

CollPlant Holdings Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF JUNE 30, 2016

CollPlant Holdings Ltd.

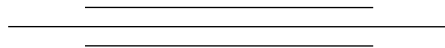
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF JUNE 30, 2016

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COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

	December 31, 2015	June 30 2016	June 30 2015	Convenience translation into USD (note 1b) June 30, 2016
	NIS In thousands			
Assets				
Current assets:				
Cash and cash equivalents	5,317	11,118	1,347	2,891
Receivables	3,241	5,167	4,435	1,343
Inventory		278		72
	<u>8,558</u>	<u>16,563</u>	<u>5,782</u>	<u>4,306</u>
Non-current assets:				
Restricted deposit	565	558	546	145
Long-term receivables	73	45	79	12
Property and equipment, net	2,612	2,314	2,616	602
Intangible assets, net	1,721	1,721	1,724	447
	<u>4,971</u>	<u>4,638</u>	<u>4,965</u>	<u>1,206</u>
TOTAL ASSETS	<u>13,529</u>	<u>21,201</u>	<u>10,747</u>	<u>5,512</u>
Liabilities and equity				
Current liabilities -				
accounts payable:				
Trade payables	2,496	2,370	1,420	616
Other	1,254	1,851	1,133	481
	<u>3,750</u>	<u>4,221</u>	<u>2,553</u>	<u>1,097</u>
Royalties to the OCS		599		156
Total liabilities	<u>3,750</u>	<u>4,820</u>	<u>2,553</u>	<u>1,253</u>
Equity:				
Ordinary shares	2,665	3,175	2,415	826
Additional paid in capital	140,704	158,699	130,944	41,264
Accumulated deficit	(133,590)	(145,493)	(125,165)	(37,831)
TOTAL EQUITY	<u>9,779</u>	<u>16,381</u>	<u>8,194</u>	<u>4,259</u>
TOTAL LIABILITIES AND EQUITY	<u>13,529</u>	<u>21,201</u>	<u>10,747</u>	<u>5,512</u>

The accompanying notes are an integral part of of these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	Six months ended June 30		Three months ended June 30		Convenience translation into USD (note 1b)	
	2015	2016	2015	2016	Six months ended June 30, 2016	Three months ended June 30, 2016
	NIS in thousands				In thousands	
RESEARCH AND DEVELOPMENT EXPENSES, net:						
Research and development expenses	9,082	15,892	5,053	7,573	4,132	1,969
Participation in research and development expenses	(4,363)	(6,244)	(2,813)	(3,329)	(1,623)	(865)
RESEARCH AND DEVELOPMENT EXPENSES, net	4,719	9,648	2,240	4,244	2,509	1,104
GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES	2,545	4,202	1,431	2,167	1,093	564
OPERATING LOSS	7,264	13,850	3,671	6,411	3,602	1,668
FINANCIAL INCOME	(148)	(39)	(3)	(36)	(10)	(9)
FINANCIAL EXPENSES	210	204	191	13	53	3
FINANCIAL EXPENSES (INCOME), net	62	165	188	(23)	43	(6)
COMPREHENSIVE LOSS	7,326	14,015	3,859	6,388	3,645	1,662
BASIC AND DILUTED LOSS PER ORDINARY SHARE (NIS/USD)	0.03	0.05	0.02	0.02	0.01	0.005
Weighted average ordinary shares outstanding	241,395,403	284,743,897	241,398,421	291,560,590		

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

	Ordinary shares	Additional paid in capital	Accumulated deficit	Total equity
	NIS in thousands			
BALANCE AS AT JANUARY 1, 2015	2,414	130,918	(119,021)	14,311
CHANGES IN THE SIX MONTH PERIOD ENDED JUNE 30, 2015:				
Exercise of options for shares	1	26		27
Comprehensive loss			(7,326)	(7,326)
Share-based compensation			1,182	1,182
BALANCE AT JUNE 30, 2015	<u>2,415</u>	<u>130,944</u>	<u>(125,165)</u>	<u>8,194</u>
BALANCE AS AT JANUARY 1, 2016	2,665	140,704	(133,590)	9,779
CHANGES IN THE SIX MONTH PERIOD ENDED JUNE 30, 2016:				
Comprehensive loss			(14,015)	(14,015)
Share-based compensation			2,112	2,112
Issue of shares and options, net of issue expenses of NIS 1,327 thousand	510	17,995		18,505
BALANCE AT JUNE 30, 2016	<u>3,175</u>	<u>158,699</u>	<u>(145,493)</u>	<u>16,381</u>

	Ordinary shares	Additional paid in capital	Accumulated deficit	Total equity
	Convenience translation into USD in thousands (note 1b)			
BALANCE AS AT JANUARY 1, 2016	693	36,585	(34,735)	2,543
CHANGES IN THE SIX MONTH PERIOD ENDED June 30, 2015:				
Comprehensive loss			(3,645)	(3,645)
Share-based compensation			549	549
Issue of shares and options, net of issue expenses of \$ 345 thousand	133	4,679		4,812
BALANCE AT JUNE 30, 2016	<u>826</u>	<u>41,264</u>	<u>(37,831)</u>	<u>4,259</u>

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

	<u>Ordinary shares</u>	<u>Additional paid in capital</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
	NIS in thousands			
BALANCE AS AT APRIL 1, 2015	2,414	130,918	(122,402)	10,930
CHANGES IN THE THREE MONTH PERIOD ENDED June 30, 2015:				
Exercise of options for shares	1	26		27
Comprehensive loss			(3,859)	(3,859)
Share-based compensation			1,096	1,096
BALANCE AT JUNE 30, 2015	<u>2,415</u>	<u>130,944</u>	<u>(125,165)</u>	<u>8,194</u>
BALANCE AS AT APRIL 1, 2016	2,837	147,890	(139,811)	10,916
CHANGES IN THE THREE MONTH PERIOD ENDED June 30, 2016:				
Comprehensive loss			(6,388)	(6,388)
Share-based compensation			706	706
Issue of shares and options, net of issue expenses of NIS 684 thousand	338	10,809		11,147
BALANCE AT JUNE 30, 2016	<u>3,175</u>	<u>158,699</u>	<u>(145,493)</u>	<u>16,381</u>

	<u>Ordinary shares</u>	<u>Additional paid in capital</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
	Convenience translation into USD in thousands (note 1b)			
BALANCE AS AT APRIL 1, 2016	738	38,453	(36,352)	2,839
CHANGES IN THE THREE MONTH PERIOD ENDED JUNE 30, 2016:				
Comprehensive loss			(1,662)	(1,662)
Share-based compensation			183	183
Issue of shares and options, net of issue expenses of \$ 177 thousand	88	2,811		2,899
BALANCE AT JUNE 30, 2016	<u>826</u>	<u>41,264</u>	<u>(37,831)</u>	<u>4,259</u>

The accompanying notes are an integral part of of these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

					Convenience translation into USD (note 1b)	
	Six months ended June 30		Three months ended June 30		Six months ended June 30, 2016	Three months ended June 30, 2016
	2015	2016	2015	2016	In thousands	
	NIS in thousands					
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash used in operations (see appendix)	(8,790)	(12,335)	(5,170)	(5,564)	(3,208)	(1,447)
Interest received	1		1			
Net cash used in operating activities	<u>(8,789)</u>	<u>(12,335)</u>	<u>(5,169)</u>	<u>(5,564)</u>	<u>(3,208)</u>	<u>(1,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	(999)	(227)	(454)	(61)	(59)	(16)
Net cash used in investing activities	<u>(999)</u>	<u>(227)</u>	<u>(454)</u>	<u>(61)</u>	<u>(59)</u>	<u>(16)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from issue of shares and options, net of issue expenses		18,505		11,147	4,812	2,899
Exercise of options for shares	27		27			
Net cash provided by financing activities	<u>27</u>	<u>18,505</u>	<u>27</u>	<u>11,147</u>	<u>4,812</u>	<u>2,899</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(9,761)</u>	<u>5,943</u>	<u>(5,596)</u>	<u>5,522</u>	<u>1,545</u>	<u>1,436</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,062	5,317	7,034	5,738	1,383	1,492
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	46	(142)	(91)	(142)	(37)	(37)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,347</u>	<u>11,118</u>	<u>1,347</u>	<u>11,118</u>	<u>2,891</u>	<u>2,891</u>

The accompanying notes are an integral part of of these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended June 30		Three months ended June 30		Convenience translation into USD (note 1b)	
	2015	2016	2015	2016	Six months ended June 30, 2016	Three months ended June 30, 2016
	NIS in thousands				In thousands	
APPENDIX TO THE STATEMENTS OF CASH FLOW: CASH FLOWS FROM OPERATING ACTIVITIES:						
Loss for the period	(7,326)	(14,015)	(3,859)	(6,388)	(3,645)	(1,662)
Adjustments for:						
Depreciation and amortization	391	525	202	209	137	55
Share-based compensation to employees and consultants	1,182	2,112	1,096	706	549	183
Exchange differences on cash and cash equivalents	(46)	142	91	142	37	37
Exchange differences on restricted deposit	18	7	31	(14)	2	(4)
Interest received	(1)		(1)			
	<u>(5,782)</u>	<u>(11,229)</u>	<u>(2,440)</u>	<u>(5,345)</u>	<u>(2,920)</u>	<u>(1,391)</u>
Changes in operating asset and liabilities items:						
Increase in receivables	(2,887)	(1,926)	(2,397)	(1,195)	(501)	(311)
Increase in inventory		(278)		(278)	(72)	(72)
Decrease (increase) in long-term receivables	(27)	28	(14)	21	7	5
Decrease (Increase) in trade payables	(222)	(126)	(398)	111	(33)	29
Increase in other payables	128	597	79	523	155	137
Increase in royalties to the OCS		599		599	156	156
	<u>(3,008)</u>	<u>(1,106)</u>	<u>(2,730)</u>	<u>(219)</u>	<u>(288)</u>	<u>(56)</u>
Net cash used in operations	<u>(8,790)</u>	<u>(12,335)</u>	<u>(5,170)</u>	<u>(5,564)</u>	<u>(3,208)</u>	<u>(1,447)</u>

The accompanying notes are an integral part of of these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - GENERAL:

- A.** CollPlant Holdings Ltd. is a regenerative medicine company focused on developing and commercializing tissue repair products. Collplant's products, which focus on orthopedics and advanced wound healing, are based on recombinant human collagen extracted from tobacco plants using unique technology.

The Company operates through CollPlant Ltd., a wholly-owned subsidiary (CollPlant Holdings Limited and CollPlant Ltd. will be referred to hereinafter as "the Company" or "CollPlant")

As of June 30, 2016, the Company has not yet generated income from its operations and has accumulated losses of NIS 145 million. In addition, the Company has losses amounting to NIS 14 million and a negative cash flow from operating activities of NIS 12.3 million, for the six months ended June 30, 2016. The Company plans to continue research and development, production and marketing in the coming year, supported by funding sources that include the Company's cash balances, grants from government authorities, and proceeds from strategic partners. Presently, the Company does not have sufficient cash resources to meet its business plans in next twelve months.

The Company's plans for 2016 include focusing on orthopedics, including soft and hard tissue repair and advanced wound healing. The plan includes the introduction of two products in Europe: a syringe for treatment of chronic wounds and a product for treatment of tendon inflammation. The Company's plans also include signing a binding agreement with a leading U.S. orthobiologic company (for which a non-binding term sheet was signed) for the further development of a product for spinal fusion and trauma repair. The term sheet that was signed includes components of payments for a license based on milestones, royalties from future sales, a product supply agreement, financing of all the development costs, and financing for setting up a factory. The Company also continues to streamline manufacturing processes of collagen protein.

The Company is taking steps to raise additional financing to allow the continuation of operations beyond this period. These sources include signing and implementing a final agreement with the US company as detailed above and raising funds from private and/or institutional investors in Israel and overseas. It is uncertain whether the Company will be able to raise additional funds as aforesaid. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

The financial statements do not include adjustments for assets and liabilities and their classification which may be required if the Company is unable to continue as a going concern. If the Company is unable to raise the necessary funds, the Company may need to curtail or cease operations.

b. Convenience translation into U.S. dollars ("dollars", "USD" or "\$")

For the convenience of the reader, the reported New Israeli Shekel ("NIS") amounts as of June 30, 2016 and for the six and three months ended June 30, 2016 have been translated into dollars, at the representative rate of exchange on June 30, 2016 (USD 1 = NIS 3.846). The dollar amounts presented in these condensed consolidated interim financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

COLLPLANT HOLDINGS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued) (UNAUDITED)

NOTE 1 - GENERAL (continued):

c. Approval of financial statements

These condensed financial statements were approved by the board of directors on August 31, 2016.

NOTE 2 - BASIS OF PRESENTATION

A. General

The Company's condensed consolidated financial information as at June 30, 2016 and for the six and three months ended June 30, 2016 ("the Interim Financial Information") is prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34"). The Interim Financial Information does not include all the information and disclosures required for annual financial statements. The Interim Financial Information should be reviewed together with the annual financial statements for 2015 and their accompanying notes, which were prepared in conformity with International Financial Reporting Standards ("IFRS"), the standards and interpretations issued by the International Accounting Standards Board.

In the opinion of management these financial statements reflect all adjustments that are of a normal recurring nature and that are considered necessary for a fair statement of the results of the periods presented. The results for the six and three months ended June 30, 2016 are not necessarily indicative of the results for the full fiscal year ending December 31, 2016.

B. Estimates

Preparation of interim financial statements requires the Company's management to exercise judgment and requires the use of accounting estimates and assumptions that affect the application of the Company's accounting policies and the amounts of the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

When preparing these interim financial statements, significant judgments used by the management when applying the Company's accounting policies and the uncertainty in the principal assumptions underlying the estimates were similar to those in the Company's annual financial statements for the year ended December 31, 2015.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and calculation methods applied when preparing the Interim Financial Information are consistent with those used when preparing the Company's annual financial statements for 2015.

New standards that are not yet effective and which the Group did not choose to adopt ahead of their effective date are described in the Company's annual financial statements for 2015.

COLPLANT HOLDINGS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued) (UNAUDITED)

NOTE 4- EQUITY:

1. On February 2, 2016, the Company completed a capital raise of NIS 8 million, gross, to two institutional investors and to the public (issue expenses amounted to NIS 643 thousand). In consideration, the Company issued 17,237,710 ordinary shares of the Company of NIS 0.01 par value each, 12,930,505 Series I options exercisable into 12,930,505 ordinary shares of the Company at an exercise price of NIS 0.80 per option, for three years, and 8,618,855 Series J options exercisable into 8,618,855 ordinary shares of the Company at an exercise price of NIS 0.575 per option, up to July 31, 2016. In addition, under the terms of the broker agreement, the Company issued 814,520 Series I options to the Israeli broker under the same conditions set out above. On July 31, 2016, 8,618,855 Series J options were expired.
2. On June 9, 2016, the Company completed a capital raise of NIS 11.8 million in gross proceeds to institutional investors and to the public (issue expenses amounted to NIS 684,000). In consideration, the Company issued 33,803,500 of its ordinary shares and 33,803,500 Series K exercisable into 33,803,500 ordinary shares of the Company options at an exercise price of NIS 0.60 per share, for three years. In addition, under the terms of the Israeli broker agreement, the Company issued 2,728,000 Series K options to the Israeli broker, having the same terms as above.

NOTE 5 - SUBSEQUENT EVENT:

On July 28, 2016, the Company signed a lease agreement for additional space designated for development and production activities. The lease is for three years with an option to extend for four additional years, in return for a monthly payment of NIS 30 thousand. In addition, as part of the lease agreement, the Company acquired equipment and clean rooms for the Company's operations. The consideration of NIS 1,900 thousand paid as follows: NIS 1,140 thousand by issuing shares at a price per share of NIS 0.3558 and a total of NIS 760 thousand spread over the lease period.
