

# **BioHarvest Sciences Inc.**

**Unaudited Interim Condensed Consolidated Financial Statements**

**For the Three and Six Months Ended June 30, 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 and six months ended June 30, 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 and Six Months Ended June 30, 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

		June 30, 2021	December 31, 2020
	Note	Unaudited	Audited
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$	3,505	\$ 1,783
Trade accounts receivable		264	218
Other accounts receivable		314	136
Inventory		430	100
<b>Total current assets</b>		<b>4,513</b>	<b>2,237</b>
<b>Non-current</b>			
Restricted cash		173	144
Property and equipment, net		3,669	2,923
<b>Total non-current assets</b>		<b>3,842</b>	<b>3,067</b>
<b>Total assets</b>	<b>\$</b>	<b>8,355</b>	<b>\$ 5,304</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade accounts payable	\$	433	\$ 435
Other accounts payable		986	637
Accrued liabilities		100	150
Derivative liability - warrants	3	915	672
<b>Total current liabilities</b>		<b>2,434</b>	<b>1,894</b>
<b>Non-current liabilities</b>			
Lease liability		2,285	2,396
Liability to Agricultural Research Organization		3,622	3,309
<b>Total non-current liabilities</b>		<b>5,907</b>	<b>5,705</b>
<b>Shareholders' equity (deficit)</b>			
Share capital	4	54,922	47,583
Accumulated deficit		(54,908)	(49,878)
<b>Total Shareholders' equity (deficit)</b>		<b>14</b>	<b>(2,295)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$</b>	<b>8,355</b>	<b>\$ 5,304</b>
<b>Going concern (Note 1b)</b>			

August 30, 2021  
Date of approval of the  
financial statements

Zaki Rakib  
Director

Ilan Sobel  
CEO

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

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

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

	Three-months period ended		Six-months period ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	Unaudited		Unaudited	
Revenues	\$ 415	\$ 39	\$ 728	\$ 81
Cost of revenues	301	27	528	58
<b>Gross revenue</b>	<b>114</b>	<b>12</b>	<b>200</b>	<b>23</b>
<b>Operating expenses</b>				
Research and development	724	282	1,374	542
Selling and marketing	541	57	1,077	95
Listing expenses	-	132	-	566
General and administrative	1,241	529	2,373	991
<b>Total operating expenses</b>	<b>(2,506)</b>	<b>(1,000)</b>	<b>(4,824)</b>	<b>(2,194)</b>
<b>Loss from operations</b>	<b>(2,392)</b>	<b>(988)</b>	<b>(4,624)</b>	<b>(2,171)</b>
Finance expenses	242	420	559	284
Finance income	4,413	38	153	813
<b>Net income (loss) before tax</b>	<b>1,779</b>	<b>(1,370)</b>	<b>(5,030)</b>	<b>(1,642)</b>
Tax expenses	-	-	-	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 1,792</b>	<b>\$ (1,370)</b>	<b>\$ (5,030)</b>	<b>\$ (1,642)</b>
Basic and Diluted income (loss) per share	0.00	(0.00)	(0.01)	(0.01)
Weighted Average Number of Shares Outstanding	431,483,866	363,833,154	427,270,302	209,369,669

*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 six-month period ended June 30, 2021 (Unaudited):**

	Note	Number of shares	Share Capital	Accumulated deficit	Total
<b>Balance, January 1, 2021</b>		410,619,089	\$ 47,583	\$ (49,878)	\$ (2,295)
Issuance of unit of securities, net	3	15,449,829	3,531	-	3,531
Share based compensation	5		1,675	-	1,675
Exercise of warrants		5,430,333	2,133	-	2,133
Comprehensive loss for the period		-	-	(5,030)	(5,030)
<b>Balance, June 30, 2021</b>		<b>431,499,251</b>	<b>\$ 54,922</b>	<b>\$ (54,908)</b>	<b>\$ 14</b>

*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 Six-month period ended June 30, 2020 (Unaudited):**

	<b>Number of shares</b>	<b>Share Capital</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>Balance, January 1, 2020</b>	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
Issuance of shares, net	3,150,000	350	-	350
Share based compensation	-	191	-	191
Comprehensive loss for the period	-	-	(1,642)	(1,642)
<b>Balance, June 30, 2020</b>	413,451,419	\$ 43,155	\$ (44,936)	\$ (1,781)
Share based compensation	1,266,666	1,215	-	1,215
Issuance of shares, net	29,777,250	3,213	-	3,213
Treasury shares acquired from subsidiary	(33,836,246)	-	-	-
Comprehensive loss for the period	-	-	(4,942)	(4,942)
<b>Balance, December 31, 2020</b>	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**

	Six-months period ended		
	June 30,		
	Unaudited		
Note	2021	2020	
<b>Cash flows from operating activities:</b>			
Net loss for the period	\$ (5,030)	\$	(1,642)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	135		131
Fair value adjustments of convertible loans	-		27
Fair value adjustments of derivative liability - warrants	161		(682)
Interest and re-assessment on liability for Agricultural Research Organization, net	314		209
Finance expense, net	29		10
Listing expenses	-		173
Share based compensation	1,718		191
<b>Changes in operations assets and liabilities:</b>			
Change in inventory	(330)		(97)
Change in trade accounts receivables	(46)		7
Change in other accounts receivables	(178)		(114)
Changes in trade payables and accrued expenses	205		1,034
<b>Cash from operations</b>	<b>(3,022)</b>		<b>(753)</b>
Interest paid	(57)		(13)
<b>Net cash used in operating activities</b>	<b>(3,079)</b>		<b>(766)</b>
<b>Cash flow from investing activities:</b>			
Purchase of property and equipment	(780)		(7)
<b>Net cash used in investing activities</b>	<b>(780)</b>		<b>(7)</b>
<b>Cash flow from financing activities</b>			
Repayment of short term loan	-		(37)
Payments of lease liabilities	(137)		(115)
Net proceeds from issuance of unit of securities	4	4,713	1,233
Warrants exercise	1,006		-
Convertible loans received	-		769
<b>Net cash provided by financing activities</b>	<b>5,582</b>		<b>1,850</b>
Exchange rate differences on cash and cash equivalents	(1)		(2)
Increase in cash and cash equivalents	1,723		1,077
Cash and cash equivalents at the beginning of the period	1,783		911
<b>Cash at the end of the period</b>	<b>\$ 3,505</b>	\$	<b>1,986</b>
<b>Significant non-cash transactions:</b>			
Conversion of convertible loans into shares	-		24,208
Extinguishing PPM penalty liability with shares	-		1,039

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



## **BioHarvest Sciences Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

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

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#### **NOTE 1- GENERAL:**

##### **A. Description of business:**

Based on its proprietary biofarming technology, which is protected by 14 granted patents, the Company is focused on driving its growth in the superfruits nutraceutical and cannabis markets.

##### 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 for classification as a food item as well as a dietary supplement in these respective markets. The Company is actively engaged in sales of VINIA® in the Israeli and US 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 June 30, 2021, the Company has generated a cumulative loss of \$54,908. The Company generated negative cash flows from operating activities of \$3,079 and a loss in the amount of \$5,030 for the six months ended June 30, 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 scheduled for completion 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.

## **BioHarvest Sciences Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

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

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

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

#### **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 June 30, 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 - DERIVATIVE LIABILITY- WARRANTS:

- (i) A summary of changes in share purchase warrants issued by the Company during the six months ended June 30 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
<b>Balance, December 31, 2020</b>	<b>26,786,332</b>	<b>0.18</b>
Issuance of warrants (Note 5)	15,449,829	0.35
Warrants exercised	(5,013,333)	0.19
<b>Balance, June 30, 2021</b>	<b>37,222,828</b>	<b>0.25</b>

The following table summarizes information about warrants outstanding as at June 30, 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)	16,337,999
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
			<b>37,222,828</b>

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

- (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.

- (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		At Issuance Date		At Issuance Date	
	September 27, 2018	June 30, 2021	September 23, 2019	June 30, 2021	February 2, 2021	June 30, 2021
Expected life of warrants	2 years	0.25 year	2 years	0.25 year	2 years	1.6 years
Expected volatility	100%	50%	100%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.8%	1.06%	1.06%	1.06%	0.13%	1.06%
Market price of Common share	CAD 0.11	CAD 0.28	CAD 0.115	CAD 0.28	CAD 0.475	CAD 0.28
Exercise price	CAD 0.23	CAD 0.23	CAD 0.30	CAD 0.30	CAD 0.45	CAD 0.45

## BioHarvest Sciences Inc.

### Notes to Interim Condensed Consolidated Financial Statements

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

#### NOTE 3 - DERIVATIVE LIABILITY- WARRANTS (Continued):

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 six-month period ended June 30, 2021, the Company recorded a loss of \$161 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability as of June 30, 2021 (June 30, 2020: profit of \$685).

#### NOTE 4 - SHARE CAPITAL:

	Number of shares	
	June 30, 2021	December 31, 2020
	Issued and outstanding	Issued and outstanding
Ordinary shares	431,499,251	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) as finders' fees and issued 197,427 warrants at an exercise price of \$0.35 (CAD 0.45) that were accounted as share based compensation (see note 6h), as finders' fees. The increase in share capital as a result of these transactions is \$3,531.
- During the six-month period ended June 30, 2021 the Company issued 5,430,333 common shares as a result of 4,198,666 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 as a result of these transactions is \$2,133.

#### NOTE 5 - 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).

## BioHarvest Sciences Inc.

### Notes to Interim Condensed Consolidated Financial Statements

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

#### NOTE 5 - SHARE BASED COMPENSATION (Continued):

- e. 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	June 30, 2021
Risk-free interest rate	0.76%	1.06%
Expected volatility	50%	50%

For the six-month period ended June 30, 2021, the Company recorded a loss of \$54 in the statement of comprehensive loss as a result of the change in the fair value of the liability as of June 30, 2021 (June 30, 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:

	June 30, 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
<b>Changes during the period:</b>				
Granted (See b, c, d, e, f)	12,674,800	0.45	48,542,113	0.11
Cancelled (See g)	-	-	(11,136,453)	0.21
<b>Options outstanding at end of period (*)</b>	<b>61,216,913</b>	<b>0.18</b>	<b>48,542,113</b>	<b>0.11</b>
Options exercisable at end of period	39,322,585		21,966,238	

(\*) The options outstanding at June 30, 2021 had a weighted-average contractual life of 4.7 years (December 31, 2020: 5 years).

## BioHarvest Sciences Inc.

### Notes to Interim Condensed Consolidated Financial Statements

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

#### NOTE 5 - SHARE BASED COMPENSATION (Continued):

The following table summarizes information about the options outstanding as at June 30, 2021:

Number Outstanding at June 30, 2021	Options Outstanding		Options Exercisable
	Exercise Price	Expiry Date	at March 31, 2021
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
<b>61,216,913</b>			<b>30,992,327</b>

- 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 4b).

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

	June 30, 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	-	-
<b>Changes during the period:</b>				
Granted (See h)	197,467	0.35	4,415,615	0.11
Exercised	(417,000)	0.11	-	-
<b>Warrants outstanding at end of period</b>	<b>4,196,082</b>	<b>0.12</b>	<b>4,415,615</b>	<b>0.11</b>

The following table summarizes information about the warrants outstanding as at June 30, 2021:

Warrants Outstanding		
Number Outstanding at June 30, 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
<b>4,196,082</b>		

## BioHarvest Sciences Inc.

### Notes to Interim Condensed Consolidated Financial Statements

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

#### NOTE 6 - 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	915	Black-Scholes model	level 3	Volatility of firm's assets returns*

\* A change in the volatility measure by 5% results in a change of +/- \$32 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:

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 June 30, 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 statement of comprehensive loss	(175)
Balance as of December 31, 2020	672
Issuance of Warrants	1,207
Warrants exercise	(1,125)
Loss recognized in statement of comprehensive loss	161
<b>Balance as of June 30, 2021</b>	<b>915</b>

**BioHarvest Sciences Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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

**NOTE 7 - RELATED PARTIES TRANSACTIONS:**

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

**Related party transactions (unaudited):**

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
<b>Compensation of key management personnel of the Company:</b>				
CEO Management fees	201	106	114	76
Chairman Management fees	120	84	63	32
CFO Management fees	15	7	5	2
Share based payment to CEO	139	31	100	83
Share based payment to Chairman	283	259	-	-
<b>Other related party transactions:</b>				
Share base payments	197	82	81	9

**Balance with related parties:**

<b>For the six months period ended June,</b>	<b>2021</b>	<b>2020</b>
Due to CEO	82	50

**NOTE 8 - OPERATING SEGMENTS:**

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

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

## 1) Segment information

	<b>Six months ended June 30, 2021</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	728	-	728
Inter-segment			
<i>Total</i>	728	-	728
<i>Segment loss</i>	1,608	3,016	4,624
<i>Finance expense, net</i>			406
<i>Tax expenses</i>			
<i>Loss</i>			5,030



**BioHarvest Sciences Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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

**NOTE 8 - OPERATING SEGMENTS (Continued):**

1) Segment information (continued):

	<b>Three months ended June 30, 2021</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	415	-	415
Inter-segment			
<i>Total</i>	415	-	415
<i>Segment loss</i>	712	1,682	2,392
<i>Finance expense (income), net</i>			(4,171)
<i>Tax expenses</i>			
<i>Loss (income)</i>			(1,779)

	<b>As of June 30, 2021</b>			
	<b>Unaudited</b>			
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Adjustment &amp; Elimination</b>	<b>Total</b>
<i>Segment assets</i>	8,471	10,588	(10,704)	8,355
<i>Segment liabilities</i>	9,441	5,242	(6,342)	8,341

	<b>Six months ended June 30, 2020</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	81	-	81
Inter-segment	-	-	-
<i>Total</i>	81	-	81
<i>Segment loss</i>	387	1,784	2,171
<i>Finance expense, net</i>			(529)
<i>Tax expenses</i>			-
<i>Loss</i>			1,642

**BioHarvest Sciences Inc.****Notes to Interim Condensed Consolidated Financial Statements**

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

**NOTE 8 - OPERATING SEGMENTS (Continued):**

## 1) Segment information (continued):

	<b>Three months ended June 30, 2020</b>		
	<b>Unaudited</b>		
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Total</b>
<i>Revenues</i>			
External	39	-	39
Inter-segment	-	-	-
<i>Total</i>	39	-	39
<i>Segment loss</i>	4	984	988
<i>Finance expense, net</i>			382
<i>Tax expenses</i>			-
<i>Loss</i>			1,370

	<b>As of June 30, 2020</b>			
	<b>Unaudited</b>			
	<b>Adjustment &amp;</b>			
	<b>Superfruits</b>	<b>Cannabis</b>	<b>Elimination</b>	<b>Total</b>
<i>Segment assets</i>	4,078	8,061	(8,960)	3,179
<i>Segment liabilities</i>	5,388	4,173	(4,601)	4,960

## 2) Entity wide disclosures external revenue by location of customers:

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	
Israel	662	77
Other	66	4
	728	81

	<b>Three months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	
Israel	349	35
Other	66	4
	415	39

## 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.

## **BioHarvest Sciences Inc.**

### **Notes to Interim Condensed Consolidated Financial Statements**

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

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#### **NOTE 9 - SUBSEQUENT EVENTS:**

- a. During July and August 2021, 1,250,000 warrants were exercised at \$0.17 (CAD 0.23) and 20,000 warrants were exercised at \$0.23 (CAD 0.3).
- b. On July 9, 2021 the Company granted 432,000 options to employees and consultants at an exercise price of \$0.36 (CAD 0.45).
- c. On July 19, 2021 the Company granted 50,000 warrants to consultant.
- d. On July 26, 2021, 924,012 warrants were exercised at \$0.11 (CAD 0.15).