

BioHarvest Sciences Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 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 nine months ended September 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.

Unaudited Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2021 Expressed in U.S. dollars in thousands

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BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statement of Financial Position**

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

	Note	September 30, 2021	December 31, 2020
Assets			
Current			
Cash and cash equivalents		\$ 6,812	\$ 1,783
Trade accounts receivable		299	218
Other accounts receivable		371	136
Inventory		591	100
Total current assets		8,073	2,237
Non-current			
Restricted cash		174	144
Property and equipment, net		4,147	2,923
Total non-current assets		4,321	3,067
Total assets		\$ 12,394	\$ 5,304
Liabilities			
Current liabilities			
Trade accounts payable		\$ 991	\$ 435
Other accounts payable		982	637
Accrued liabilities		107	150
Derivative liability - warrants	3,6	233	672
Total current liabilities		2,313	1,894
Non-current liabilities			
Lease liability		2,279	2,396
Cash-settled share-based payment		147	-
Liability to Agricultural Research Organization		3,793	3,309
Total non-current liabilities		6,219	5,705
Shareholders' equity (deficit)			
Share capital and share to be issued	4	61,814	47,583
Accumulated deficit		(57,952)	(49,878)
Total Shareholders' equity (deficit)		3,862	(2,295)
Total liabilities and shareholders' equity (deficit)		\$ 12,394	\$ 5,304

Going concern (Note 1b)

November 29, 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.**Unaudited Interim Condensed Consolidated Statement of Comprehensive Loss**

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

	Three-months period ended September 30,		Nine-months period ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 644	\$ 53	\$ 1,372	\$ 134
Cost of revenues	446	35	974	93
Gross revenue	198	18	398	41
Operating expenses				
Research and development	814	351	2,188	893
Selling and marketing	981	237	2,058	332
Listing expenses	-	7	-	573
General and administrative	1,086	1,011	3,459	2,002
Total operating expenses	(2,881)	(1,606)	(7,705)	(3,800)
Loss from operations	(2,683)	(1,588)	(7,307)	(3,759)
Finance expenses	6 439	295	998	445
Finance income	78	39	231	718
Net loss before tax	3,044	1,844	8,074	3,486
Tax expenses	-	-	-	-
Net loss and comprehensive loss	\$ 3,044	\$ 1,844	\$ 8,074	\$ 3,486
Basic and Diluted loss per share	0.01	0.00	0.02	0.01
Weighted Average Number of Shares Outstanding	434,325,135	420,037,084	429,647,756	312,212,102

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

BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Deficit)**

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

For the nine-month period ended September 30, 2021:

	Note	Number of shares	Share Capital	Shares to be issued	Accumulated deficit	Total
Balance, January 1, 2021		410,619,089	\$ 47,583	\$ -	\$ (49,878)	\$ (2,295)
Issuance of unit of securities, net	3,4	22,295,197	5,792	-	-	5,792
Share based compensation	5	-	2,339	-	-	2,339
Exercise of warrants		19,779,844	5,828	-	-	5,828
Shares to be issued		-	-	272	-	272
Comprehensive loss for the period		-	-	-	(8,074)	(8,074)
Balance, September 30, 2021		452,694,130	\$ 61,542	\$ 272	\$ (57,952)	\$ 3,862

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

BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Deficit)**

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

For the nine-month period ended September 30, 2020:

	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
Issuance of shares, net	28,991,416	3,163	-	3,163
Share based compensation	426,666	856	-	856
Comprehensive loss for the period	-	-	(3,486)	(3,486)
Balance, September 30, 2020	439,719,501	\$ 46,633	\$ (46,780)	\$ (147)
Share based compensation	800,000	550	-	550
Issuance of shares, net	3,935,834	400	-	400
Treasury shares acquired from subsidiary	(33,836,246)	-	-	-
Comprehensive loss for the period	-	-	(3,098)	(3,098)
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.**Unaudited Interim Condensed Consolidated Statement of Cash Flows**

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

	Nine-months period ended	
	September 30,	
	Note	
Cash flows from operating activities:		
Net loss for the period	\$	(8,074)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization		251
Fair value adjustments of convertible loans		-
Fair value adjustments of derivative liability - warrants		380
Interest and re-assessment on liability for Agricultural Research Organization, net		484
Finance expense, net		91
Listing expenses		-
Share based compensation (including cash-settled share-based payment)		2,474
Changes in operations assets and liabilities:		
Change in inventory		(491)
Change in trade accounts receivables		(81)
Change in other accounts receivables		(235)
Changes in trade payables and accrued expenses		788
Cash from operations		(4,413)
Interest paid		(95)
Net cash used in operating activities		(4,508)
Cash flow from investing activities:		
Purchase of property and equipment		(1,286)
Net cash used in investing activities		(1,286)
Cash flow from financing activities		
Repayment of short term loan		-
Payments of lease liabilities		(229)
Net proceeds from unit of securities to be issued		279
Net proceeds from issuance of unit of securities	4	7,137
Exercise of warrants		3,638
Convertible loans received		-
Net cash provided by financing activities		10,825
Exchange rate differences on cash and cash equivalents		(2)
Increase in cash and cash equivalents		5,031
Cash and cash equivalents at the beginning of the period		1,783
Cash at the end of the period	\$	6,812
Significant non-cash transactions:		
Conversion of convertible loans into shares		-
Extinguishing PPM penalty liability with shares		-

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

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

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 September 30, 2021, the Company has generated a cumulative loss of \$57,952. The Company generated negative cash flows from operating activities of \$4,501 and a loss in the amount of \$8,074 for the nine months ended September 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 at 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 the Unaudited Interim Condensed Consolidated Financial Statements

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

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 and with the notes thereto except for note 2(e).

The policies applied in these interim condensed consolidated financial statements are based on IFRS effective as of September 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. 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 the Unaudited 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 nine months ended September 30 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2019	27,556,815	0.18
Issuance of warrants	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 4)	18,872,516	0.36
Warrants exercised	(18,298,832)	0.19
Warrants expired	(8,487,500)	0.19
Balance, September 30, 2021	18,872,516	0.36

The following table summarizes information about warrants outstanding as of September 30, 2021:

Date of issuance	Date of expiry	Exercise price	Exercisable at September 30, 2021
February 2, 2021	February 2, 2022	\$ 0.36 (CAD 0.45)	15,449,829
August 30, 2021	August 30, 2022	\$ 0.43 (CAD 0.55)	3,422,687
			18,872,516

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:

	15,449,829		3,422,687	
	At Issuance Date		At Issuance Date	
	February 2, 2021	September 30, 2021	August 30, 2021	September 30, 2021
Expected life of warrants	1 years	0.3 years	1 years	0.9 years
Expected volatility	50%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.13%	1.17%	0.89%	1.17%
Market price of Common share	CAD 0.475	CAD 0.35	CAD 0.395	CAD 0.35
Exercise price	CAD 0.45	CAD 0.45	CAD 0.55	CAD 0.55

BioHarvest Sciences Inc.

Notes to the Unaudited 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 nine and three month period ended September 30, 2021, the Company recorded a loss in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability of \$380 and \$219, respectively (for the nine and three month period ended September 30, 2020: profit of \$586 and loss of \$98, respectively).

NOTE 4 - SHARE CAPITAL:

	Number of shares	
	September 30, 2021	December 31, 2020
	Issued and outstanding	Issued and outstanding
Ordinary shares	452,694,130	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 CAD 0.4 (\$0.32) per unit for gross proceeds of CAD 6,180 (\$4,865). Net proceeds were CAD 5,983 (\$4,713). 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 CAD 0.45 (\$0.36) per share for a period of 12 months. The Company paid CAD 197 (\$152) as finders' fees and issued 197,427 warrants at an exercise price of CAD 0.45 (\$0.36) that were accounted as share based compensation (see note 5j), as finders' fees. The increase in share capital as a result of these transactions is \$3,531.
- On August 30, 2021 the Company completed a private placement financing by issuing 6,845,368 units at a price of CAD 0.45 (\$0.36) per unit for gross proceeds of CAD 3,080 (\$2,431). Net proceeds were CAD 3,067 (\$2,421). Each unit consists of one common share of the Company and one half (1/2) of one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of CAD 0.55 (\$0.43) per share for a period of 12 months. The Company paid CAD 14 (\$10) as finders' fees. The increase in share capital as a result of these transactions is \$2,261.
- During the nine-month period ended September 30, 2021 the Company issued 19,779,844 common shares as a result of the exercise of 15,074,846 warrants with an exercise price of CAD 0.23 (\$0.17), the exercise of 3,106,386 warrants with an exercise price of CAD 0.3 (\$0.23) and the exercise 1,598,612 warrants with an exercise price of CAD 0.15 (\$0.11). The increase in share capital as a result of these transactions is \$5,828.

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 CAD 0.36 (\$0.29) 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 CAD 124 (\$98).

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 5 - SHARE BASED COMPENSATION (Continued):

- c. On January 29, 2021, the Company granted 245,000 options to purchase the Company's shares at CAD 0.43 (\$0.34) 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 CAD 37 (\$29).
- d. On February 8, 2021, the Company granted 441,000 options to purchase the Company's shares at CAD 0.5 (\$0.4) 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 CAD 100 (\$79).
- e. On February 25, 2021, the Company granted 6,000,000 options to purchase the Company's shares at CAD 0.66 (\$0.52) 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 CAD 1,738 (\$1,373). 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 CAD 1.89 (\$1.49), the Company will pay cash compensation to the option holders of up to CAD 2,000 (\$1,580). The payment will be paid in 4 installments over one year.

	At Issuance Date February 25, 2021	September 30, 2021
Risk-free interest rate	0.76%	1.17%
Expected volatility	50%	50%

- f. On March 22, 2021, the Company granted 5,223,800 options to purchase the Company's shares at CAD 0.51 (\$0.41) 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 CAD 1,189 (\$951).
- g. On July 9, 2021 the Company granted 423,000 options to purchase the Company's shares at CAD 0.45 (\$0.36) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 370,000 options will vest quarterly over a 3-year period and 53,000 options will vest monthly over a 4 month period. The total value of the options granted is CAD 87 (\$70).
- h. The following table summarizes information about the expenses recorded as a result of share based compensations:

	Nine months ended September 30, 2021	Three months ended September 30, 2021	Nine months ended September 30, 2020	Three months ended September 30, 2020
Equity settled compensations	2,327	664	715	526
Cash settled compensations	147	93	-	-
	2,474	757	715	526

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 5 - SHARE BASED COMPENSATION (Continued):

- i. A summary of activity of options granted to purchase the Company's Shares under the Company's share option plan is as follows:

	September 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
Changes during the period:				
Options granted (See b, c, d, e, f, g)	13,097,800	0.45	48,542,113	0.11
Options cancelled	-	-	(11,136,453)	0.21
Options outstanding at end of period (*)	61,639,913	0.18	48,542,113	0.11
Options exercisable at end of period	45,279,468		21,966,238	

(*) The options outstanding at September 30, 2021 had a weighted-average contractual life of 8.6 years (December 31, 2020: 5 years).

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

Options Outstanding		Expiry Date	Options Exercisable at September 30, 2021
Number Outstanding at September 30, 2021	Exercise Price		
18,098,196	\$0.105 (CAD 0.14)	June 9, 2030	12,341,079
11,008,917	\$0.11 (CAD 0.15)	June 10, 2030	10,003,225
12,660,000	\$0.11 (CAD 0.15)	July 27, 2030	11,015,958
700,000	\$0.11 (CAD 0.15)	September 10, 2030	584,421
950,000	\$0.10 (CAD 0.135)	November 9, 2030	597,171
5,125,000	\$0.15 (CAD 0.19)	December 24, 2030	3,085,966
765,000	\$0.23 (CAD 0.36)	January 12, 2031	465,521
245,000	\$0.34 (CAD 0.43)	January 29, 2031	215,606
441,000	\$0.4 (CAD 0.5)	February 8, 2031	236,188
6,000,000	\$0.52 (CAD 0.66)	February 25, 2031	3,681,994
5,223,800	\$0.41 (CAD 0.51)	March 22, 2031	2,918,589
423,000	\$0.36 (CAD 0.45)	July 9, 2031	133,740
61,639,913			45,279,468

- j. On February 2, 2021, the Company granted the brokers involved in the February 2, 2021 private placement, 197,427 Broker Warrants at an exercise price of CAD 0.45 (\$0.36) per share. The Broker Warrants will be exercisable for 12 months from the date of issue. The fair value of the warrants is CAD 20 (\$16) (See note 4b).

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 5 - SHARE BASED COMPENSATION (Continued):

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

	September 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	-	-
Changes during the period:				
Granted (See j)	197,427	0.35	4,415,615	0.11
Exercised	(1,481,012)	0.11	-	-
Expired	(21,563)	0.11	-	-
Warrants outstanding at end of period	3,110,467	0.12	4,415,615	0.11

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

Warrants Outstanding		
Number Outstanding at September 30, 2021	Exercise Price	Expiry Date
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
197,467	\$0.35 (CAD 0.45)	February 2, 2022
3,110,467		

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	233	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- \$55 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 as of September 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.

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

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

NOTE 6 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Continued):*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	1,370
Warrants exercise	(2,189)
Loss recognized in statement of comprehensive loss	380
Balance as of September 30, 2021	233

NOTE 7 - RELATED PARTIES TRANSACTIONS:

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

Related party transactions (unaudited):

	Nine months ended September 30, 2021	Three months ended September 30, 2021	Nine months ended September 30, 2020	Three months ended September 30, 2020
Compensation of key management personnel of the Company:				
CEO Management fees	330	129	229	115
Chairman Management fees	156	36	99	36
CFO Management fees	23	8	11	6
Share based payment to CEO	167	28	277	177
Share based payment to Chairman	448	165	250	250
Other related party transactions:				
Share base payments	257	60	227	146

Balance with related parties:

As of September 30,	2021	2020
Due to CEO	41	32

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

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

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

	Nine months ended September 30, 2021		
	Superfruits	Cannabis	Total
<i>Revenues</i>			
External	1,372	-	1,372
Inter-segment			
<i>Total</i>	1,372	-	1,372
<i>Segment loss</i>	2,769	4,538	7,307
<i>Finance expense, net</i>			767
<i>Tax expenses</i>			-
<i>Loss</i>			8,074

	Three months ended September 30, 2021		
	Superfruits	Cannabis	Total
<i>Revenues</i>			
External	644	-	644
Inter-segment			
<i>Total</i>	644	-	644
<i>Segment loss</i>	1,161	1,522	2,683
<i>Finance expense (income), net</i>			361
<i>Tax expenses</i>			
<i>Loss (income)</i>			3,044

	As of September 30, 2021			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Segment assets</i>	11,005	15,594	(14,205)	12,394
<i>Segment liabilities</i>	13,293	5,082	(9,843)	8,532

BioHarvest Sciences Inc.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements****U.S. dollars in thousands, except per share data****NOTE 8 - OPERATING SEGMENTS (Continued):**

1) Segment information (continued):

	Nine months ended September 30, 2020		
	Superfruits	Cannabis	Total
<i>Revenues</i>			
External	134	-	134
Inter-segment	-	-	-
<i>Total</i>	134	-	134
<i>Segment loss</i>	827	2,932	3,759
<i>Finance expense, net</i>			(273)
<i>Tax expenses</i>			-
<i>Loss</i>			3,486

	Three months ended September 30, 2020		
	Superfruits	Cannabis	Total
<i>Revenues</i>			
External	53	-	53
Inter-segment	-	-	-
<i>Total</i>	53	-	53
<i>Segment loss</i>	440	1,148	1,588
<i>Finance expense, net</i>			256
<i>Tax expenses</i>			-
<i>Loss</i>			1,844

	As of September 30, 2020			
	Superfruits	Cannabis	Adjustment & Elimination	Total
<i>Segment assets</i>	4,136	10,137	(10,346)	3,927
<i>Segment liabilities</i>	6,032	4,030	(5,988)	4,074

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 8 - OPERATING SEGMENTS (Continued):

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

	Nine months ended September 30,	
	2021	2020
Israel	1,052	129
Other	320	5
	1,372	134

	Three months ended September 30,	
	2021	2020
Israel	390	52
Other	254	1
	644	53

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 9 - SUBSEQUENT EVENTS:

- On October 4, 2021 the Company closed the final tranche of its previously announced private placement (see note 4c). The Company issued 936,007 units at a price of CAD 0.45 (\$0.36) per unit. Each unit consists of one common share of the Company and one half (1/2) of one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of CAD 0.55 (\$0.43) per share for a period of 12 months.
- On October 8, 2021 the Company granted 955,000 options to employees and consultants at an exercise price of CAD 0.34 (\$0.27).
- On October 21, 2021 the Company granted 400,000 options to a director of the Company at an exercise price of CAD 0.345 (\$0.28).
- On October 29, 2021 the Company granted 113,200 options to employees and consultants at an exercise price of CAD 0.40 (\$0.32).