

CollPlant Holdings Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF SEPTEMBER 30, 2016

ColPlant Holdings Ltd.

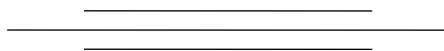
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF SEPTEMBER 30, 2016

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COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

	<u>December 31</u> <u>2015</u>	<u>September 30</u> <u>2016</u>	Convenience translation into USD (note 1b) <u>September 30,</u> <u>2016</u>
	<u>NIS In thousands</u>		
Assets			
Current assets:			
Cash and cash equivalents	5,317	7,969	2,121
Receivables	3,241	3,517	936
Inventory	-	487	130
	<u>8,558</u>	<u>11,973</u>	<u>3,187</u>
Non-current assets:			
Restricted deposit	565	545	145
Long-term receivables	73	137	36
Property and equipment	2,612	4,178	1,112
Intangible assets	1,721	1,721	458
	<u>4,971</u>	<u>6,581</u>	<u>1,751</u>
TOTAL ASSETS	<u>13,529</u>	<u>18,554</u>	<u>4,938</u>
Liabilities and equity			
Current liabilities -			
Accounts payable:			
Trade payables	2,496	2,994	797
Other	1,254	1,630	434
	<u>3,750</u>	<u>4,624</u>	<u>1,231</u>
Non-current liabilities :			
Long term payables		337	90
Royalties to the OCS		2,064	549
	<u>-,-</u>	<u>2,401</u>	<u>639</u>
Total liabilities	<u>3,750</u>	<u>7,025</u>	<u>1,870</u>
Equity:			
Ordinary shares	2,665	3,175	845
Additional paid in capital	140,704	158,699	42,229
Proceeds on account of shares yet to be issued		1,197	319
Accumulated deficit	(133,590)	(151,542)	(40,325)
TOTAL EQUITY	<u>9,779</u>	<u>11,529</u>	<u>3,068</u>
TOTAL LIABILITIES AND EQUITY	<u>13,529</u>	<u>18,554</u>	<u>4,938</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)

	Nine months ended September 30		Three months ended September 30		Convenience translation into USD (note 1b)	
	2015	2016	2015	2016	Nine months ended September 30, 2016	Three months ended September 30, 2016
	NIS in thousands				In thousands	
REVENUES		92		92	24	24
RESEARCH AND DEVELOPMENT EXPENSES:						
Research and development expenses	15,440	23,201	6,358	7,309	6,174	1,945
Participation in research and development expenses	(7,570)	(8,519)	(3,207)	(2,275)	(2,267)	(605)
RESEARCH AND DEVELOPMENT EXPENSES, net	7,870	14,682	3,151	5,034	3,907	1,340
GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES	4,195	6,007	1,650	1,805	1,598	480
OPERATING LOSS	12,065	20,597	4,801	6,747	5,481	1,796
FINANCIAL INCOME	(465)	(43)	(317)	(4)	(12)	(1)
FINANCIAL EXPENSES	224	292	14	88	78	23
FINANCIAL EXPENSES (INCOME), net	(241)	249	(303)	84	66	22
COMPREHENSIVE LOSS	11,824	20,846	4,498	6,831	5,547	1,818
BASIC AND DILUTED LOSS PER ORDINARY SHARE (NIS/USD)	0.14	0.21	0.05	0.06	0.06	0.02
Weighted average ordinary shares outstanding - basic and diluted	83,247,360	98,779,989	88,811,799	106,621,797		

**The accompanying notes are an integral part of 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	Proceeds on account of shares yet to be issued	Accumulated deficit	Total equity
	NIS in thousands				
BALANCE AS AT JANUARY 1, 2015	2,414	130,918		(119,021)	14,311
CHANGES IN THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015:					
Comprehensive loss for the period				(11,824)	(11,824)
Exercise of share options	1	26			27
Share-based compensation to employees and consultants				2,621	2,621
Proceeds from issue of shares and options, less issue expenses of NIS 1,297 thousand	250	9,760			10,010
BALANCE AS AT SEPTEMBER 30, 2015	<u>2,665</u>	<u>140,704</u>	<u>-,-</u>	<u>(128,224)</u>	<u>15,145</u>
BALANCE AS AT JANUARY 1, 2016	2,665	140,704		(133,590)	9,779
CHANGES IN THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016					
Comprehensive loss for the period				(20,846)	(20,846)
Share-based compensation to employees and consultants				2,894	2,894
Proceeds from issue of shares and options, less issue expenses of NIS 1,327 thousand	510	17,995			18,505
Proceeds on account of shares yet to be issued			1,197		1,197
BALANCE AS AT SEPTEMBER 30, 2016	<u>3,175</u>	<u>158,699</u>	<u>1,197</u>	<u>(151,542)</u>	<u>11,529</u>
	Convenience translation into USD				
	in thousands (note 1b)				
BALANCE AS AT JANUARY 1, 2016	709	37,441		(35,548)	2,602
CHANGES IN THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016:					
Comprehensive loss for the period				(5,547)	(5,547)
Share-based compensation to employees and consultants				770	770
Proceeds from issue of shares and options, less of issue expenses of \$353 thousand	136	4,788			4,924
Proceeds on account of shares yet to be issued			319		319
BALANCE AS AT SEPTEMBER 30, 2016	<u>845</u>	<u>42,229</u>	<u>319</u>	<u>(40,325)</u>	<u>3,068</u>

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

	Ordinary shares	Additional paid in capital	Proceeds on account of shares yet to be issued	Accumulated deficit	Total equity
	NIS in thousands				
BALANCE AS AT JULY 1, 2015	2,415	130,944		(125,165)	8,194
CHANGES IN THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2015:					
Comprehensive loss for the period				(4,498)	(4,498)
Share-based compensation to employees and consultants				1,439	1,439
Proceeds from issue of shares and options, less issue expenses of NIS 1,297 thousand	250	9,760			10,010
BALANCE AS AT SEPTEMBER 30, 2015	<u>2,665</u>	<u>140,704</u>	<u>-,-</u>	<u>(128,224)</u>	<u>15,145</u>
BALANCE AS AT JULY 1, 2016	3,175	158,699		(145,493)	16,381
CHANGES IN THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016:					
Comprehensive loss for the period				(6,831)	(6,831)
Share-based compensation to employees and consultants				782	782
Proceeds on account of shares yet to be issued			1,197		1,197
BALANCE AS AT SEPTEMBER 30, 2016	<u>3,175</u>	<u>158,699</u>	<u>1,197</u>	<u>(151,542)</u>	<u>11,529</u>
	Ordinary shares	Additional paid in capital	Proceeds on account of shares yet to be issued	Accumulated deficit	Total equity
	Convenience translation into USD in thousands (note 1b)				
BALANCE AS AT JULY 1, 2016	845	42,229		(38,715)	4,359
CHANGES IN THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016:					
Comprehensive loss for the period				(1,818)	(1,818)
Share-based compensation to employees and consultants				208	208
Proceeds on account of shares yet to be issued			319		319
BALANCE AS AT SEPTEMBER 30, 2016	<u>845</u>	<u>42,229</u>	<u>319</u>	<u>(40,325)</u>	<u>3,068</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

	Nine months ended September 30		Three months ended September 30		Convenience translation into USD (note 1b)	
	2015	2016	2015	2016	Nine months ended September 30, 2016	Three months ended September 30, 2016
	NIS in thousands				In thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash used in operations (see appendix A)	(11,334)	(15,076)	(2,544)	(2,741)	(4,011)	(728)
Interest paid			(1)			
Net cash used in operating activities	<u>(11,334)</u>	<u>(15,076)</u>	<u>(2,545)</u>	<u>(2,741)</u>	<u>(4,011)</u>	<u>(728)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	<u>(1,182)</u>	<u>(571)</u>	<u>(183)</u>	<u>(344)</u>	<u>(152)</u>	<u>(92)</u>
Net cash used in investing activities	<u>(1,182)</u>	<u>(571)</u>	<u>(183)</u>	<u>(344)</u>	<u>(152)</u>	<u>(92)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from issue of shares and options, net of issue expenses	10,010	18,505	10,010		4,924	
Exercise of share options	<u>27</u>					
Net cash provided by financing activities	<u>10,037</u>	<u>18,505</u>	<u>10,010</u>	<u>-,-</u>	<u>4,924</u>	<u>-,-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,479)</u>	<u>2,858</u>	<u>7,282</u>	<u>(3,085)</u>	<u>761</u>	<u>(820)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	11,062	5,317	1,347	11,118	1,415	2,958
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	<u>117</u>	<u>(206)</u>	<u>71</u>	<u>(64)</u>	<u>(55)</u>	<u>(17)</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>8,700</u>	<u>7,969</u>	<u>8,700</u>	<u>7,969</u>	<u>2,121</u>	<u>2,121</u>

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine months ended September 30		Three months ended September 30		Convenience translation into USD (note 1b)	
	2015	2016	2015	2016	Nine months ended September 30, 2016	Three months ended September 30, 2016
	NIS in thousands				In thousands	
APPENDIX A TO THE STATEMENTS OF CASH FLOW: CASH FLOWS USED IN OPERATIONS:						
Loss for the period	(11,824)	(20,846)	(4,498)	(6,831)	(5,547)	(1,818)
Adjustments for:						
Depreciation and amortization	593	727	202	202	194	54
Share-based compensation to employees and consultants	2,621	2,894	1,439	782	770	208
Exchange differences on cash and cash equivalents	(117)	206	(71)	64	55	17
Exchange differences on restricted deposit	(5)	20	(23)	13	5	4
Interest paid			1			
	<u>(8,732)</u>	<u>(16,999)</u>	<u>(2,950)</u>	<u>(5,770)</u>	<u>(4,523)</u>	<u>(1,535)</u>
Changes in operating asset and liabilities items:						
Decrease (increase) in receivables	(3,270)	(276)	(383)	1,650	(73)	439
Increase in inventory		(487)		(209)	(130)	(55)
Decrease (increase) in long-term receivables	(3)	(64)	24	(92)	(17)	(24)
Increase in trade payables and long term payables	600	310	822	436	83	116
Increase (decrease) in other payables	71	376	(57)	(221)	100	(59)
Increase in royalties to the OCS		2,064		1,465	549	390
	<u>(2,602)</u>	<u>1,923</u>	<u>406</u>	<u>3,029</u>	<u>512</u>	<u>807</u>
Net cash used in operations	<u>(11,334)</u>	<u>(15,076)</u>	<u>(2,544)</u>	<u>(2,741)</u>	<u>(4,011)</u>	<u>(728)</u>

**APPENDIX B-
SUPPLEMENTARY
INFORMATION ON
INVESTING AND FINANCING
ACTIVITIES NOT INVOLVING
CASH FLOWS-**

Purchase of property and
equipment by issue of shares
and credit, see note 4c

1,7221,722

**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 (continued) (UNAUDITED)

NOTE 1 - GENERAL:

- a. CollPlant Holdings Ltd. is a regenerative medicine company focused on developing and commercializing tissue repair products, initially for the orthobiologics and advanced wound care markets. CollPlant's products are based on its rhCollagen, a form of human collagen produced with CollPlant's proprietary plant-based genetic engineering technology. Two of the Company's products received during 2016 a CE approval that enables their marketing in Europe. The Company commenced marketing of the said products.

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 September 30, 2016 the Company has generated minimal revenue and has accumulated losses of NIS 152 million. In addition, the Company has losses amounting to NIS 21 million and a negative cash flow from operating activities of NIS 15.1 million for the nine months ended September 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 Bioventus LLC. Presently, the Company does not have sufficient cash resources to meet its business plans in next twelve months.

The Company's plans for the coming year include continue focusing on orthopedics, including soft and hard tissue repair and advanced wound healing. The plan includes the introduction of two products in Europe: (1) a syringe for treatment of chronic wounds which the Company entered into distribution agreements in Europe and supplied its first order during the third quarter and, (2) a product for treatment of tendinopathy, that CollPlant has signed an exclusive distribution agreement with Arthrex for its distribution in Europe, the Middle-East, India and certain African countries. The Company's plans also include signing a binding agreement with Bioventus LLC (for which a non-binding term sheet was signed) for the further development of a surgical matrix product for spinal fusion and trauma. The term sheet that was signed in 2015 includes components of payments for a license based on milestones, royalties from future sales, a product supply agreement and financing of all the development costs. 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 Bioventus 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 September 30, 2016 and for the nine and three months ended September 30, 2016 have been translated into dollars, at the representative rate of exchange on September 30, 2016 (USD 1 = NIS 3.758). 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 November 23, 2016.

NOTE 2 - BASIS OF PRESENTATION:

a. General

The Company's condensed consolidated financial information as at September 30, 2016 and for the nine and three months ended September 30, 2016 ("the Interim Financial Information") was 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 read together with the annual financial statements for 2015 and their accompanying notes, which comply with International Financial Reporting Standards ("IFRS"), the standards and interpretations issued by the International Accounting Standards Board.

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 identical to those in the Company's annual financial statements for the year ended December 31, 2015 except for a change in estimate relating to a liability to the office of the Chief Scientist ("OCS"), see note 5.

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 other than the following:

The Company's revenues are measured at fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenues can be reliably measured. Revenues from the sale of products are recognized when all the significant risks and rewards of ownership of the products have passed to the buyer.

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

Since the issuance of the Company's annual financial statements for 2015, no new standards or amendments to existing standards were issued that might have material influence on the Company's financial statements.

NOTE 4- EQUITY:

COLLPLANT HOLDINGS LTD.

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

- a. On February 2, 2016, the Company completed a capital raise of NIS 8 million, in gross proceeds to two institutional investors and to the public (issue expenses amounted to NIS 643 thousand). In consideration, the Company issued 5,745,903 ordinary shares of the Company of NIS 0.03 par value each, 12,930,505 Series I warrants exercisable into 4,310,168 ordinary shares of the Company at an exercise price of NIS 0.80 per warrant, for three years, and 8,618,855 Series J warrants exercisable into 2,872,952 ordinary shares of the Company at an exercise price of NIS 0.575 per warrant, up to July 31, 2016. In addition, under the terms of the broker agreement, the Company issued to the Israeli broker 814,520 Series I warrants exercisable into 271,507 ordinary shares of the Company at an exercise price of NIS 0.80 per warrant, for three years. On July 31, 2016, 8,618,855 Series J warrants expired.
- b. 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 11,267,833 of its ordinary shares and 33,803,500 Series K warrants exercisable into 11,267,833 ordinary shares of the Company at an exercise price of NIS 0.60 per warrant, for three years. In addition, under the terms of the Israeli broker agreement, the Company issued to the Israeli broker 2,728,000 Series K warrants exercisable into 909,333 ordinary shares of the Company at an exercise price of NIS 0.60 per warrant, for three years.
- c. On July 28, 2016, the Company signed a lease agreement for additional space designated for its 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 for NIS 1,849 thousand (present value). Of that consideration, a total of NIS 1,722 thousand (present value) has yet to be paid as of September 30, 2016, and will be paid as follows: NIS 1,197 thousand in exchange for 1,067,916 ordinary shares of the Company that will be issued and a total of NIS 525 thousand in credit that will repaid in cash over the term of lease.
- d. Authorized shares as of September 30, 2016 and December 31, 2015 was 500,000,000. Issued shares outstanding as of September 30, 2016 and December 31, 2015 was 107,128,864 and 88,811,799, respectively.

NOTE 5 - LIABILITY TO OCS

The Company is committed to pay royalties to the OCS on proceeds from sales of products in the research and development of which the OCS participated by way of grants. Under the terms of Company's funding from the OCS, royalties of 3.5% are payable on sales of products developed from projects so funded up to 100% of the amount of the grant received by the Company (dollar linked) with the addition of a Libor rate annual interest. As of December 31, 2015, management estimated that there was reasonable assurance that no royalties will be paid to the OCS.

Following the marketing agreements that the Company signed during the nine-month period ended September 30, 2016 and thereafter, the updated estimate of the Company as of September 30, 2016 is that royalties will be paid to the OCS and that their present value is NIS 2,084 thousand. This amount was recognized as a liability in the statement of financial position (NIS 2,064 thousand within long-term liabilities, and the remainder within current liabilities). The fair value of that liability as of September 30, 2016 is not materially different from its carrying amount. As of September 30, 2016, the maximum royalty amount that would be payable by the Company, before additional Libor interest, is approximately NIS 30.6 million (assuming 100% of the funds are payable).

NOTE 6 - SUBSEQUENT EVENTS

COLLPLANT HOLDINGS LTD.

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

On November 17, 2016, the general meeting of shareholders approved a reverse share split of the Company's shares that was effected on November 20, 2016. Pursuant to the reverse split, each 3 ordinary shares of NIS 0.01 par value were converted into one share of NIS 0.03 par value of the Company.

Additionally, according to the share option plan of the Company, every 3 unlisted options that were allocated through private offers to directors, employees, consultants and officers under the option plan are exercisable into one ordinary share of the Company of NIS 0.03 par value. No change took place in the exercise price of the options, as above; however, the total exercise price for one share of NIS 0.03 par value will be the former exercise price for one share of NIS 0.01 par value multiplied by 3.

Further, according to the terms and conditions of the marketable options of the Company, each 3 marketable options that the Company allocated are exercisable into one ordinary share of the Company of NIS 0.03 par value. There was no change in the exercise price of those options; however, the total exercise price for one share of NIS 0.03 par value will be the former exercise price for one share of NIS 0.01 par value multiplied by 3.

Following the reverse split, the Company retrospectively reflected the change in the share capital of the Company for all periods presented. Unless otherwise indicated, all of the share numbers, losses per share, share prices, options and warrants in these financial statements have been adjusted, on a retroactive basis, to reflect this 1 to 3 reverse share split.
