

BioHarvest Sciences Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2021

Expressed in U.S. dollars in thousands

NOTICE TO SHAREHOLDERS

The accompanying unaudited interim condensed consolidated financial statements of BioHarvest Sciences Inc. for the three months ended March 31, 2021 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited interim condensed consolidated financial statements, management is satisfied that these unaudited interim condensed consolidated financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BioHarvest Sciences Inc.

Interim Condensed Consolidated Financial Statements For the Three Months Ended March 31, 2021 Expressed in U.S. dollars in thousands

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BioHarvest Sciences Inc.
Interim Condensed Consolidated Statement of Financial Position
U.S. dollars in thousands, except per share data

| | | March 31, 2021 | December 31, 2020 |
|----------------------------------------------------|-----------|-------------------|----------------------|
| | Note | Unaudited | Audited |
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | \$ | 5,956 | \$ 1,783 |
| Trade accounts receivable | | 209 | 218 |
| Other accounts receivable | | 259 | 136 |
| Inventory | | 130 | 100 |
| Total current assets | | 6,554 | 2,237 |
| Non-current | | | |
| Restricted cash | | 118 | 144 |
| Property and equipment, net | | 3,222 | 2,923 |
| Total non-current assets | | 3,340 | 3,067 |
| Total assets | \$ | 9,894 | \$ 5,304 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade accounts payable | \$ | 669 | \$ 435 |
| Other accounts payable | | 843 | 637 |
| Accrued liabilities | | 110 | 150 |
| Derivative liability - warrants | 4 | 5,329 | 672 |
| Total current liabilities | | 6,951 | 1,894 |
| Non-current liabilities | | | |
| Lease liability | | 2,314 | 2,396 |
| Liability to Agricultural Research Organization | | 3,427 | 3,309 |
| Total non-current liabilities | | 5,741 | 5,705 |
| Shareholders' deficit | | | |
| Share capital | 5 | 53,889 | 47,583 |
| Accumulated deficit | | (56,687) | (49,878) |
| Total Shareholders' deficit | | (2,798) | (2,295) |
| Total liabilities and shareholders' deficit | \$ | 9,894 | \$ 5,304 |

Going concern (Note 1b)

May 31, 2020
Date of approval of the
financial statements



Zaki Rakib
Director



Ilan Sobel
CEO

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Sciences Inc.**Interim Condensed Consolidated Statement of Comprehensive Loss**

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

| | Three months ended | | |
|-------------------------------------------------------|--------------------|----------------|-------------|
| | March 31, | | |
| | Unaudited | | |
| | Notes | 2021 | 2020 |
| Revenues | \$ | 313 | \$ 42 |
| Cost of revenues | | 227 | 31 |
| Gross revenue | | 86 | 11 |
| Operating expenses | | | |
| Research and development expenses | | 650 | 260 |
| Selling and marketing expenses | | 536 | 38 |
| General and administrative expenses | | 1,132 | 462 |
| Listing expenses | | - | 434 |
| Total operating expenses | | (2,318) | (1,194) |
| Loss from operations | | (2,232) | (1,183) |
| Finance expenses | | 4,711 | 43 |
| Finance income | | (134) | (954) |
| Net loss before tax for the period | | (6,809) | (272) |
| Net loss and comprehensive loss for the period | \$ | (6,809) | \$ (272) |
| Basic and diluted loss per share | | 0.02 | 0.00 |
| Weighted average number of shares outstanding | | 423,009,922 | 103,243,680 |

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Sciences Inc.**Interim Condensed Consolidated Statement of Changes in Shareholders' Deficit**

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

For the three-month period ended March 31, 2021 (Unaudited):

| | Note | Number of shares | Share Capital | Accumulated deficit | Total |
|-------------------------------------|------|---------------------|------------------|------------------------|-------------------|
| Balance, January 1, 2021 | | 410,619,089 | \$ 47,583 | \$ (49,878) | \$ (2,295) |
| Issuance of unit of securities, net | 4 | 15,449,829 | 3,531 | - | 3,531 |
| Share based compensation | 6 | | 681 | - | 681 |
| Exercise of warrants | | 5,330,333 | 2,094 | - | 2,094 |
| Comprehensive loss for the period | | - | - | (6,809) | (6,809) |
| Balance, March 31, 2021 | | 431,399,251 | \$ 53,889 | \$ (56,687) | \$ (2,798) |

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Sciences Inc.**Interim Condensed Consolidated Statement of Changes in Shareholders' Deficit**

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

For the three-month period ended March 31, 2020 (Unaudited):

| | Number of shares | Share Capital | Accumulated deficit | Total |
|-------------------------------------------|-----------------------------|--------------------------|--------------------------------|--------------|
| Balance, January 1, 2020 | 103,243,680 | \$ 16,324 | \$ (43,294) | \$ (26,970) |
| Issuance of shares, net | 8,000,000 | 883 | - | 883 |
| Business combination under common control | 299,057,739 | 25,407 | - | 25,407 |
| Share based compensation | - | 34 | - | 34 |
| Comprehensive loss for the period | - | - | (272) | (272) |
| Balance, March 31, 2020 | 410,301,419 | \$ 42,648 | \$ (43,566) | \$ (918) |
| Share based compensation | 1,266,666 | 1,372 | - | 1,372 |
| Issuance of shares, net | 32,927,250 | 3,563 | - | 3,563 |
| Treasury shares acquired from subsidiary | (33,836,246) | - | - | - |
| Comprehensive loss for the period | - | - | (6,312) | (6,312) |
| Balance, December 31, 2020 | 410,619,089 | \$ 47,583 | \$ (49,878) | \$ (2,295) |

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Sciences Inc.
Interim Condensed Consolidated Statement of Cash Flows
U.S. dollars in thousands, except per share data

| | Three-months period ended March 31, | | |
|-------------------------------------------------------------------------------------|------------------------------------------------|-----------------|-----------------|
| | Unaudited | | |
| | Note | 2021 | 2020 |
| Cash flows from operating activities: | | | |
| Net loss for the period | | \$ (6,809) | \$ (272) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | | 60 | 62 |
| Interest on convertible loans | | | |
| Fair value adjustments of convertible loans | | - | 27 |
| Fair value adjustments of derivative liability - warrants | | 4,555 | (641) |
| Interest and re-assessment on liability for Agricultural Research Organization, net | | 118 | (102) |
| Finance expense, net | | (12) | (7) |
| Listing expenses | | - | 173 |
| Share based compensation | | 694 | 34 |
| Changes in operations assets and liabilities: | | | |
| Change in inventory | | (30) | (92) |
| Change in trade accounts receivables | | 9 | (7) |
| Change in other accounts receivables | | (123) | 52 |
| Changes in trade payables and accrued expenses | | 358 | 115 |
| Cash from operations | | (1,180) | (658) |
| Interest paid | | (23) | (7) |
| Net cash used in operating activities | | (1,203) | (665) |
| Cash flow from investing activities: | | | |
| Purchase of property and equipment | | (257) | (1) |
| Net cash used in investing activities | | (257) | (1) |
| Cash flow from financing activities | | | |
| Repayment of short term loan | | - | (18) |
| Payments of lease liabilities | | (69) | (50) |
| Net proceeds from issuance of unit of securities | 5 | 4,713 | 883 |
| Warrants exercise | | 988 | |
| Convertible loans received | | - | 769 |
| Net cash provided by financing activities | | 5,632 | 1,584 |
| Exchange rate differences on cash and cash equivalents | | 1 | (3) |
| Increase in cash and cash equivalents | | 4,172 | 918 |
| Cash and cash equivalents at the beginning of the period | | 1,783 | 911 |
| Cash at the end of the period | | \$ 5,956 | \$ 1,826 |
| Significant non-cash transactions: | | | |
| Conversion of convertible loans into shares | | - | 24,208 |
| Extinguishing PPM penalty liability with shares | | - | 1,039 |

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 1- GENERAL:

A. Description of business:

The Company is focused on driving its growth in the nutraceutical and cannabis markets via its nutraceutical superfruits and cannabis verticals. The biofarming technology developed by the Company is protected with 14 granted patents.

Super fruits

The Company is engaged in research and development in the food industry. The Company's first nutraceutical superfruits product, VINIA®, is a red grape powder to be consumed as a food that supplies the benefits of red wine consumption but without the sugar and alcohol found in wine. The Company has conducted various clinical trials, to verify the efficacy of the VINIA® powder and has made all required notifications required by the FDA to support the use of its claims on packaging and in communication materials. VINIA® has gone through the necessary regulatory approval processes both in the US and in Israel and is approved classification as a food item as well as a dietary supplement in these respective markets.

Cannabis

The Company is engaged in research and development of its biofarming technology in the cannabis industry. The plant based technology produces cannabis cells in a process that is controlled, consistent, aseptic, non-GMO, pesticide-free and chemical-free.

B. Going concern:

Since inception through March 31, 2021, the Company has generated a cumulative loss of \$56,687. The Company generated negative cash flows from operating activities of \$1,203 and a loss in the amount of \$6,809 for the three months ended March 31, 2021. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

These factors raise material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

C. COVID-19:

The continued global spread of COVID-19 could have an adverse impact on the business, operations and financial results of the Company, including with respect to challenges in finalizing the construction and installation of all equipment and systems required to fully operate the 20 ton per year manufacturing facility by the end of Q3, 2021. The Company has already implemented a number of precautionary measures, which would not have otherwise been implemented prior to the COVID-19 outbreak, at its facility to ensure the safety of its personnel, and to potential clients and partners, which may adversely impact the Company's productivity from an R&D perspective and its business in the supply chain sector. The Company is also fully compliant with local rules and regulations instituted during COVID 19 and understands that mandatory or voluntary self-quarantines may limit the staffing at the Company's facility which will have a further impact on productivity. Management continues to be fully engaged in assessing the impact of COVID-19 and adjusting its operations accordingly to minimize the impact on business performance.

Amidst this highly challenging operating environment, the Company assesses that COVID-19, had no material effect on its business, operations or financial results.

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 2 - BASIS OF PREPARATION:

a) Statement of compliance

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) using the accounting policies described herein as issued by International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. These interim unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020.

The policies applied in these interim condensed consolidated financial statements are based on IFRS effective as of March 31, 2021.

b) Basis of presentation

The interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in US dollars, which is the Company’s reporting currency.

c) Basis of measurement

These interim condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments that are required to be measured at fair value.

d) Basis of consolidation

These interim condensed consolidated financial statements include the accounts of BioHarvest Sciences and its wholly-owned subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced until the date control ceases. Control exists when the Company has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company applies the acquisition method to account for business combinations in accordance with IFRS 3. All inter-company balances, and transactions, have been eliminated upon consolidation.

e) Accounting policy- share based compensation

The Company's employees / other service providers are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. The cost of cash-settled transactions is measured at fair value on the grant date using an acceptable option pricing model. The fair value is recognized as an expense over the vesting period and a corresponding liability is recognized. The liability is remeasured at each reporting date until settled at fair value with any changes in fair value recognized in profit or loss.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2020 and for the year then ended and with the notes thereto except for note 2(e). The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2020 are applied consistently in these interim consolidated financial statements.

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 3 - CONVERTIBLE LOANS:

In July 2013, the Company entered into an agreement with some of its shareholders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of convertible promissory notes ("Convertible Notes"). Between July 2013 and December 31, 2019, the Company signed certain amendments to the Agreement and the Convertible Notes were increased by way of the receipt of additional loans.

The Convertible Notes are denominated in USD and bear accumulated interest at the rate of between 8%-12% per annum.

During the three-months period ended March 31, 2020, the Company received additional Convertible Notes in the amount of \$769.

Upon closing of the Merger Transaction, on March 31, 2020 all Convertible Notes were converted into BioHarvest's common shares.

NOTE 4 - DERIVATIVE LIABILITY- WARRANTS:

(i) A summary of changes in share purchase warrants issued by the Company during the three months ended March 31 is as follows:

| | Number of Warrants | Weighted Average Exercise Price (\$) |
|-----------------------------------|--------------------|--------------------------------------|
| Balance, December 31, 2019 | 27,556,815 | 0.18 |
| Issuance of warrants (Note 1) | 39,565,579 | 0.70 |
| Warrants expired | (40,336,062) | 0.69 |
| Balance, December 31, 2020 | 26,786,332 | 0.18 |
| Issuance of warrants (Note 5) | 15,449,829 | 0.35 |
| Warrants exercised | 4,913,333 | 0.19 |
| Balance, March 31, 2021 | 37,322,828 | 0.25 |

The following table summarizes information about warrants outstanding as at March 31, 2021:

| Date of issuance | Date of expiry | Exercise price | Exercisable at March 31, 2021 |
|--------------------|--------------------|--------------------|-------------------------------|
| September 27, 2018 | September 26, 2021 | \$ 0.17 (CAD 0.23) | 16,437,999 |
| September 23, 2019 | September 22, 2021 | \$ 0.23 (CAD 0.30) | 5,435,000 |
| February 2, 2021 | February 2, 2022 | \$ 0.35 (CAD 0.45) | 15,449,829 |
| | | | 37,322,828 |

As the warrants issued by the Company have an exercise price denominated in Canadian dollars, which differs from the Company's functional currency, they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

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

BioHarvest Sciences Inc.**Notes to Interim Condensed Consolidated Financial Statements****U.S. dollars in thousands, except per share data****NOTE 4 - DERIVATIVE LIABILITY- WARRANTS (Continued):**

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

| | 20,119,665 | | 6,666,667 | | 15,449,829 | |
|------------------------------|-------------------------------------------------|-------------------|-------------------------------------------------|-------------------|-----------------------------------------------|-------------------|
| | At Issuance Date September 27, 2018 | March 31, 2021 | At Issuance Date September 23, 2019 | March 31, 2021 | At Issuance Date February 2, 2021 | March 31, 2021 |
| Expected life of warrants | 2 years | 0.5 year | 2 years | 0.7 year | 2 years | 0.8 year |
| Expected volatility | 100% | 50% | 100% | 50% | 50% | 50% |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate | 1.8% | 1.15% | 1.6% | 1.15% | 0.13% | 1.15% |
| Market price of Common share | CAD 0.11 | CAD 0.48 | CAD 0.115 | CAD 0.48 | CAD 0.475 | CAD 0.48 |
| Exercise price | CAD 0.23 | CAD 0.23 | CAD 0.30 | CAD 0.30 | CAD 0.45 | CAD 0.45 |

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

For the three-month period ended March 31, 2021, the Company recorded a loss of \$4,555 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability as of March 31, 2020 (March 31, 2020: profit of \$641).

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 5 - SHARE CAPITAL:

| | Number of shares | |
|-----------------|------------------------------------------|---------------------------------------------|
| | March 31, 2021 Issued and outstanding | December 31, 2020 Issued and outstanding |
| Ordinary shares | 431,399,251 | 410,619,089 |

- The Company is authorized to issue an unlimited number of common shares.
- On February 2, 2021 the Company completed a private placement financing by issuing 15,449,829 units at a price of \$0.32 (CAD 0.4) per unit for gross proceeds of \$4,865 (CAD 6,180). Net proceeds were \$4,713 (CAD 5,983). Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of \$0.36 (CAD 0.45) per share for a period of 12 months. The Company paid \$152 (CAD 197) and issued 197,427 warrants at an exercise price of \$0.35 (CAD 0.45) that were accounted for share based compensation (see note 6h), for finder fees. The increase in share capital is \$3,531.
- During the three-month period ended March 31, the Company issued 5,330,333 common shares as a result of 4,098,666 warrants that were exercised at \$0.17 (CAD 0.23) and 1,231,667 warrants that were exercised at \$0.23 (CAD 0.3). The increase in share capital is \$2,094.

NOTE 6 - SHARE BASED COMPENSATION:

- Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable in accordance with the terms of the Plan, within 10 years from the date of grant, against payment of the exercise price.
- On January 12, 2021, the Company granted 765,000 options to purchase the Company's shares at \$0.29 (CAD 0.36) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 665,000 options will vest quarterly over a 3-year period and 100,000 options will vest monthly over a 7 month period. The total value of the options granted is \$98 (CAD 124).
- On January 29, 2021, the Company granted 245,000 options to purchase the Company's shares at \$0.34 (CAD 0.43) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 20,000 options will vest quarterly over a 3-year period, 175,000 options will vest quarterly over a 1-year period and 50,000 options will vest monthly over a 4 month period. The total value of the options granted is \$29 (CAD 37).
- On February 8, 2021, the Company granted 441,000 options to purchase the Company's shares at \$0.4 (CAD 0.5) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 415,000 options will vest quarterly over a 3-year period, and 26,000 options will vest monthly over a 4 month period. The total value of the options granted is \$79 (CAD 100) (See note 10b).
- On February 25, 2021, the Company granted 6,000,000 options to purchase the Company's shares at \$0.52 (CAD 0.66) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The total value of the options granted is \$1,373 (CAD 1,738). The Company also included a cash compensation mechanism. According to the agreement, if by the completion of the vesting period of 2 years, the Company's share price does not exceed \$1.49 (CAD 1.89), the Company will pay cash compensation to the option holders of up to \$1,580 (CAD 2,000). The payment will be paid in 4 installments over one year.

| | At Issuance Date February 25, 2021 | March 31, 2021 |
|-------------------------|------------------------------------|----------------|
| Risk-free interest rate | 0.76% | 1.15% |
| Expected volatility | 50% | 50% |

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 6 - SHARE BASED COMPENSATION (Continued):

For the three-month period ended March 31, 2021, the Company recorded a loss of \$25 in the statement of comprehensive loss as a result of the change in the fair value of the liability as of March 31, 2021 (March 31, 2020: nil).

- f. On March 22, 2021, the Company granted 5,223,800 options to purchase the Company's Shares at \$0.41 (CAD 0.51) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 750,000 options will vest quarterly over a 3-year period, 4,343,800 options will vest quarterly over a 2-year period and 130,000 options will vest monthly over a 10 month period. The total value of the options granted is \$951 (CAD 1,189).
- g. A summary of activity of options granted to purchase the Company's Shares under the Company's share option plan is as follows:

| | March 31, 2021 | | December 31, 2020 | |
|-------------------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Options outstanding as beginning of period | 48,542,113 | 0.11 | 11,136,453 | 0.21 |
| Changes during the period: | | | | |
| Granted (See b, c, d, e, f) | 12,674,800 | 0.45 | 48,542,113 | 0.11 |
| Cancelled | - | | (11,136,453) | 0.21 |
| Options outstanding at end of period (*) | 61,216,913 | 0.18 | 48,542,113 | 0.11 |
| Options exercisable at end of period | 30,992,327 | | 21,966,238 | |

(*) The options outstanding at March 31, 2021 had a weighted-average contractual life of 5.3 years (December 31, 2020: 5 years).

The following table summarizes information about the options outstanding as at March 31, 2021:

| Number Outstanding at March 31, 2021 | Options Outstanding | | Options Exercisable at March 31, 2021 |
|--------------------------------------|---------------------|--------------------|---------------------------------------|
| | Exercise Price | Expiry Date | |
| 18,098,196 | \$0.105 (CAD 0.14) | June 9, 2030 | 11,108,808 |
| 11,008,917 | \$0.11 (CAD 0.15) | June 10, 2030 | 8,050,453 |
| 12,660,000 | \$0.11 (CAD 0.15) | July 27, 2030 | 8,304,357 |
| 700,000 | \$0.11 (CAD 0.15) | September 10, 2030 | 411,806 |
| 950,000 | \$0.10 (CAD 0.135) | November 9, 2030 | 341,873 |
| 5,125,000 | \$0.15 (CAD 0.19) | December 24, 2030 | 1,476,926 |
| 765,000 | \$0.23 (CAD 0.36) | January 12, 2031 | 216,643 |
| 245,000 | \$0.34 (CAD 0.43) | January 29, 2031 | 53,621 |
| 441,000 | \$0.4 (CAD 0.5) | February 8, 2031 | 76,562 |
| 6,000,000 | \$0.52 (CAD 0.66) | February 25, 2031 | 792,708 |
| 5,223,800 | \$0.41 (CAD 0.51) | March 22, 2031 | 158,570 |
| 61,216,913 | | | 30,992,327 |

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 6 - SHARE BASED COMPENSATION (Continued):

- h. On February 2, 2021, the Company granted the brokers involved in the February 2, 2021 private placement, 197,427 warrants at an exercise price of \$0.35 (CAD 0.45) per share. The warrants will be exercisable for 12 months. The total value of the warrants is \$16 (CAD 20) (See note 5b).

A summary of activity of warrants granted to purchase the Company's Shares, accounted as share based compensation is as follows:

| | March 31, 2021 | | December 31, 2020 | |
|----------------------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Warrants outstanding as beginning of year | 4,415,615 | 0.11 | - | - |
| Changes during the period: | | | | |
| Granted (See h) | 197,467 | 0.35 | 4,415,615 | 0.11 |
| Exercised | (417,000) | 0.11 | - | - |
| Warrants outstanding at end of period | 4,196,082 | 0.12 | 4,415,615 | 0.11 |

The following table summarizes information about the warrants outstanding as at March 31, 2021:

| Warrants Outstanding | | |
|--------------------------------------|--------------------|--------------------|
| Number Outstanding at March 31, 2021 | Exercise Price | Expiry Date |
| 166,738 | \$0.11 (CAD 0.145) | August 4, 2021 |
| 1,600,000 | \$0.11 (CAD 0.15) | February 5, 2022 |
| 1,000,000 | \$0.11 (CAD 0.15) | August 5, 2022 |
| 13,000 | \$0.11 (CAD 0.15) | October 6, 2021 |
| 300,000 | \$0.10 (CAD 0.14) | March 9, 2022 |
| 724,235 | \$0.11 (CAD 0.15) | September 14, 2021 |
| 194,642 | \$0.11 (CAD 0.15) | October 7, 2021 |
| 197,467 | \$0.35 (CAD 0.45) | February 2, 2022 |
| 4,196,082 | | |

NOTE 7 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT:

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

The following table summarizes the information about the level 3 fair value measurements:

| Item | Fair value | Valuation technique | Fair value hierarchy level | Significant unobservable inputs |
|---------------------------------|------------|---------------------|----------------------------|--------------------------------------|
| Derivative liability - Warrants | 5,329 | Black-Scholes model | level 3 | Volatility of firm's assets returns* |

* A change in the volatility measure by 5% results in a change of +/- \$114 of the fair value

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

BioHarvest Sciences Inc.

Notes to Interim Condensed Consolidated Financial Statements

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

NOTE 7 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Continued):

The Company recognized Liability to Agricultural Research Organization initially at fair value, and was subsequently carried at amortized cost using the effective interest rate method.

The fair value at March 31, 2021 and December 31, 2020 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants

| | |
|----------------------------------------------------|--------------|
| Balance as of January 1, 2020 | 734 |
| Loss recognized due to changes in Warrant's terms | 113 |
| Profit recognized in Profit or loss: | (175) |
| Balance as of December 31, 2020 | 672 |
| Issuance of Warrants | 1,207 |
| Warrants exercise | (1,105) |
| Loss recognized in statement of comprehensive loss | 4,555 |
| Balance as of March 31, 2021 | 5,329 |

NOTE 8 - RELATED PARTIES TRANSACTIONS:

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

Related party transactions (unaudited):

| | Three months ended | |
|-----------------------------------------------------------------|--------------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Compensation of key management personnel of the Company: | | |
| CEO Management fees | 95 | 69 |
| Chairman Management fees | 36 | - |
| CFO Management fees | 8 | 3 |
| Share base payment to CEO | 108 | 17 |
| Share base payment to Chairman | 24 | - |
| Other related party transactions: | | |
| Share base payments | 115 | 72 |

Balance with related parties:

| For the three months period ended March, | 2021 | 2020 |
|------------------------------------------|------|------|
| Loan from related party | - | 40 |

BioHarvest Sciences Inc.**Notes to Interim Condensed Consolidated Financial Statements****U.S. dollars in thousands, except per share data****NOTE 9 - OPERATING SEGMENTS:**

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

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

1) Segment information

| | Three months ended March 31, 2021 | | |
|-----------------------------|------------------------------------------|-----------------|--------------|
| | Unaudited | | |
| | Superfruits | Cannabis | Total |
| <i>Revenues</i> | | | |
| External | 313 | - | 313 |
| Inter-segment | - | - | - |
| <i>Total</i> | 313 | - | 313 |
| <i>Segment loss</i> | 896 | 1,334 | 2,232 |
| <i>Finance expense, net</i> | | | 4,577 |
| <i>Tax expenses</i> | | | - |
| <i>Loss</i> | | | 6,809 |

| | As of March 31, 2021 | | | |
|----------------------------|-----------------------------|-----------------|-------------------------------------|--------------|
| | Unaudited | | | |
| | Superfruits | Cannabis | Adjustment & Elimination | Total |
| <i>Segment assets</i> | 9,042 | 11,036 | (10,184) | 9,894 |
| <i>Segment liabilities</i> | 9,040 | 9,474 | (5,822) | 12,692 |

| | Three months ended March 31, 2020 | | |
|-----------------------------|------------------------------------------|-----------------|--------------|
| | Unaudited | | |
| | Superfruits | Cannabis | Total |
| <i>Revenues</i> | | | |
| External | 42 | - | 42 |
| Inter-segment | - | - | - |
| <i>Total</i> | 42 | - | 42 |
| <i>Segment loss</i> | 383 | 800 | 1,183 |
| <i>Finance expense, net</i> | | | (911) |
| <i>Tax expenses</i> | | | - |
| <i>Loss</i> | | | 272 |

BioHarvest Sciences Inc.**Notes to Interim Condensed Consolidated Financial Statements****U.S. dollars in thousands, except per share data**

NOTE 9 - OPERATING SEGMENTS (Continued):

- 1) Segment information (continued):

| | As of March 31, 2020 | | | |
|----------------------------|-----------------------------|-----------------|--------------------|--------------|
| | Unaudited | | | |
| | Adjustment & | | | |
| | Superfruits | Cannabis | Elimination | Total |
| <i>Segment assets</i> | 2,681 | 7,602 | (7,362) | 2,921 |
| <i>Segment liabilities</i> | 4,106 | 2,938 | (2,605) | 4,439 |

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

| | Three months ended March 31, | |
|--------|-------------------------------------|-------------|
| | 2021 | 2020 |
| | Unaudited | |
| Israel | 313 | 42 |
| Other | - | - |
| | 313 | 42 |

- 3) Additional information about revenues:

There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements.

NOTE 10 - SUBSEQUENT EVENTS:

- On April 14, 2021, 100,000 warrants were exercised at CAD 0.23
- On May 12, 2021 the Company cancelled 100,000 of the options granted on February 8, 2021.