC Investment (see above), the Company has converted into Ordinary Shares a convertible loan extended to Industries during 2017 and 2018 by certain lenders in a total amount of NIS 2,500 thousand (approximately $709). The number of Ordinary Shares issued pursuant to such conversion was 129,288 Ordinary Shares, reflecting a 20% discount on the pre-money valuation of the Company pursuant to the AKC Investment (see above).

The Company designated this convertible loan to be measured at fair value through profit or loss (transaction costs upon initial recognition were recognized in profit or loss). As the conversion option was more beneficial to the lenders than the repayment of the loan, the Company expected the loan will be converted. Accordingly, the fair value of the loan is the loan balance divided by 80% and discounted at a risk-free interest rate to the valuation date.

In addition, upon initial recognition of the convertible loan, the Company recorded a credit to NCI of $92 with a corresponding charge to equity of the Company due to the benefit to the NCI of Industries based on the likelihood of the settlement of the loan by the Company instead of by Industries.

As of December 31, 2017, the fair value of the outstanding amount of this convertible loan was $787.

On the conversion date, the Company reclassified the fair value of the outstanding amount of this convertible loan of approximately $883, as share capital and premium.

For the years ended December 31, 2018 and 2017, the Company recognized expenses of $161 and $35, respectively, in its consolidated statements of profit or loss and other comprehensive income due to changes in the fair value this convertible loan.

U.S. dollars in thousands

NOTE 12: FINANCIAL INSTRUMENTS (Continued)

f. On December 4, 2018, the Company entered into two joinder agreements to the AKC Investment with two investment entities (the "Joinders") pursuant to which the Joinders have extended to the Company convertible loans in aggregate amount of approximately $9,500 bearing similar terms as the AKC-CLA (see Note 12d), which includes an option to invest an additional amount of approximately $6,250 (the "Joinder Agreements").

Assuming the Joinders lent the entire amount and the full exercise of the option to invest additional amount, the Joinders will be entitled to shares of the Company representing 12.85% of the Company's outstanding shares, on a fully diluted basis, immediately prior to the completion of the Company's initial public offering.

During 2018, the Joinders provided the Company with a total of approximately $8,290 (NIS 31,100 thousand).

The Company designated this convertible loan to be measured at fair value through profit or loss (transaction costs were recognized in profit or loss). The fair value of the loans was estimated using the Merton Model which took into consideration three different scenarios, based on the Joinder Agreement's terms. In order to calculate the fair value, the Company's management determined the probabilities of each scenario as of the valuation date, changes in fair value are recognized in profit or loss. Any changes in the probability of an initial public offering will have significant effect on the fair value.

The fair value of financial instruments is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the following key assumptions:

Expected Volatility	90.58%-113.83%
Annual Risk-Free Rate	2.52%-2.54%
Expected Dividend Yield	0%

As of December 31, 2018, the fair value of the outstanding amount of the Joinders' convertible loans was $9,202.

For the year ended December 31, 2018, the Company recognized expenses of $940 in its consolidated statement of profit or loss and other comprehensive income due to changes in the fair value of the Joinders' convertible loans.

Subsequent to the reporting period, the Joinders provided the Company with approximately $1,000 (NIS 3,604 thousand) under the Joinder Agreement.

Refer to Note 19e for further information.

g. Changes in liabilities arising from financing activities:

	Long-term loans	Convertible loans	Total liabilities arising from financing activities
Balance as of January 1, 2017	$248	$ —	$ 248
Cash flows	—	3,157	3,157
Amortization and loan discount	37	—	37
Effect of changes in exchange rates	29	223	252
Effect of changes in fair value	—	1,599	1,599
Balance as of December 31, 2017	314	4,979	5,293
Cash flows	—	18,531	18,531
Amortization and loan discount	42	—	42
Effect of changes in exchange rates	(25)	(770)	(795)
Effect of changes in fair value	—	6,927	6,927
Conversion of convertible loans	—	(883)	(883)
Balance as of December 31, 2018	$331	$28,784	$29,115

U.S. dollars in thousands

NOTE 12: FINANCIAL INSTRUMENTS (Continued)

h. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

Credit risk:

The maximum credit exposure at December 31, 2018, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

Liquidity risk

The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2018, management regards liquidity risk to be low.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2018:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	>4 years
Trade Payables	$2,205	$ —	$ —	$ —	$ —
Other account payable and accrued expenses	2,475	—	—	—	—
Bank loans and credit	742	125	—	—	—
Convertible loans	1,179	2,357	2,357	2,141	25,426
Other Loans	—	—	436	—	—

December 31, 2017:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	>4 years
Trade Payables	$1,142	$ —	$ —	$ —	$ —
Other account payable and accrued expenses	2,681	—	—	—	—
Bank loans and credit	398	5	2	—	—
Convertible loans	—	1,274	3,251	2,548	1,274
Other Loans	—	—	—	471	—

Currency rate risk

As at December 31, 2018, a portion of the Group's financial assets and liabilities held in USD consist of cash and cash equivalents, trade receivables and convertible loans. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in NIS. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point of time.

Interest rate price risk

The Group manages interest rate risk by restricting the type of debts and varying the terms of maturity. Varying the terms to maturity reduces the sensitivity of the portfolio to the impact of interest rate fluctuations. Substantially, all of the Company's financial liabilities (convertible debt) bear interest at fixed rates.

NOTE 12: FINANCIAL INSTRUMENTS (Continued)

Capital management

The Company's objectives when managing its capital are to safeguard its aùbility to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year.

NOTE 13: CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES

a. Rent and operating leases:

1. On June 19, 2017, Israel signed an agreement with Zabar-Kama ACS Ltd. ("Zabar-Kama"), according to which they will operate an area of 100 thousand square meters leased by Kibbutz Revadim (the "facility") for the propagation and cultivation of medical cannabis (the "venture"). The Venture will be performed through Agro-Tech which was formed by Israel and in which Israel holds 74% of the share capital and 26% of the share capital of Agro-Tech is owned by Zabar-Kama. In addition, Zabar-Kama has certain anti-dilution rights such that it will maintain 26% of the share capital of Agro-Tech.

   Any outsourcing of workers required for agricultural activities, will be provided by Zabar-Kama, subject to professional requirements and obtaining the approval of the relevant regulatory authorities. The consideration for the outsourced work to Zabar-Kama will be calculated based on direct and full cost, plus 7.5% and will be paid by Agro-Tech.

   According to the agreement, Agro-Tech and Israel, jointly and severally, will be responsible for transferring to Zabar-Kama payments that will enable Zabar-Kama the repayment of a loan that Zabar Kama borrowed from an Israeli bank to fund the building of greenhouses and other related facilities at the Facility. The future minimum non-cancellable payments (including option periods expected to be exercised) as of December 31, 2018, are as follows:

Year ended December 31,	U.S. dollars in thousands
2019	$ 271
2020	$ 250
2021	$ 225
2022	$ 202
2023 and thereafter	$6,265

   To secure these payments, Israel issued to Zabar-Kama an autonomous bank guarantee for a period of 19 months in the amount of approximately $80 (NIS 300 thousand) (the "Existing Guarantee"). According to the agreement, following a period of 19 months Israel is obligated to increase the amount of the guarantee to approximately $200 (NIS 750 thousand) (the "Increased Guarantee"). Subsequent to the reporting period, in April 2019, the Company and Zabar-Kama have agreed on the extension of the Existing Guarantee till August 1, 2019, following which the Increased Guarantee shall be provided by the Company to Zabar-Kama.

2. On June 12, 2017, Manufacturing signed a lease agreement with Revadim Park ACS Ltd. ("Revadim"), according to which Manufacturing will lease from Revadim an area in the total of 13.5 thousand square meters, including a plant and warehouse, offices space, plant growth incubators, sheds, infrastructure for greenhouses and parking (collectively, the "leased property") for the period from August 1, 2017 to August 20, 2024 (the "first lease term"). Manufacturing has an option to extend the agreement for two additional periods of five years each (see below). The monthly payment will be approximately $80. Under the terms of the agreement, in the first lease term, Manufacturing will receive a discount of 30%. The parties also agreed that during the period from August 1, 2017 to January 30, 2018, Manufacturing will not be required to pay the lease fees (grace period).

   The Company has the right to extend the lease period by an additional five years, followed by another five years (together the "Optional Terms"). The monthly rent for the first option period will be the monthly rental fees during the first lease term plus 4%. The monthly rent during the second option period will be the monthly rental fees during the first option period plus 3%. Alternatively, the Company has the right to extend the original lease period for one 10-year period, during which the rent will be based on the monthly rent during first lease term plus 5%.

NOTE 13: CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES (Continued)

The future minimum non-cancellable payments (including option periods expected to be exercised) as of December 31, 2018, are as follows:

Year ended December 31,	U.S. dollars in thousands
2019	$ 592
2020	$ 534
2021	$ 481
2022	$ 434
2023 and thereafter	$12,018

To secure compliance with all of Manufacturing's liabilities in full and in a timely manner, Manufacturing issued to Revadim a bank guarantee in the amount of approximately $215 (NIS 805 thousand). Subsequent to the reporting period, according to the agreement, Manufacturing increased the guarantee to a total of approximately $430 (NIS 1,610 thousand), a guarantee for six months of lease payments. According to the provisions of the agreement with Revadim, at the earlier of 18 months after the date of the agreement with Revadim or upon an initial public offering, Manufacturing is required to increase the guarantee to an amount equivalent to nine months of lease payments.

3. On February 20, 2017, the Company entered into a master agreement to lease vehicles. Pursuant to the terms set out in the agreement and subject to the approval of each separate transaction, the Company will lease from the lessor vehicles for a specified term. As of December 31, 2018, the remaining future minimum payments under these leases amount to approximately $440.

4. Total rent expenses for the years ended December 31, 2018 and 2017 amounted to $1,097 and $494, respectively.

b. Legal proceedings

1. On February 13, 2018, Recipharm Israel Ltd. ("Recipharm") filed a lawsuit in the Magistrates Court in Rehovot, Israel (the "Recipharm Claim"), against Sheifa. Recipharm alleges that it is owed NIS 506,056 (approximately $135) and attorneys' fees and certain tax relief as compensation for the research and development services provided by Recipharm to Sheifa. Sheifa filed a statement of defense on May 7, 2019, in which it claimed, inter alia, that the statement of claim has no cause of action, when the main injured party in the relationship between the parties is Sheifa, that wasted time and resources in the process of working with Recipharm, without any benefit from Recipharm. The Company undertook to indemnify Hillman against the financial liability arising from this claim.

   At this preliminary stage, Company's management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

2. On October 16, 2018, Barak Safety and Security Ltd., Bazelet Nehushtan Ltd. ("Bazelet Nehushtan") and Bazelet Pharma Medicinal Plants Ltd. (together, the "Plaintiffs"), filed a lawsuit in the District Court in Haifa, Israel, against Sheifa and Hillman (the "Bazelet Claim"). The Plaintiffs allege that they are owed NIS 3,083,841 (approximately $823) in return for certain services provided by the Plaintiffs to Sheifa and alleged debts resulting from a lease agreement between Sheifa and Bazelet Nehushtan. Sheifa and Hillman filed a statement of defense on April 1, 2019.

   On May 19, 2019, the parties signed an agreement in which the Company agreed to pay NIS 350,000 (approximately $93) in settlement of all claim. An accrual in respect thereof has been included in the financial statements. The Company undertook to indemnify Hillman against the financial liability arising from this claim.

3. On January 4, 2019, legal counsel to certain parties to the June 2017 convertible loan agreement (see Note 12c) provided a letter to the Company, Industries, Hillman and Mr. Tamir Gedo, the CEO and a shareholder of the Company ("Gedo"), (all of the aforementioned together — the "Borrowing Parties") claiming that, pursuant to the terms of the convertible loan agreement, the loan provided by those certain parties should be converted to a number of Ordinary Shares equal to 21% of the outstanding share capital of the Company prior to giving effect to the consummation of an initial public offering. On January 29, 2019, the Company sent a letter to those certain parties to the June 2017 convertible loan agreement rejecting such claim. In that letter, the Company offered to convert the loan provided by those certain parties to the June 2017 convertible loan agreement to the Borrowing Parties to a number of Ordinary Shares equal to 3.6% of the outstanding share capital of the Company prior to giving effect to the consummation of an initial public offering. On April 2, 2019, the legal counsel to certain parties to the 2017 convertible loan sent a letter requesting clarifications on the matter. The Company has not yet replied to this letter. The parties are in the process of negotiating a settlement. Pursuant to written acknowledgements delivered to the Company by existing shareholders representing 98.44% of the Company's outstanding equity securities, and rights to acquire equity securities, prior to giving effect to a

NOTE 13: CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES (Continued)

consummation of an initial public offering (including therein the option pool) (the "Subject Existing Shareholders"), the Subject Existing Shareholders acknowledged and agreed that any liability or requirement of the Company to issue additional shares those certain parties to the June 2017 convertible loan agreement following a potentially adverse ruling in response to their claim would be satisfied solely by a reduction in the proportionate shareholdings of the Subject Existing Shareholders, and not by any issuance of any additional shares of the Company in a manner that would result in the dilution of any shareholder other than the Subject Existing Shareholders.

The number of Ordinary Shares to which the loan will be converted will have no effect on the Company's profit and loss.

4. On February 6, 2019, a former employee of the Company filed a lawsuit in the Tel Aviv District Labor Court against the Company, Industries, Pharma and Mr. Tamir Gedo, in the amount of NIS 528,734 (approximately $146). The former employee alleges she resigned in circumstances which qualify as constructive dismissal and that she is owed such amount as retroactive payments in respect of salary, overtime payments, certain benefits and compensation for salary and severance pay delay and compensation. As agreed by the parties, the defendants plan to file their statement of defense by June 19, 2019.

   At this preliminary stage, Company's management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

5. On March 11, 2016, a motion was filed for approval of a class action against Sheifa and seven other cannabis cultivating companies in Israel (together, the "Growers") seeking an estimated total amount of NIS 133 million (approximately $35,486) (the "Motion"). The Motion set out three claims: (i) the Growers used chemical pesticides in the cannabis growing process, in contravention of applicable regulations; (ii) the concentration of the active ingredients in the cannabis marketed was lower than publicized by the Growers and, therefore, the Growers have misled their customers; and (iii) cannabis supplied by the Growers was marketed in defective packaging. On March 8, 2017, together with six other Growers, Sheifa submitted a joint response to the Motion. There was a preliminary hearing for the Motion on August 1, 2018.

   The second preliminary hearing took place on October 29, 2018 and an evidentiary hearing is set for September 9, 2019.

   At the current stage of the litigation process, its outcome cannot yet be predicted but the Company's position is that no chemical pesticides were used in Sheifa's products, the concentration of the active ingredients in Sheifa's products was properly publicized and Sheifa's products were packed in accordance with the Israeli MCU's guidelines.

6. The Company is involved in other legal proceedings that arise during the ordinary course of business. The Company's management believes that none of these proceedings in which the Company is currently involved, individually or in the aggregate, is material to the consolidated financial position or results of operations.

NOTE 14: TAXES ON INCOME

a. Tax rates applicable to the Company:

   The Israeli corporate tax rate was 23% in 2018, 24% in 2017 and 25% in 2016.

b. Tax assessments:

   The Company and its Israeli subsidiaries has not received final tax assessments or assessments that are considered final from its incorporation to December 31, 2018.

c. Carryforward losses for tax purposes:

   Carryforward operating tax losses of the Company and its Israeli subsidiaries total approximately $11,307, as of December 31, 2018. These losses can be carried forward to future years and offset against taxable income in the future without any time limitation.

   Deferred tax assets relating to carryforward tax losses and other temporary differences were not recognized because their utilization in the foreseeable future is not probable.

d. The difference between the expected theoretical tax benefit and the effective tax benefit recorded in the consolidated statements of profit or loss is due to the fact that the Company did not recognize deferred tax assets for its carryforward tax losses as of December 31, 2018 and 2017, due to the uncertainty of the utilization of these tax losses in the foreseeable future.

U.S. dollars in thousands

NOTE 15: EQUITY

a. Composition of share capital:

	December 31,			
	2018		2017	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary Shares of NIS 0.01 par value each	80,000,000	11,936,838	1,000,000	10,705

b. Changes in share capital:

Ordinary Shares confer upon their holders the right to participate in meetings of shareholders where each one Ordinary Share has one voting right in all matters, the right to receive dividends if and when declared and the right to participate in the distribution of surplus assets in case of liquidation of the Company.

In order to comply with the terms of the Company's licenses under applicable Israeli cannabis regulations, the Company will adopt restrictions in its Articles causing the Ordinary Shares to become "dormant", and all of these rights will cease to apply to dormant Ordinary Shares, if and for so long as they are held by any holder or group of holders that beneficially owns, or has control or direction over, 5% or more of the total number of Ordinary Shares outstanding (from which number any dormant Ordinary Shares held by other shareholders may be required to be excluded), without having first obtained certain regulatory approvals.

Ordinary Shares issued during the year ended December 31,	Number of shares	Amount
2016	1,593	$ 359
2017*)	9,112	$ —
2018*)	11,926,133	$2,943

*) Includes the allotment of 11,529,285 and 9,000 Ordinary Shares as bonus shares during 2018 and 2017, respectively.

c. Share option plan:

On June 12, 2018, the Board of Directors approved the "2018 Share Incentive Plan" (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together "Awards"), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 24,800,000 Ordinary Shares are reserved for issuance.

Awards granted under the 2018 Plan are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of four years from the applicable vesting commencement date, such that 25% of the awards vest on the first anniversary of the applicable vesting commencement date and 75% of the awards vest in twelve equal installments upon the lapse of each three-month period thereafter. Subject to the discretion of the 2018 Plan administrator, if an award has not been exercised within seven years after the date of the grant, the award expires.

As of December 31, 2018, 9,297,536 Ordinary Shares are available for future grant under the 2018 plan.

The fair value for options granted during 2018 to the Group's employees was estimated using the Binomial option pricing model with the following assumptions:

	2018
The option's exercise price (U.S. dollars)	0.003
Dividend yield (%)	—
Expected life of share options (Years)	7
Volatility (%)	101.64-113.83
Annual risk-free rate (%)	2.82-3.1

The weighted average fair value of the above options on the grant date amounted to $2.04.

U.S. dollars in thousands

NOTE 15: EQUITY (Continued)

The fair value of options granted during 2018 to the group's service providers was estimated using the Black and Scholes option pricing model with the following assumptions:

	2018
The option's exercise price (U.S. dollars)	0.003
Dividend yield (%)	—
Expected life of share options (Years)	7
Volatility (%)	113.83
Annual risk-free rate (%)	2.82

The weighted average fair value of the above options on the grant date amounted to $2.04.

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	December 31, 2018	
	Number of options	Weighted average exercise price
		U.S dollars
Options outstanding at the beginning of the year	—	0.003
Issuance of options during the year	15,768,035	0.003
Options forfeited during the year	(265,571)	0.003
Options outstanding at end of year	15,502,464	0.003
Options exercisable at end of year	6,264,934	0.003

The weighted average remaining contractual life for the share options outstanding as of December 31, 2018, was 6.9 years.

The share-based payment expenses for the year ended December 31, 2018, amounted to $12,835.

d. At inception of the Company, the CEO was provided with certain antidilution protections rights, such that the CEO shall hold 9.99% of Ordinary Shares of the Company immediately prior to the closing of an initial public offering of the Company, but after giving effect to all other rights to acquire Ordinary Shares exercised at or prior to, or granted prior to and continuing in effect following, the completion of the initial public offering. These antidilution protection rights expire upon completion of an initial public offering.

NOTE 16: SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Year ended December 31,		
	2018	2017	2016
Share-based compensation	$7,264	$ —	$ —
Salaries and related expenses	$2,297	$2,165	$781

NOTE 17: NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income used in the computation of earnings per share:

	Year ended December 31,					
	2018		2017		2016	
	Weighted average number of shares	Net loss attributable to equity holders of the Company	Weighted number of shares	Net loss attributable to equity holders of the Company	Weighted number of shares	Net income (loss) attributable to equity holders of the Company
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
For the computation of basic net earnings	11,598,109	$(27,738)	11,457,846	$(5,818)	11,199,125	$602
Effect of potential dilutive Ordinary shares	—	—	—	—	—	—
For the computation of diluted net earnings	11,598,109	$(27,738)	11,457,846	$(5,818)	11,199,125	$602

For the computation of diluted net earnings per share for the years ended December 31, 2018 and 2017, all outstanding options under the share-based payment plans and convertible loans have not been taken into account since their conversion decreases the basic loss per share (anti-dilutive effect). There were no potentially dilutive securities outstanding in 2016.

For purposes of calculation of net earnings (loss) per share, bonus shares have been included retrospectively as of the date of the earliest period presented (see Note 15b).

NOTE 18: RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances and Transactions:

The following table summarizes balances with related parties in the statements of financial position:

	December 31,	
	2018	2017
Other accounts receivables	$ 17	$ 18
Trade payables	$ (4)	$ (4)
Other accounts payable and accrued liabilities	$(17)	$(159)

The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,		
	2018	2017	2016
Cost of revenues	$ 52	$44	$37
General and administrative expenses	$244	$50	$47

Transactions with related parties mainly includes compensation for consulting services in the ordinary course of business.

U.S. dollars in thousands

NOTE 18: RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

b. Compensation of key management personnel of the Group:

	Year ended December 31,		
	2018	2017	2016
Salaries and related expenses*)	$1,042	$722	$430
Share-based compensation	5,571	—	—
	$6,613	$722	$430

*) Includes payments to shareholders for the years ended 2018, 2017 and 2016, of $652, $458 and $301, respectively

NOTE 19: SUBSEQUENT EVENTS

a. On December 25, 2018, the Israeli Dangerous Drug Ordinance was amended to allow the export of medical cannabis products by authorized exporters, following which, in January 2019, the Israeli Government approved the export of medical cannabis products from Israel, subject to additional regulations.

b. On February 27, 2019, the Company, through its wholly-owned subsidiary, BOL Portugal, entered into a preliminary binding agreement (the "Agreement"), which will allow the Company to acquire approximately 4.3 million square feet of cultivation area (the "Area") in Portugal for the aggregate amount of approximately $1,146 (Euro 1 million), of which approximately $57 (Euro 50 thousand) is a non-refundable deposit upon signing of the Agreement, approximately $57 (Euro 50 thousand) is payable four months after signing the Agreement (refundable deposit) and the remainder shall be paid, subject to, and upon the signing of the public deed of the purchase and sale of the property (the "Deed"). The Deed shall be entered into within the period of thirty days after, and subject to, the Company's obtaining all the necessary licenses for the production of medical cannabis for the specific Area.

c. In April 2019, the Company, through its wholly-owned subsidiary, BOL Portugal, entered into an agreement to acquire approximately 70,000 square feet of manufacturing facility in Portugal and certain machinery equipment located at the said manufacturing facility, which will provide a second source of manufacturing, diversifying the Company's production. The aggregate purchase price is approximately $5,155 (Euro 4.5 million), payable in four equal installments of approximately $1,288 (Euro 1.125 million) each, first installment in April 2019, with final installment in August 2019, upon the issuance of the public deed of transfer.

d. On April 10, 2019, the Company, through its wholly-owned subsidiary, BOL Portugal, entered into a fifteen-year (the "Term") lease and supply of breeding and cultivation services agreement (the "Agreement"), with an option to extend the Term by additional seven years, to secure leasing of land of approximately 8,342,000 square feet to use, cultivate and take related action with respect to the leased property for the purpose of breeding and cultivation of medical cannabis. The Agreement shall become effective upon and subject to the Company obtaining required licenses to allow it to breed, cultivate, manufacture, export, purchase and sell of medical cannabis in Portugal and abroad. In consideration, the Company shall pay the landlord an annual lease payment of approximately $106 (Euro 93 thousand) during the Term. In addition, the Company shall pay the service provider (the "Supplier"), a one-time deductible payment of approximately $172 (Euro 150 thousand) (the "One Time Payment"), an aggregate amount of approximately $106 (Euro 93 thousand) for the first and second cycle of cultivation per year, and single digit royalties of Net Sales, as defined in the Agreement. The Company shall and be allowed to deduct the amount of the One Time Payment from royalties due to the Supplier.

e. On March 13, 2019, the Company entered into an amendment to the AKC-CLA (see Note 12d), according to which AKC will be able to invest additional funds of up to $30,814 (instead of up to $38,000). Assuming conversion of the entire amount of the AKC-CLA, including the option to invest additional funds of up to $30,814, AKC will be entitled to shares of the Company representing up to 49.89% of the Company's outstanding shares, on a fully diluted basis, immediately prior to the completion of the Company's initial public offering.

On March 11, 2019, and on March 13, 2019, the Company entered into amendments to the Joinders convertible loans agreements (see Note 12f), according to which, the Joinders will be able to invest additional funds of up to $2,635. Assuming conversion of the entire amount of the Joinders' convertible loans, including the abovementioned additional funds, the Joinders will be entitled to shares of the Company representing up to 9.6% of the Company's outstanding shares, on a fully diluted basis, immediately prior to the completion of the Company's initial public offering.

f. BOL Agro-Tech's GAP license for propagation and GAP license for growing were both extended through March 30, 2020, subject to renewal. In addition, BOL Manufacturing's GMP license for its production facility was extended to March 30, 2020, subject to renewal.

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2019

(Unaudited)

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2019

U.S. dollars in thousands
(Unaudited)

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BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	March 31, 2019	December 31, 2018
		(Unaudited)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$19,376	$15,485
Trade receivables		486	387
Other accounts receivable		3,071	2,160
Biological assets	3	1,714	611
Inventories	4	3,003	2,398
		27,650	21,041
NON-CURRENT ASSETS:			
Restricted cash		1,508	246
Property, plant and equipment, net		7,863	6,502
Right-of-use assets, net	2d	9,926	—
		19,297	6,748
Total assets		$46,947	$27,789

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

U.S. dollars in thousands

	Note	March 31, 2019	December 31, 2018
		(Unaudited)	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of lease liabilities	2d	$ 279	$ —
Current maturities of long-term loans	5	686	718
Trade payables		2,057	2,205
Other accounts payable and accrued expenses		2,870	2,475
		5,892	5,398
NON-CURRENT LIABILITIES:			
Lease liabilities	2d	10,224	—
Long-term loans from banks	5	3	127
Convertible loans	5	45,414	28,944
Other long-term liabilities		361	331
Employee benefit liabilities, net		155	150
		56,157	29,552
Total liabilities		62,049	34,950
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	6		
Share capital and premium		3,402	3,302
Reserve from share-based payment transactions		19,583	12,835
Reserve from transactions with non-controlling interests		8,751	8,751
Translation reserve		506	593
Accumulated deficit		(47,292)	(33,689)
		(15,050)	(8,208)
Non-controlling interests		(52)	1,047
Total equity		(15,102)	(7,161)
Total equity and liabilities		$ 46,947	$ 27,789

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

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

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenues		$ 1,121	$ 917
Cost of revenues		1,360	1,788
Gross profit (loss) before fair value adjustments		(239)	(871)
Fair value adjustments:			
Unrealized change in fair value of biological assets		736	61
Realized fair value adjustments on inventory sold in the period		(478)	(690)
Total fair value adjustments		258	(629)
Gross profit (loss)		19	(1,500)
Research and development expenses		(1,050)	(216)
Selling and marketing expenses		(399)	(281)
General and administrative expenses		(1,741)	(486)
Share-based compensation	6b	(6,848)	—
Total operating expenses		(10,038)	(983)
Operating profit (loss)	7	(10,019)	(2,483)
Finance expenses, net		(4,713)	(211)
Net income (loss)		(14,732)	(2,694)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation to presentation currency		(57)	(168)
Total other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		(57)	(168)
Total comprehensive income (loss)		$(14,789)	$(2,862)
Net income (loss) attributable to:			
Equity holders of the Company		(13,603)	(2,499)
Non-controlling interests		(1,129)	(195)
		$(14,732)	$(2,694)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		(13,690)	(2,666)
Non-controlling interests		(1,099)	(196)
		$(14,789)	$(2,862)
Net income (loss) per share attributable to equity holders of the Company			
Basic and diluted net income (loss) per share (in U.S. dollars)	8	$ (1.14)	$ (0.22)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

U.S. dollars in thousands

	Attributable to equity holders of the Company								
	Share capital	Share premium	Reserve from share-based payment transactions	Reserve from transactions with non-controlling interests	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2019	$33	$3,269	$12,835	$8,751	$ 593	$(33,689)	$ (8,208)	$ 1,047	$ (7,161)
Cost of share-based payment	—	—	6,848	—	—	—	6,848	—	6,848
Options exercised	—*)	100	(100)	—	—	—	—	—	—
Net loss	—	—	—	—	—	(13,603)	(13,603)	(1,129)	(14,732)
Other comprehensive income (loss)	—	—	—	—	(87)	—	(87)	30	(57)
Balance as of March 31, 2019	33	3,369	19,583	8,751	506	(47,292)	(15,050)	(52)	(15,102)
Balance as of January 1, 2018	—*)	359	—	533	(4)	(5,960)	(5,072)	(7)	(5,079)
Issue of share capital	—*)	86	—	—	—	—	86	—	86
Issue of bonus shares	33	(33)	—	—	—	—	—	—	—
Benefit to non-controlling interests from receipt of convertible loan	—	—	—	(31)	—	—	(31)	31	—
Issue of shares to non-controlling interests	—	—	—	2,435	—	—	2,435	565	3,000
Net loss	—	—	—	—	—	(2,499)	(2,499)	(195)	(2,694)
Other comprehensive loss	—	—	—	—	(167)	—	(167)	(1)	(168)
Balance as of March 31, 2018	$33	$ 412	$ —	$2,937	$(171)	$ (8,459)	$ (5,248)	$ 393	$ (4,855)

*) Represents an amount of less than $1.

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Three months ended March 31,	
	2019	2018
Cash provided by (used in) operating activities:		
Net income (loss) for the period	$(14,732)	$(2,694)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(736)	(61)
Fair value adjustment on sale of inventory	478	690
Loss on changes in fair value of financial liabilities	4,401	192
Share-based payment	6,848	—
Depreciation of property, plant and equipment	122	75
Depreciation of right-of-use assets	208	—
Employee benefit liabilities, net	—	(3)
	11,321	893
Changes in non-cash working capital:		
Decrease (increase) in trade receivables, net	(86)	90
Increase in other accounts receivable	(839)	(152)
Decrease in other long-term receivable	8	8
Decrease (increase) in inventories, net of fair value adjustments	(1,005)	(6)
Decrease (increase) in biological assets, net of fair value adjustments	(344)	(179)
Increase (decrease) in trade payables	(217)	1,229
Increase (decrease) in other accounts payable and accrued expenses	314	(172)
Net cash used in operating activities	(5,580)	(983)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,272)	(181)
Change in restricted cash, net	(1,250)	(3)
Net cash used in investing activities	$ (2,522)	$ (184)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

BREATH OF LIFE INTERNATIONAL LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

U.S. dollars in thousands

	Three months ended March 31,	
	2019	**2018**
Cash provided by (used in) financing activities:		
Repayment of lease liability	$ (58)	$ —
Interest paid — lease liability	(269)	—
Share capital issued, net of issue costs	—	86
Proceeds from issuance of shares to non-controlling interest	—	3,000
Proceeds from bank borrowings	—	1,434
Repayment of bank borrowings	(173)	(287)
Cash paid for interest on loans	(9)	(2)
Proceeds from long-term convertible loans	11,355	242
Changes in bank credit, net	—	(52)
Net cash provided by financing activities	10,846	4,421
Effect of foreign exchange on cash and cash equivalents	1,147	(95)
Increase in cash and cash equivalents	3,891	3,159
Cash and cash equivalents at beginning of the period	15,485	19
Cash and cash equivalents at end of the period	$19,376	$3,178

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

NOTE 1: GENERAL

a. Nature of Operations:

Breath of Life International Ltd. (the "Company" or "BOL") was established and incorporated in Israel as a private company. The Company's main office is located in the industrial zone of Revadim, Israel.

The Company's operations are in the medical cannabis and cannabinoid-based pharmaceutical industries with operations spanning the main elements of the production value chain from cultivation through production and extraction, formulation and product development, and product research and testing. BOL, through its subsidiaries (collectively: the "Group"), is accredited by the Israeli Ministry of Health Medical Cannabis Unit ("MCU") with both Good Agricultural Practices ("GAP"), an Israeli certification for cultivation, and Good Manufacturing Practices ("GMP"), an Israeli certification for manufacturing of finished products. These GAP and GMP certifications conform to the standards of the Israeli Government Resolution No. 1587 — Cannabis for Medicinal Purposes and Research ("CMPR").

The Group operates in one reporting segment. For all reporting periods presented, the revenues of the Group were generated from sales of medical cannabis products to customers in Israel. BOL and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

b. Approval of Interim Condensed Consolidated Financial Statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the board of directors on May 23, 2019.

c. Strategic Developments:

1. On December 25, 2018, the Israeli Dangerous Drug Ordinance was amended to allow the export of medical cannabis products by authorized exporters, following which, in January 2019, the Israeli Government approved the export of medical cannabis products from Israel, subject to additional regulations.

2. On February 27, 2019, the Company, through its wholly-owned subsidiary, BOL Portugal, entered into a preliminary binding agreement (the "Agreement"), which will allow the Company to acquire approximately 4.3 million square feet of cultivation area (the "Area") in Portugal for the aggregate amount of approximately $1,122 (Euro 1 million), of which approximately $56 (Euro 50 thousand) is a non-refundable deposit upon signing of the Agreement, approximately $56 (Euro 50 thousand) is payable four months after signing the Agreement (refundable deposit) and the remainder shall be paid, subject to, and upon the signing of the public deed of the purchase and sale of the property (the "Deed"). The Deed shall be entered into within the period of thirty days after, and subject to, the Company's obtaining all the necessary licenses for the production of medical cannabis for the specific Area.

3. In April 2019, subsequent to the reporting period, the Company, through its wholly-owned subsidiary, BOL Portugal, entered into an agreement to acquire approximately 70,000 square feet of manufacturing facility in Portugal and certain machinery equipment located at the said manufacturing facility, which will provide a second source of manufacturing, diversifying the Company's production. The aggregate purchase price is approximately $5,050 (Euro 4.5 million), payable in four equal installments of approximately $1,262 (Euro 1.125 million) each, first installment in April 2019, with final installment in August 2019, upon the issuance of the public deed of transfer.

4. On April 10, 2019, subsequent to the reporting period, the Company, through its wholly-owned subsidiary, BOL Portugal, entered into a fifteen-year (the "Term") lease and supply of breeding and cultivation services agreement (the "Agreement"), with an option to extend the Term by additional seven years, to secure leasing of land of approximately 8.342 million square feet to use, cultivate and take related action with respect to the leased property for the purpose of breeding and cultivation of medical cannabis. The Agreement shall become effective upon and subject to the Company obtaining required licenses to allow it to breed, cultivate, manufacture, export, purchase and sell of medical cannabis in Portugal and abroad. In consideration, the Company shall pay the landlord an annual lease payment of approximately $104 (Euro 93 thousand) during the Term. In addition, the Company shall pay the service provider (the "Supplier"), a one-time deductible payment of approximately $168 (Euro 150 thousand) (the "One Time Payment"), an aggregate amount of approximately $104 (Euro 93 thousand) for the first and second cycle of cultivation per year, and single digit royalties of Net Sales, as defined in the Agreement. The Company shall and be allowed to deduct the amount of the One Time Payment from royalties due to the Supplier.

5. BOL Agro-Tech's GAP license for propagation and GAP license for growing were both extended through March 30, 2020, subject to renewal. In addition, BOL Manufacturing's GMP license for its production facility was extended to March 30, 2020, subject to renewal.

NOTE 1: GENERAL (Continued)

d. Definitions:

In these financial statements:

The Company, or BOL	— Breath of Life International Ltd.
The Group	— Breath of Life International Ltd. and its Subsidiaries.
Subsidiaries	— Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation and Measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”).

The interim condensed consolidated financial statements are presented in U.S. dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company’s annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2(b). Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these interim financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2018, including the accompanying notes thereto.

b. Leases:

Policy applicable before January 1, 2019:

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a leases based on the assessment of whether:

– Fulfilment of the arrangements was dependent on the use of a specific asset or assets; and

– The arrangement had conveyed the right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  * The arrangement had conveyed a right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  * The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

  * Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price unit of output.

Policy applicable from January 1, 2019:

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset, for a fixed period of time, in exchange for consideration. To assess whether a contract conveys the right to control the use of identified asset, the Company assesses whether:

– The contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity;

  of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

– The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

– The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

* The Company has the right to operate the asset; or

* The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on assessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

– Fixed payments, including in-substance fixed payments;

– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– Amounts expected to be payable under a residual value guarantee;

– The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and penalties for early termination of the lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under the residual value guarantee, or if the Company changes its assessment of whether it will exercise purchase, extension or termination options.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company leases assets which mainly include land, buildings and motor-vehicles.

c. Significant Accounting Judgments, Estimates and Assumptions**:**

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

d. New or Amended Standards Effective January 1, 2019:

IFRS 16, "Leases"

The Company adopted IFRS 16, "Leases" (the "Standard"), commencing from January 1, 2019, using the modified retrospective approach.

According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a fixed period in exchange for consideration.

The principal effects of the Standard are as follows:

– According to the Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

– Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or usage are recognized as an expense by the lessees as incurred or recognized as income by the lessors as earned.

– In the event of changes in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

– The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases — leases for which the underlying asset is of low financial value and short-term leases (up to one year).

– The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

As permitted by the Standard, the Company elected to adopt the Standard using the modified retrospective approach and measuring the right-of-use asset at an amount equal to the lease liability. This approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the Standard is measured using the Company's incremental borrowing rate of interest on the date of initial adoption of the Standard. The right-of-use asset is recognized in an amount equal to the recognized liability.

The principal effects of the initial application of the Standard are in respect of existing lease contracts in which the Company is the lessee. According to the Standard, excluding certain exceptions, the Company recognizes a lease liability and a corresponding right-of-use asset for each lease in which it is the lessee. This accounting treatment is different than the accounting treatment applied under IAS 17 according to which lease payments in respect of leases contracts for which substantially all the risks and rewards incidental to ownership of the underlying asset are not transferred to the lessee are recognized in profit or loss on a straight-line basis over the lease term.

U.S. dollars in thousands

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

	According to the previous accounting policy	Change	As presented according to IFRS 16
As of January 1, 2019:			
Non-current assets:			
Right-of-use assets	$ —	$9,821	$9,821
Current liabilities:			
Other accounts payable and accrued expenses	$413	(413)	$ —
Current maturity of lease liabilities	$ —	1,321	$1,321
Non-current liabilities:			
Lease liabilities	$ —	$8,913	$8,913

2. A weighted average incremental interest rate of 10.88% was used to discount future lease payments in the calculation of the lease liabilities on the date of initial application of the Standard.

3. Reconciliation of total commitment for future minimum lease payments as disclosed in Note 13 to the annual financial statements as of December 31, 2018, to the lease liability as of January 1, 2019:

	January 1, 2019
Total undiscounted future minimum lease payments for non-cancellable leases as per IAS 17, according to the financial statements as of December 31, 2018	$ 21,652
Effect of discount of future lease payments at the Company's incremental interest rate on initial date of application	(11,418)
Total lease liabilities as per IFRS 16 at January 1, 2019	$ 10,234

4. Practical expedients applied in the initial application of the Standard:

   – The Company elected not to reassess, based on the principles in the Standard, whether contracts are or contain a lease, and instead continued to classify contracts as leases that were previously identified as leases under IAS 17.

   – The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The initial application of the interpretation did not have an impact on the interim condensed consolidated financial statements of the Company.

U.S. dollars in thousands

NOTE 3: BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2019	$ 611
Changes in fair value less cost to sell due to biological transformation	736
Production costs capitalized	1,081
Transferred to inventory upon harvest	(737)
Foreign exchange translation	23
Balance at March 31, 2019	$1,714

As of March 31, 2019 and December 31, 2018, the weighted average fair value less cost to sell was $0.91 and $0.89 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

The following inputs and assumptions were used in determining the fair value of biological assets:

Input and assumptions	Calculation methods	Inter-relationship between unobservable inputs and fair value — the estimated fair value would increase (decrease) if:
Selling price per gram	calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices	The selling price per gram were higher (lower).
Post-harvest costs	calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs	The standard cost per gram to complete post-harvest production was lower (higher).
Attrition rate	represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.	The attrition rate was lower (higher)
Average yield per plant	represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.	The average yield per plant was higher (lower)
Stage of growth	represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date	The number of weeks in growing cycle was higher (lower)

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

			10% change as at	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Average selling price per gram of dried cannabis (in U.S. dollars)	$2.13	$2.07	$401	$142
Average post-harvest costs per gram of dried cannabis (in U.S. dollars)	$1.22	$1.18	$232	$81
Attrition rate	3%	3%	Less than $1	$1
Average yield per plant (in grams)	110	110	$171	$61
Average stage of growth	43%	28%	$171	$61

The Company's estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

U.S. dollars in thousands

NOTE 3: BIOLOGICAL ASSETS (Continued)

During the three-month period ended March 31, 2019 and 2018, the Company's biological assets produced 807,613 grams and 114,860 grams of dried cannabis, respectively.

As of March 31, 2019 and December 31, 2018, it was expected that the Company's biological assets would yield approximately 4,257,000 grams and 2,372,150 grams, respectively, of dried cannabis when harvested.

NOTE 4: INVENTORIES

The following is a breakdown of inventory at March 31, 2019:

	March 31, 2019		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	$1,324	$602	$1,926
Finished goods			
Packaged dried cannabis	469	105	574
Cannabis oil	342	161	503
Balance as at March 31, 2019	$2,135	$868	$3,003

The following is a breakdown of inventory at December 31, 2018:

	December 31, 2018		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	$1,222	$556	$1,778
Finished goods			
Packaged dried cannabis	398	90	488
Cannabis oil	76	56	132
Balance as at December 31, 2018	$1,696	$702	$2,398

During the three months period ended March 31, 2019 and 2018, the Company recognized $753 and $1,865, respectively, of inventory expensed to cost of revenues.

During the three months period ended March 31, 2019 and 2018, the Company recognized a loss of approximately $1,263 and nil, respectively, due to the write-down of its cannabis oil products to net realizable value. These write-downs are included on a net basis in the capitalized cost of inventories in the above tables.

Cost of revenues in three months period ended March 31, 2019 and 2018, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

U.S. dollars in thousands

NOTE 5: FINANCIAL INSTRUMENTS

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine fair value of each financial instrument.

	Fair Value Method
Financial Instruments Measured at Fair Value	
Convertible loans *)	Merton Model & Principal loan amount divided by the conversion discount.
Financial Instruments Measured at Amortized Cost	
Cash and cash equivalents, Restricted cash, Trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Trade Payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)
Bank credit, loans and other long-term liabilities	Carrying value at the effective interest rate which approximates fair value

*) The Convertible loans is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the following key assumptions:

Expected Volatility	75.15%-112.30%
Annual Risk-Free Rate	2.27%-2.30%
Expected Dividend Yield	0%

The carrying values of the financial instruments at March 31, 2019, are summarized in the following table:

	Amortized cost	FVTPL	Total	Note
Financial Assets				
Cash and cash equivalents	19,376	—	19,376	
Restricted cash	1,508	—	1,508	
Trade receivables	486	—	486	
Other accounts receivables	2,870	—	2,870	
Financial Liabilities				
Trade payables	2,057	—	2,057	
Other account payables and accrued expenses	3,295	—	3,295	
Convertible loans *)	—	45,414	45,414	a
Other long-term liabilities	361	—	361	
Bank credit and loans	689	—	689	

*) For the three months ended March 31, 2019, the Company recognized expenses of $4,389 in its interim condensed consolidated statement of profit or loss and other comprehensive income due to changes in the fair value of the convertible loans.

a. On March 13, 2019, the Company entered into an amendment to the AKC-CLA, according to which, AKC will be able to invest additional funds of up to $30,814 (instead of up to $38,000). Assuming conversion of the entire amount of the AKC-CLA, including the option to invest additional funds of up to $30,814, AKC will be entitled to shares of the Company representing up to 49.89% of the Company's outstanding shares, on a fully diluted basis, prior to the completion of the Company's initial public offering.

As of March 31, 2019, AKC provided the Company with a total of approximately $20,355 (NIS 74,898 thousand), of which, $10,355 was provided during the three months period ended March 31, 2019, out of the AKC-CLA.

On March 11, 2019 and on March 13, 2019, the Company entered into amendments to the Joinder convertible loans agreements, according to which, the Joinders will be able to invest additional funds of up to $2,635. Assuming conversion of the entire amount of the Joinders' convertible loans, including the abovementioned additional funds, the Joinders will be entitled to shares of the Company representing up to 9.6% of the Company's outstanding shares, on a fully diluted basis, prior to the completion of the Company's initial public offering.

U.S. dollars in thousands

NOTE 5: FINANCIAL INSTRUMENTS (Continued)

As of March 31, 2019, the Joinders provided the Company with a total of approximately $9,290 (NIS 34,704 thousand), of which $1,000 was provided during the three months period ended March 31, 2019, out of the Joinder convertible loans.

NOTE 6: EQUITY

a. Composition of share capital:

	March 31, 2019		December 31, 2018	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Ordinary shares of NIS 0.01 par value each	80,000,000	11,985,698	80,000,000	11,936,838

b. Share option plan:

On June 12, 2018, the Board of Directors approved the "2018 Share Incentive Plan" (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together "Awards"), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 24,800,000 Ordinary Shares are reserved for issuance.

Awards granted under the 2018 Plan are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of four years from the applicable vesting commencement date, such that 25% of the awards vest on the first anniversary of the applicable vesting commencement date and 75% of the awards vest in twelve equal installments upon the lapse of each three-month period thereafter. Subject to the discretion of the 2018 Plan administrator, if an award has not been exercised within seven years after the date of the grant, the award expires.

As of March 31, 2019, 4,464,324 Ordinary Shares are available for future grant under the 2018 plan.

The fair value for options granted during the three months ended March 31, 2019, to the Group's employees was estimated using the Binomial option pricing model with the following assumptions:

Options granted during the three months ended 31, March 2019	4,090,336
The option's exercise price (U.S. dollars)	0.003
Dividend yield (%)	—
Expected life of share options (Years)	7
Volatility (%)	101.64-113.83
Annual risk-free rate (%)	2.82-3.1

The weighted average fair value of the above options on the grant date amounted to $2.24.

The fair value of options granted during the three months period ended March 31, 2019, to the group's service providers was estimated using the Black and Scholes option pricing model with the following assumptions:

Options granted during the three months ended 31, March 2019	817,876
The option's exercise price (U.S. dollars)	0.003
Dividend yield (%)	—
Expected life of share options (Years)	7
Volatility (%)	113.83
Annual risk-free rate (%)	2.82

The weighted average fair value of the above options on the grant date amounted to $2.16.

U.S. dollars in thousands

NOTE 6: EQUITY (Continued)

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	March 31, 2019	
	Number of options	Weighted average exercise price
		U.S dollars
Options outstanding at the beginning of the period	15,502,464	0.003
Options granted during the period	4,908,212	0.003
Options exercised during the period	(48,860)	0.003
Options forfeited during the period	(75,000)	0.003
Options outstanding at the end of period	20,286,816	0.003
Options exercisable at the end of period	9,102,750	0.003

The weighted average remaining contractual life for the share options outstanding as of March 31, 2019, was 6.78 years.

The share-based payment expenses for the three months period ended March 31, 2019 and 2018, amounted to $6,848 and nil, respectively.

NOTE 7: SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Three months ended March 31,	
	2019	2018
Share-based compensation	$3,507	$ —
Salaries and related expenses	$1,672	$860
Depreciation of property, plant and equipment	$ 122	$ 75
Depreciation of right-of-use assets	$ 208	$ —

NOTE 8: NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income used in the computation of earnings per share:

	Three months ended March 31,			
	2019		2018	
	Weighted average number of shares	Net loss attributable to equity holders of the Company	Weighted number of shares	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	11,953,856	$(13,603)	11,543,948	$(2,499)
Effect of potential dilutive Ordinary shares	—	—	—	—
For the computation of diluted net earnings	11,953,856	$(13,603)	11,543,948	$(2,499)

For the computation of diluted net earnings per share for the three-month periods ended March 31, 2019 and 2018, all outstanding options under the share-based payment plans and convertible loans have not been taken into account since their conversion decreases the basic loss per share (anti-dilutive effect).

For purposes of calculation of net earnings (loss) per share, bonus shares have been included retrospectively as of the date of the earliest period presented.

U.S. dollars in thousands

NOTE 9: RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances and Transactions:

The following table summarizes balances with related parties in the statements of financial position:

	March 31, 2019	December 31, 2018
Other accounts receivables	$ 18	$ 17
Trade payables	$ (5)	$ (4)
Other accounts payable and accrued liabilities	$(26)	$(17)

The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Three months ended March 31,	
	2019	2018
Cost of revenues	$10	$ 14
General and administrative expenses	$ 8	$231

b. Compensation of key management personnel of the Group:

	Three months ended March 31,	
	2019	2018
Salaries and related expenses *)	$ 305	$ 99
Share-based compensation	3,341	—
	$3,646	$ 99

*) Includes payments to shareholders in the three-month periods ended March 31, 2019 and 2018, of $122, and $64, respectively

APPENDIX A — MANDATE OF THE BOARD OF DIRECTORS

BREATH OF LIFE INTERNATIONAL LTD.

MANDATE OF THE BOARD OF DIRECTORS

1.0 Introduction

The board of directors (the "**Board**") of Breath of Life International Ltd. ("**BOL**" or the "**Company**") is elected by the shareholders of BOL and is responsible for the stewardship of BOL. The purpose of this mandate is to describe the principal duties and responsibilities of the Board, as well as some of the policies and procedures that apply to the Board in discharging its duties and responsibilities.

2.0 Chair of the Board

The Board must select one of its members to serve as the chair of the Board ("**Chair**"), unless specified otherwise in the Company's articles of association. The Chair will be appointed by the Board, for such term as the Board may determine, which shall not exceed the Chair's tenure as a member of the Board.

Commencing three (3) months from the date on which the Company issues its shares to the public, the Company's general manager (being in the case of the Company, the Chief Executive Officer or "**CEO**") or a relative thereof may not be appointed as the Chair, and the Chair or a relative thereof may not be given the authorities of the CEO or of an office holder that is directly or indirectly subordinate to the CEO, unless otherwise approved by the shareholders for a three-year period, provided that: (i) a majority of the shares held by shareholders who have no personal interest in the foregoing and are voting at the meeting must be voted in favor of approving the appointment, excluding abstentions; or (ii) the shares voted by shareholders who have no personal interest in the appointment who vote against the appointment represent no more than two percent (2%) of the voting rights in the Company.

Notwithstanding the above, the Chair may serve as a director or chair of the board of a company in which BOL controls.

The Chair shall preside at every meeting of the Board, but if there is no current Chair, or if at any meeting he or she is not present, or if he or she is unwilling to assume the position of chair of such meeting, the directors present at such meeting shall elect another director to be the chair of such meeting.

3.0 Independence

The Board shall be comprised of a majority of independent directors in accordance with section 1.4 of NI 52-110 subject to temporary exemptions for limited and extenuating circumstances. The composition of the Board shall also comply with any requirements of the Israeli Companies Law, 5759-1999, as amended (the "**Companies Law**"), including with respect to directors' independence.

Subject to applicable law, where the Chair is not independent pursuant to NI 52-110, the independent directors may select one of their number to be appointed lead director of the Board for such term as the independent directors may determine. If BOL has a non-executive, independent Chair, then the role of the lead director will be filled by the non-executive Chair. The lead director or non-executive Chair will chair regular meetings of the independent directors and assume other responsibilities that the independent directors as a whole have designated.

4.0 Role and Responsibilities of the Board

The role of the Board is to represent the shareholders of BOL, and conduct the business and affairs of BOL ethically and in accordance with the highest standards of corporate governance. The Board is ultimately accountable and responsible for providing independent, effective leadership in supervising the management of the business and affairs of BOL. The responsibilities of the Board include:

- adopting a strategic planning process;

- understanding and monitoring the political, cultural, legal and business environments in which BOL operates;
- risk identification and ensuring that procedures are in place for the management of those risks;
- review and approve annual operating plans and budgets;
- corporate social responsibility, ethics and integrity;
- succession planning, including the appointment, training and supervision of management;
- delegations and general approval guidelines for management;
- monitoring financial reporting and management;
- monitoring internal control and management information systems;
- corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that BOL, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

4.1 Additional Roles and Responsibilities of the Board under the Companies Law

In addition, the Board is empowered to formulate the Company's policies and oversee the performance of the CEO's functions and activities, and as a part thereof, under the Companies Law, to:

- determine the Company's business plans, the principles for financing such plans, and the relative priorities among such plans;
- examine the Company's financial condition and determine the framework of credit and financing which the Company may take;
- determine the organizational structure and wage and compensation policy;
- decide on the issuance of debentures;
- be responsible for the preparation and approval of the financial statements;
- report to shareholders at the annual shareholders meeting about the state of the Company's affairs and the Company's results of operations;
- appoint and dismiss the CEO;
- decide on actions and transactions that require Board approval;
- issue shares of the Company and securities convertible into shares of the Company up to the limit of Company's registered share capital;
- decide on distributions to shareholders;
- opine on special tender offers made in respect of the Company's shares; and
- determine the minimum number of directors who must have expertise in accounting and finance.

Furthermore, under the Companies Law, the Board is entitled to direct the CEO on how to act on any particular matter. If the CEO does not comply, the Board is entitled to exercise the necessary power to carry out any such actions in the CEO's place.

Meetings of the Board will be held at least quarterly, with additional meetings to be held depending on the state of BOL's affairs and in light of opportunities or risks which BOL faces. In addition, separate, regularly scheduled meetings of the independent directors of the Board will be held at which members of management are not present.

5.0 Delegations and Approval Authorities

Subject to applicable law the Board will enturst to the Chief Executive Officer and senior management with authority over the day-to-day management of the business and affairs of BOL, which may be subject to specified financial limits and any transactions or arrangements in excess of general authority guidelines will be reviewed by and subject to the prior approval of the Board.

Subject to applicable law the Board may delegate certain matters it is responsible for to Board committees, presently consisting of the Audit Committee, and the Compensation and Nominating Committee. The Board will, however, retain its oversight function and ultimate responsibility for these matters and all delegated responsibilities.

6.0 Strategic Planning Process and Risk Management

The Board will adopt a strategic planning process to establish objectives and goals for BOL's business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board will review and approve, at least on an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of BOL's business and affairs.

The Board, in conjunction with management, shall be responsible for identifying the principal risks of BOL's business and overseeing management's implementation of appropriate systems to seek to effectively monitor, manage and mitigate the impact of such risks. Pursuant to its duty to oversee the implementation of effective risk management policies and procedures, the Board may delegate to the Compensation and Nominating Committee the responsibility for assessing and implementing risk management policies and procedures directly connected to BOL's compensation practices. The Board will work in conjunction with each committee, respectively, to oversee the implementation of such policies and procedures.

7.0 Corporate Social Responsibility, Ethics and Integrity

The Board will provide leadership to BOL in support of its commitment to corporate social responsibility, set the ethical tone for BOL and its management and foster ethical and responsible decision making by management. The Board will take all reasonable steps to satisfy itself of the integrity of the CEO and management, and satisfy itself that the CEO and management create a culture of integrity throughout the organization.

8.0 Succession Planning, Appointment and Supervision of Management

The Board will approve the succession plan for BOL, including the selection, appointment, supervision and evaluation of the CEO and the other senior officers of BOL, and will, subject to applicable law, also approve and make recommendations, to the extent needed, to BOL's shareholders regarding the compensation of the CEO and the other senior officers of BOL upon recommendation of the Compensation and Nominating Committee.

9.0 Monitoring of Financial Reporting and Management

The Board will approve all regulatory filings, including the annual audited financial statements, interim financial statements, the notes and management discussion and analysis accompanying such financial statements, quarterly and annual reports, management proxy circulars, annual information forms, prospectuses, and all capital investments, equity financings, borrowings and all annual operating plans and budget.

10.0 Integrity of Internal Controls and Compliance with Laws

The Board will adopt procedures that seek to ensure: the integrity of internal controls and management information systems; compliance with all applicable laws, rules and regulations; prevention of violations of applicable laws, rules and regulations relating to financial reporting and disclosure, and BOL's code of business conduct and ethics; and the prevention of fraud.

11.0 Corporate Disclosure and Communications

The Board will seek to ensure that corporate disclosure of BOL complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which BOL's securities are listed.

12.0 Corporate Policies

The Board will adopt and annually review policies and procedures designed to ensure that BOL, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct BOL's business ethically and with honesty and integrity. Principal policies consist of:

- Code of Business Conduct and Ethics;
- Corporate Disclosure Policy;
- Diversity Policy;
- Insider Trading Policy; and
- Whistleblower Policy.

13.0 Review of Mandate

The Audit Committee will annually review and assess the adequacy of this mandate and recommend any proposed changes to the Board for consideration.

The Board may, from time to time and subject to applicable law, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of BOL or other liability whatsoever.

Dated: ● , 2019
Approved by: Board of Directors

APPENDIX B — AUDIT COMMITTEE CHARTER

BREATH OF LIFE INTERNATIONAL LTD.

AUDIT COMMITTEE CHARTER

This charter (the "**Charter**") sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of Breath of Life International Ltd. (the "**Company**").

Section 1 Purpose and Rules:

(1) The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

(a) financial reporting and related financial disclosure;

(b) the implementation of risk management and internal control over financial reporting and disclosure controls and procedures; and

(c) external and internal audit processes.

Section 2 Composition and Qualification:

(1) Subject to available exemptions under applicable laws, the composition of the Committee shall be compliant with both the Israeli Companies Law, 5759-1999, as amended, (the "**Companies Law**"), including the regulations promulgated thereunder and National Instrument 52-110 — Audit Committees ("**NI 52-110**").

(2) Pursuant to the Companies Law, the members of the Committee shall be appointed by the Board and shall comprise of a minimum of three (3) directors, provided that (a) the majority of the members of the Committee meet the required independence criteria, and (b) the Committee comprises all of the Company's external directors as such term is defined under the Companies Law, (c) (c) the Chair of the Board and any director employed by the Company or employed by its controlling shareholder (the "Controlling Shareholder") or by a company controlled by the Controlling Shareholder, a director who regularly provides them services will not be a member of the Committee, and (d) the Controlling Shareholder or a family member thereof will not be members of the Committee.

(3) Pursuant to NI 52-110, the Committee shall be comprised of a minimum of three directors, each of whom is an independent director under NI 52-110.

(4) Subject to exemptions available under applicable law, all members of the Committee shall be financially literate and thus be able to read and understand a set of financial statements that have a level of complexity of accounting that is comparable to that of the Company's financial statements. At least one member of the Committee shall have accounting or related financial expertise. This could include past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer of an entity with financial oversight responsibilities.

(5) The chair of the Committee (the "**Chair**") shall be appointed by the Board from among one of the Company's external directors.

(6) Members shall be appointed by the Board, taking into account any recommendation that may be made by the Compensation and Nominating Committee of the Board (the "**C&N Committee**"). Any Member, other than the Company's external/outside directors, may be removed and replaced at any time by the Board, and will automatically cease to be a Member if he or she ceases to meet the qualifications required of Members. The Board will fill vacancies on the Committee by appointment from among qualified directors of the Board, taking into account any recommendation that may be made by the C&N Committee. If a vacancy exists on the Committee, the remaining Members may exercise all of its powers provided that at such time:

(i) there are at least two Members who are also outside/external directors that serve on the Board of the Company, (ii) all such directors referred to in (ii) are Members of the Committee, and (iii) for so long as there is a quorum.

Section 3 Meetings:

(1) The Committee will meet on a quarterly basis and will hold special meetings as circumstances require. The Chair, in consultation with the other Members, shall determine the schedule and frequency of meetings of the Committee. Meetings of the Committee shall be held at such times and places as the Chair may determine. To the extent possible, advance notice of each meeting will be given to each Member unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings of the Committee either in person or by telephone, video or other electronic means. Powers of the Committee may also be exercised by written resolutions signed by all Members.

(2) At the request of the external or internal auditors of the Company, the Chief Executive Officer or the Chief Financial Officer of the Company or any Member, the Chair shall convene a meeting of the Committee upon giving reasonable notice to the members. Any such request shall set out in reasonable detail the business proposed to be conducted at the meeting so requested.

(3) At any Committee meeting a majority of the members who are "unaffiliated directors" and of whom at least one is an external director shall constitute a quorum.

(4) All actions of the Committee will require the vote of a majority of its members who are lawfully entitled to participate in the meeting and vote thereon and present when such resolution is put to a vote and voting thereon.

(5) Non-members of the Committee may not be present at Committee meetings during discussions or resolutions of the Committee, unless the Chair of the Committee determined that the presence of such person is necessary to present a specific matter; however, an employee who is not a controlling shareholder or a family member thereof may be present during discussions of the Committee, but not during resolutions, and if such employee is the legal counsel or corporate secretary of the Company, they may be present during the discussions and resolutions of the Committee, at the request of the Committee.

Section 4 Committee Operations:

Agenda and Reporting:

(1) In advance of every meeting of the Committee, the Chair shall prepare and distribute, or cause to be prepared and distributed, to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require senior executives and other employees of the Company to produce such information and reports as the Committee may deem appropriate in order for it to fulfill its duties.

(2) The Chair shall report to the Board on the Committee's activities since the last Board meeting. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board. Minutes of each meeting of the Committee shall be circulated to the Directors following approval of the minutes by the Members. The Committee shall oversee the preparation of, review and approve the applicable disclosure for inclusion in the Company's annual information form.

Secretary and Minutes:

(3) The secretary of the Company may act as secretary of the Committee unless an alternative secretary is appointed by the Committee. The secretary of the Committee shall keep regular minutes of Committee proceedings and shall circulate such minutes to all Members and to the chair of the Board (and to any other Director that requests that they be sent to him or her) on a timely basis.

Section 5 Role pursuant to the Companies Law

Pursuant to the Companies Law, the Committee shall be responsible to among others:

(a) identify defects in the Company's business management, *inter alia* by consulting with the Company's internal auditor or with the auditor, and to make proposals to the Board regarding ways to correct such defects, to approve conflicting interests acts and transactions executed by the Company with interested parties (including transactions with controlling shareholders), which require its approval, and to decide, based on grounds to be described, whether to approve said acts and transactions that require the approval of the Committee, whether or not those are fundamental acts and whether or not they are extraordinary transactions;

(b) determine, with respect to the transactions with controlling shareholders or another person to whom the controlling shareholder has a personal interest in, whether there is an obligation to hold a competitive process, under supervision of the Committee or of anyone who shall be determined for that matter, according to criteria to be set, or, to determine that other proceedings shall be held to be determined by the audit committee prior to entering into said transactions;

(c) determine the manner of approval of transaction with controlling shareholders which are not negligible and which are not extraordinary, as specified in the provisions of the Companies Law;

(d) examine the work plan of the external auditor before submission for approval by the Board (if the plan is approved by the Board) and propose changes thereto;

(e) examine the work plan of the internal auditor before submission for approval by the Board (if the plan is approved by the Board) and propose changes thereto, and if the plan is not approved by the Board, the Committee will also approve such plan; and

(f) review the internal audit system of the Company and the functioning of the internal auditor, to examine the scope of work of the internal auditor and the internal auditor's remuneration and to make arrangements regarding the manner of handling complaints of the Company's employees in connection with the defects in its business management and as regards the protection to be provided to those employees who have complained as aforesaid.

Section 6 Duties and Responsibilities:

To the extent not addressed under Section 5 above, the Committee shall be responsible for performing the duties set out below and any other duties that may be assigned to it by the Board as well as any other functions that may be necessary or appropriate for the performance of its duties.

Financial Reporting and Disclosure:

(1) Review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, financial reports, and other applicable financial disclosure, prior to the public disclosure of such information.

(2) Review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such documents or information.

(3) Review with senior executives of the Company, and with external auditors, significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards ("**IFRS**"), with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly the Company's financial position and the results of its operations in accordance with IFRS, as applicable.

(4) Seek to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, the Company's

disclosure controls and procedures and periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration.

Internal Controls and Internal Audit:

(5) Review the adequacy and effectiveness of the Company's internal control and management information systems through discussions with senior executives of the Company and the external auditor relating to the maintenance of (i) necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company's transactions; (ii) effective internal control over financial reporting; and (iii) adequate processes for assessing the risk of material misstatements in the financial statements and for detecting control weaknesses or fraud. From time to time, the Committee shall assess any requirements or changes with respect to the establishment or operations of the internal audit function having regard to the size and stage of development of the Company at any particular time.

(6) Satisfy itself, through discussions with senior executives of the Company that the adequacy of internal controls, systems and procedures has been periodically assessed in accordance with regulatory requirements and recommendations.

(7) Review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

(8) Review and make recommendations to the Board regarding, the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company.

(9) Periodically review the Company's policies and procedures for reviewing and approving or ratifying related-party transactions.

External Audit:

(10) Recommend to the Board a firm of external auditors to be nominated for appointment as the external auditor of the Company.

(11) Ensure the external auditors report directly to the Committee on a regular basis. Review the independence of the external auditors.

(12) Review and recommend to the Board the fee, scope and timing of the audit and other related services rendered by the external auditors.

(13) Review the audit plan of the external auditors prior to the commencement of any audit. Establish and maintain a direct line of communication with the Company's external auditors.

(14) Oversee the work of the external auditors of the Company with respect to preparing and issuing an audit report or performing other audit or review services for the Company, including the resolution of issues between senior executives of the Company and the external auditors.

(15) Review the results of the external audit and the external auditor's report thereon, including, discussions with the external auditors as to the quality of accounting principles used and any alternative treatments of financial information that have been discussed with senior executives of the Company and any other matters.

(16) Review any material written communications between senior executives of the Company and the external auditors and any significant disagreements between the senior executives and the external auditors.

(17) Discuss with the external auditors their perception of the Company's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto.

(18) Discuss with the external auditors their perception of the Company's identification and management of risks, including the adequacy or effectiveness of policies and procedures implemented to mitigate such risks.

(19) Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board.

(20) Review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to address any such issues.

Section 7 Associated Responsibilities:

(1) Monitor and periodically review the Whistleblower Policy of the Company and associated procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- the confidential, anonymous submission by directors, officers and employees of the
- Company of concerns regarding questionable accounting or auditing matters; and
- if applicable, any violations of applicable law, rules or regulations that relates to corporate reporting and disclosure, or violations of the Company's Code of Conduct.

(2) Review and approve the Company's hiring policies regarding employees and partners, and former employees and partners, of the present and former external auditors of the Company.

Non-Audit Services:

(3) Pre-approve or establish procedures for the pre-approval of all non-audit services to be provided to the Company or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its Members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

Other Duties:

(4) Direct and supervise the investigation into any matter brought to its attention within the scope of the Committee's duties. Perform such other duties as may be assigned to it by the Board from time to time or as may be required by applicable law.

Delegation

(5) Subject to applicable law, the Committee may delegate any or all of its functions to any of its Members or any sub-set thereof, or other persons, from time to time as it sees fit.

Section 8 The Committee Chair:

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for overseeing and reporting on the evaluations to be conducted by the Committee, as well as monitoring developments with respect to accounting and auditing matters in general and reporting to the Committee on any related significant developments.

Section 9 Committee Evaluation:

The performance of the Committee shall be evaluated by the Board as part of its regular evaluation of the Board committees.

Section 10 Access to Information and Authority to Retain Independent Advisors:

(1) The Committee shall be granted unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors of the Company, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company's expense, independent legal, financial, and other advisors, consultants and experts to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve their fees. The Committee shall select such advisors, consultants and experts after taking into consideration factors relevant to their independence from management and other relevant considerations.

(2) The Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the external advisers, in accordance with its business judgment. Members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, and on the accuracy and completeness of the information provided. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject under applicable law.

(3) The Committee also has the authority to communicate directly with internal and external auditors. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of the senior executives of the Company responsible for such matters and the external auditors. The Committee, the Chair and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure. This Charter is not intended to change or interpret the constating documents of the Company or applicable law or stock exchange rule to which the Company is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws and rules..

(4) The Board may, from time to time and subject to applicable law, permit departures from the terms of this Charter, either prospectively or retrospectively. This Charter is not intended to give rise to civil liability on the part of the Company or its Directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

Section 11 Review of Charter:

The Committee shall periodically review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated ● , 2019.

CERTIFICATE OF THE ISSUER

Dated: June 13, 2019

This amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(Signed) TAMIR GEDO
Chief Executive Officer

(Signed) HUGO GOLDMAN
Chief Financial Officer

On behalf of the Board of Directors

(Signed) TAMIR GEDO
Director

(Signed) HAGAI HILLMAN
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 13, 2019

To the best of our knowledge, information and belief, this amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada.

BMO NESBITT BURNS INC.

(Signed) ANDREW WARKENTIN
Managing Director

SCOTIA CAPITAL INC.

(Signed) SEAN MCINTYRE
Managing Director and Group Head

CIBC WORLD MARKETS INC.

(Signed) PAUL GURMAN
Managing Director

CANACCORD GENUITY CORP.

(Signed) STEVE WINOKUR
Managing Director

RAYMOND JAMES LTD.

(Signed) MARWAN KUBURSI
Managing Director

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