

BioHarvest Sciences Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2023

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, 2023 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 Six Months Ended June 30, 2023 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

	Notes	As at June 30, 2023	As at December 31, 2022
Assets			
Current			
Cash and cash equivalents		\$ 1,812	\$ 1,736
Trade accounts receivable		587	545
Other accounts receivable		499	663
Inventory		1,993	1,378
Total current assets		4,891	4,322
Non-current			
Restricted cash		158	163
Property and equipment, net		5,473	4,908
Total non-current assets		5,631	5,071
Total assets		\$ 10,522	\$ 9,393
Liabilities			
Current liabilities			
Trade accounts payable		\$ 1,639	\$ 1,067
Other accounts payable		2,050	1,740
Accrued liabilities		124	163
Convertible Loans	5	9,077	8,549
Total current liabilities		12,890	11,519
Non-current liabilities			
Cash-settled share-based payment	4	-	123
Lease liability		1,588	1,670
Liability to Agricultural Research Organization		2,201	2,010
Total non-current liabilities		3,789	3,803
Shareholders' deficit			
Share capital and premium	3	68,386	65,012
Accumulated deficit		(74,543)	(70,941)
Total Shareholders' deficit		(6,157)	(5,929)
Total liabilities and shareholders' deficit		\$ 10,522	\$ 9,393

Going concern (Note 1b)

August 29, 2023

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		Six-months period ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Revenues	\$ 2,750	\$ 838	\$ 4,913	\$ 1,537
Cost of revenues	1,644	738	3,015	1,258
Gross profit	1,106	100	1,898	279
Operating expenses				
Research and development	812	415	1,423	1,186
Sales and marketing	1,851	1,079	3,692	2,109
General and administrative	1,318	1,071	2,193	2,082
Total operating expenses	3,981	2,565	7,308	5,377
Loss from operations	2,875	2,465	5,410	5,098
Finance expenses	159	150	302	298
Finance income	184	239	2,110	890
Net loss before tax	2,850	2,376	3,602	4,506
Net loss and comprehensive loss	\$ 2,850	\$ 2,376	\$ 3,602	\$ 4,506
Basic and diluted loss per share	0.01	0.01	0.01	0.01
Weighted average number of shares outstanding	469,638,091	454,496,636	467,690,147	454,423,907

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**

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

For the six-month period ended June 30, 2023:

	Note	Number of shares	Share Capital and Premium	Accumulated deficit	Total
Balance, January 1, 2023		460,716,275	\$ 65,012	\$ (70,941)	\$ (5,929)
Share based compensation		-	414	-	414
Exercise of options by employees and consultants		3,619,639	403		403
Conversion of Convertible Loans	3,6	14,252,254	2,557	-	2,557
Comprehensive loss for the period		-	-	(3,602)	(3,602)
Balance, June 30, 2023		478,588,168	\$ 68,386	\$ (74,543)	\$ (6,157)

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**

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

For the six-month period ended June 30, 2022:

	Number of shares	Share Capital and Premium	Accumulated deficit	Total
Balance, January 1, 2022	453,630,137	\$ 62,560	\$ (59,705)	\$ 2,855
Share based compensation	-	790	-	790
Exercise of options and warrants by employees and consultants	702,499	88	-	88
Exercise of warrants by investors	164,000	64	-	64
Comprehensive loss for the period	-	-	(4,506)	(4,506)
Balance, June 30, 2022	454,496,636	\$ 63,502	\$ (64,211)	\$ (709)
Exercise of options and warrants by employees and consultants	6,219,639	731	-	731
Share based compensation	-	779	-	779
Comprehensive loss for the period	-	-	(6,730)	(6,730)
Balance, December 31, 2022	460,716,275	\$ 65,012	\$ (70,941)	\$ (5,929)

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

	Six-months period ended	
	June 30,	
Note	2023	2022
Cash flows from operating activities:		
Net loss for the period	\$ (3,602)	\$ (4,506)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	407	326
Fair value adjustments of derivative liability - convertible loans	(2,055)	-
Fair value adjustments of derivative liability - warrants	-	(630)
Interest and re-assessment on liability for Agricultural Research Organization, net	191	134
Finance expense, net	(43)	(168)
Share based compensation (including cash-settled share-based payment)	313	668
Changes in operations assets and liabilities:		
Change in inventory	(615)	(538)
Change in trade accounts receivables	(42)	(16)
Change in other accounts receivables	164	(167)
Changes in trade payables and accrued expenses	809	733
Cash used in operations	(4,473)	(4,164)
Interest paid	(60)	(75)
Net cash used in operating activities	(4,533)	(4,239)
Cash flow from investing activities:		
Purchase of property and equipment	(743)	(714)
Net cash used in investing activities	(743)	(714)
Cash flow from financing activities		
Payments of lease liabilities	(179)	(192)
Convertible loans received	5,140	2,118
Exercise of options	403	88
Exercise of warrants	-	58
Net cash provided by financing activities	5,364	2,072
Exchange rate differences on cash and cash equivalents	(12)	(22)
Increase (Decrease) in cash and cash equivalents	88	(2,881)
Cash and cash equivalents at the beginning of the period	1,736	4,117
Cash at the end of the period	\$ 1,812	\$ 1,214

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. The Company:

BioHarvest Sciences Inc. the “Company” or “BioHarvest Sciences”), together with its wholly owned subsidiaries (the "Group"), the Company was incorporated under the Business Corporations Act of British Columbia on April 19, 2013. The Company fully owns BioHarvest Ltd., (“BioHarvest”), a company incorporated in Israel, and Superfood Nutraceuticals Inc., ("Superfood") a company incorporated in Delaware, USA.

BioHarvest was incorporated in January 2007 and commenced its activity in July 2007.

In July 2014, BioHarvest Ltd incorporated a Delaware based subsidiary, BioHarvest Inc ("BioHarvest Inc").

On October 28, 2020, BioHarvest Sciences incorporated a wholly owned subsidiary in Delaware, Superfood Nutraceuticals Inc. ("Superfood").

The Company is publicly traded on the Canadian Securities Exchange under the symbol BHSC, on the OTC under the symbol CNVCF and on the Frankfurt Stock Exchange under the symbol 8MV.

The official address of the Company is 1140-625 Howe St., Vancouver, BC V6C 2T6, Canada.

Description of Business

The Company is engaged in two business segments.

- a) Nutraceuticals - Research and development of science based therapeutic solutions for the nutraceutical industry.
- b) Pharmaceuticals - Research and development of plant cell-based Active Pharmaceutical Ingredients that can assist in the treatment of specific medical indications.

Nutraceuticals - Super fruits (Polyphenol Anti-Oxidant) products

The Company’s first nutraceutical superfruits product, VINIA®, is a red grape powder consumed as a food that provides 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.

Pharmaceuticals- Cannabis and Red grape cells (RGC)

The Company's Bio-Plant CELLicitation™ technology may be used in the pharmaceutical cannabis industry to produce cannabis cells in a process that is controlled, consistent, aseptic, non-GMO, pesticide-free and chemical-free.

The Bio-Plant CELLicitation™ technology developed by the Company is protected by 14 granted patents.

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):

B. Going concern:

The Company incurred losses from operations since its inception. As of June 30, 2023, the Company has an accumulated deficit of \$74,543. The Company generated negative cash flows from operating activities of \$4,533 and a loss in the amount of \$3,602 for the six months ended June 30, 2023. As of the date of the issuance of these financial statements, the Company has not yet commenced generating sufficient sales to fund its operations, and therefore depends on fundraising from new and existing investors to finance its activities. These factors raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The company's management believes that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceeds from capital fund raising and future revenues. The Company's management are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

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.

NOTE 2 - BASIS OF PREPARATION:

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.

This interim condensed consolidated financial information does not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company's annual financial statements as of December 31, 2022. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2022, are applied consistently in these interim consolidated financial statements.

New IFRSs adopted in the period

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to December 31, 2023 (the date of the Company's next annual financial statements). The Company has decided not to early adopt these standards and interpretations. The Company does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 3 - SHARE CAPITAL:

	Number of shares	
	June 30, 2023	December 31, 2022
	Issued and outstanding	Issued and outstanding
Ordinary shares	478,588,168	460,716,275

- The Company is authorized to issue an unlimited number of common shares.
- During the six month period ended June 30, 2023 the Company issued 3,619,639 common shares as a result of the exercise of options having an exercise price of CAD 0.15 (\$0.11). The increase in share capital and premium as a result of this transaction is \$403.
- During the six month period ended June 30, 2023 the Company issued 14,252,254 common shares as a result of the conversion of convertible loans. The increase in share capital and premium as a result of this transaction is \$2,557.

NOTE 4 - 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 February 3, 2023, the Company granted employees and consultants 395,000 options to purchase shares of the Company at CAD 0.29 (\$0.22) 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, 25,000 options will vest over a 3-month period. The total value of the options granted is CAD 57 (\$43).
- On March 13, 2023, the Company granted employees and consultants 350,000 options to purchase the Company's shares at CAD 0.22 (\$0.16) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 2-year period. The total value of the options granted is CAD 39 (\$28).
- On April 21, 2023, the Company granted employees and consultants 1,850,000 options to purchase the Company's shares at CAD 0.26 (\$0.20) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 850,000 options will vest quarterly over a 2-year period. 194,444 options will vest at once after 6 months period. 250,000 options will start vesting after 6 months from the grant date, quarterly over 1.5-year period. 555,556 options will start vesting after 6 months from the grant date, quarterly over 2.5-year period. The total value of the options granted is CAD 238 (\$176).
- On June 2, 2023, the Company granted employees and consultants 600,000 options to purchase the Company's shares at CAD 0.21 (\$0.16) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 3-year period. The total value of the options granted is CAD 64 (\$48).
- The following table summarizes information regarding expenses relating to share-based compensation:

	Three months ended June 30, 2023	Six months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2022
Equity settled compensation	189	414	349	789
Cash settled compensation	-	(101)	(154)	(122)
	189	313	195	667

BioHarvest Sciences Inc.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements****U.S. dollars in thousands, except per share data****NOTE 4 - SHARE BASED COMPENSATION (Continued):**

g. The following assumptions were used to estimate the fair value of the options:

Expected volatility	50%
Expected dividend yield	0%

h. 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, 2023		December 31, 2022	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price
Options outstanding at the beginning of the period	62,421,307	0.19	63,958,113	0.19
Changes during the period:				
Options granted (See b-e)	3,195,000	0.19	8,160,800	0.23
Options cancelled	-	-	(4,993,800)	0.35
Options exercised (See 3b)	(3,619,639)	0.11	(4,022,138)	0.11
Options forfeited*	(495,833)	0.25	(681,668)	0.18
Options outstanding at the end of the period (**)	61,500,835	0.19	62,421,307	0.19
Options exercisable at end of period	52,980,410		48,710,096	

(*) During the six month period ended June 30, 2023 495,833 options were forfeited due to termination of employment.

(**) The options outstanding at June 30, 2023 had a weighted-average contractual life of 7.59 years (June 30, 2022: 7.9 years).

BioHarvest Sciences Inc.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements****U.S. dollars in thousands, except per share data****NOTE 4 - SHARE BASED COMPENSATION (Continued):**

The following table summarizes information about the options outstanding as at June 30, 2023:

Number Outstanding at June 30, 2023	Options Outstanding Exercise Price	Expiry Date	Options Exercisable at June 30, 2023
18,098,196	\$0.10 (CAD 0.14)	June 9, 2030	18,098,196
3,769,639	\$0.11 (CAD 0.15)	June 10, 2030	3,769,639
12,410,000	\$0.11 (CAD 0.15)	July 29, 2030	12,410,000
700,000	\$0.11 (CAD 0.15)	September 10, 2030	700,000
950,000	\$0.10 (CAD 0.14)	November 9, 2030	791,667
3,715,000	\$0.14 (CAD 0.19)	December 23, 2030	3,374,280
765,000	\$0.27 (CAD 0.36)	January 12, 2031	598,750
235,000	\$0.32 (CAD 0.43)	January 29, 2031	232,500
366,000	\$0.37 (CAD 0.50)	February 8, 2031	206,000
6,000,000	\$0.49 (CAD 0.66)	February 25, 2031	6,000,000
880,000	\$0.38 (CAD 0.51)	March 22, 2031	692,500
353,000	\$0.33 (CAD 0.45)	July 9, 2031	228,000
900,000	\$0.25 (CAD 0.34)	October 8, 2031	465,000
400,000	\$0.25 (CAD 0.34)	October 21, 2031	200,000
63,200	\$0.30 (CAD 0.40)	October 29, 2031	38,200
850,000	\$0.28 (CAD 0.38)	November 29, 2031	450,000
482,000	\$0.26 (CAD 0.35)	March 22, 2032	342,000
300,000	\$0.25 (CAD 0.34)	May 6, 2032	100,000
1,360,000	\$0.18 (CAD 0.24)	July 4, 2032	421,800
30,000	\$0.17 (CAD 0.23)	July 8, 2032	30,000
5,433,800	\$0.24 (CAD 0.32)	September 9, 2032	3,555,350
145,000	\$0.21 (CAD 0.28)	October 21, 2032	99,167
100,000	\$0.21 (CAD 0.28)	November 4, 2032	77,778
395,000	\$0.22 (CAD 0.29)	February 3, 2033	55,833
350,000	\$0.16 (CAD 0.22)	March 10, 2033	43,750
1,850,000	\$0.20 (CAD 0.26)	April 20, 2033	0
600,000	\$0.16 (CAD 0.21)	June 1, 2033	0
61,500,835			52,980,410

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 4 - SHARE BASED COMPENSATION (Continued):

Warrants

- i. A summary of activity of warrants granted to purchase the Company's shares, accounted for as share based compensation is as follows:

	June 30, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at the beginning of the period	50,000	0.27	3,147,467	0.13
Changes during the period:				
Exercised	-	-	(2,900,000)	0.10
Expired	-	-	(197,467)	0.35
Warrants outstanding at the end of the period	50,000	0.27	50,000	0.27

The following table summarizes information about the warrants outstanding as at June 30, 2023:

Warrants Outstanding		
Number Outstanding at June 30, 2023	Exercise Price	Expiry Date
50,000	\$0.27 (CAD 0.34)	October 8, 2023

NOTE 5 - CONVERTIBLE LOANS:

a. Convertible loan A:

Since April 2022, the Company signed an agreement ("the Agreement") with certain lenders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of Convertible Loan (the "Convertible Loan") with aggregate principal amounts of up to \$8,000 ("Principal Loan Amount"). The Principal Loan Amount, to the extent and for the period of time that such Principal Amount is unconverted, shall bear interest at a rate of 9% per annum from the closing date (the "Closing Date") up to and including the date that is 24 months following the Closing Date (the "Second Anniversary"). The Company will pay the Lenders, to the extent such interest is unconverted:

- any Interest accrued up to and including the date that is twelve months following the Closing Date (the "Anniversary"), on the Anniversary; and
- any Interest accrued between and including the dates that are one day following the Anniversary and twenty-four months following the Closing Date (the "Secondary Anniversary"), on the Second Anniversary.

The Convertible Loan shall mature on the date that is twenty-four months following the Closing Date (the "Maturity Date"). Any unconverted portion of the Principal Loan Amount will be paid on the Maturity Date.

The Lenders may, at any time prior to the Maturity Date, elect to convert any unconverted portion of the Principal Loan Amount together with the accrued Interest thereon (the "Remaining Amount"), into common shares in the capital of the Company as constituted on the date hereof ("Shares") at the Conversion Price.

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 5 - CONVERTIBLE LOANS (Continued):

a. Convertible loan A (Continued):

The conversion price is the price per Share (the “Conversion Price”) that is equal to:

- (a) CAD 0.32, if the date of the receipt of such Conversion Notice by the Company occurs between and including the Closing Date and the date that is 90 days following the Closing Date;
- (b) CAD 0.35, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 91 days following the Closing Date and 180 days following the Closing Date;
- (c) CAD 0.39, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 181 days following the Closing Date and 270 days following the Closing Date;
- (d) CAD 0.44, if the date of the receipt of such Conversion Notice by the Company occurs between and including the date that is 271 days following the Closing Date and the date that is one day prior to the Anniversary; or
- (e) If the date of the receipt of such Conversion Notice by the Company occurs on or following the Anniversary the Discounted Conversion Price shall be:
 - 75% of the closing price of the Shares, on the principal exchange on which the Shares are listed (the “Exchange”), on the date of receipt of the Conversion Notice by the Company (the “Closing Price”) if the Closing Price is CAD 0.50 or less; or
 - 80% of the Closing Price, if the Closing Price is CAD 0.51 or greater.

In the event that the Discounted Conversion Price is less than CAD 0.26 per Share (the “Floor Price”), the Conversion Price will be equal to the Floor Price. In the event that the Discounted Conversion Price is greater than CAD 0.65 per Share, the Conversion Price shall not exceed:

- CAD 0.65, if the date of the receipt of such Conversion Notice by the Company occurs between and including the Anniversary and the date that is 90 days following the Anniversary;
- CAD 0.75, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 91 days following the Anniversary and 180 days following the Anniversary;
- (j) CAD 0.85, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 181 days following the Anniversary and 270 days following the Anniversary; or
- (k) CAD 0.95, if the date of the receipt of such Conversion Notice by the Company occurs between and including the date that is 271 days following the Anniversary and the date that is one day prior to the Maturity Date.

The Convertible Loan is denominated in Canadian dollars and convertible into common shares based on the principal and interest balance. The conversion rate to common shares is variable as it depends on the Company's share price prevailing at specific dates on the stock exchange.

Therefore, the convertible loan is a hybrid instruments that include a debt host contract and an embedded derivative liability.

As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 5 - CONVERTIBLE LOANS (Continued):

a. Convertible loan A (Continued):

The component of fair value changes relating to the company's own credit risk is recognized in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. There was no change in the company's own credit risk since the issuance of the convertible notes.

The fair value of the Convertible Loans has been determined using the Binomial model. The following assumptions were used to determine the fair value of the Convertible Loans:

	June 30, 2023
Risk-free interest rate	4.58%
Expected volatility	50%

	Convertible loan A
Balance as of January 1, 2023	8,549
Loss recognized in Profit or loss	(2,254)
Conversion of convertible loans (See note 3c)	(2,557)
Balance as of June 30, 2023	3,738

b. Convertible loan B:

In March 2023, the Company signed an agreement ("the Agreement") with certain lenders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of Convertible Loan (the "Convertible Loan") with aggregate principal amounts of up to \$6,000 ("Principal Loan Amount"). The Principal Loan Amount, to the extent and for the period of time that such Principal Amount is unconverted, shall bear interest at a rate of 9% per annum from the closing date (the "Closing Date") up to and including the date that is 24 months following the Closing Date (the "Second Anniversary"). The Company will pay the Lenders, to the extent such interest is unconverted:

- (a) any Interest accrued up to and including the date that is twelve months following the Closing Date (the "Anniversary"), on the Anniversary; and
- (b) any Interest accrued between and including the dates that are one day following the Anniversary and twenty-four months following the Closing Date (the "Secondary Anniversary"), on the Second Anniversary.

The Convertible Loan shall mature on the date that is twenty-four months following the Closing Date (the "Maturity Date"). Any unconverted portion of the Principal Loan Amount will be paid on the Maturity Date.

The Lenders may, at any time prior to the Maturity Date, elect to convert any unconverted portion of the Principal Loan Amount together with the accrued Interest thereon (the "Remaining Amount"), into common shares in the capital of the Company as constituted on the date hereof ("Shares") at the Conversion Price.

The conversion price is the price per Share (the "Conversion Price") that is equal to:

- 20% of the closing price of the Shares, on the principal exchange on which the Shares are listed (the "Exchange"), on the date of receipt of the Conversion Notice by the Company (the "Closing Price").

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 5 - CONVERTIBLE LOANS (Continued):

b. Convertible loan B (Continued):

- In the event that the Discounted Conversion Price is less than CAD 0.32 per Share (the "Floor Price"), the Conversion Price will be equal to the Floor Price.
- In the event that the Discounted Conversion Price is greater than CAD 0.75 per Share (the "Ceiling Price"), the Conversion Price will be equal to the Ceiling Price.

The Company paid finder's fees of \$23 in connection with the transaction

	Convertible loan B
Balance as of January 1, 2023	-
Issuance of Convertible loan	1,700
Loss recognized in Profit or loss	25
Balance as of June 30, 2023	1,725

c. Convertible loan C:

In April 2023, the Company signed an agreement ("the Agreement") with certain lenders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders of Convertible Loan (the "Convertible Loan") with aggregate principal amounts of up to \$8,000 ("Principal Loan Amount"). The Principal Loan Amount, to the extent and for the period of time that such Principal Amount is unconverted, shall bear interest at a rate of 9% per annum from the closing date (the "Anniversary"). The Company will pay the Lenders, to the extent such interest is unconverted any Interest accrued up to and including the date that is twelve months following the Closing Date on the Anniversary.

The Convertible Loan shall mature on the date that is twelve months following the Closing Date (the "Maturity Date"). Any unconverted portion of the Principal Loan Amount will be paid on the Maturity Date.

The Lenders may, at any time prior to the Maturity Date, elect to convert any unconverted portion of the Principal Loan Amount together with the accrued Interest thereon (the "Remaining Amount"), into common shares in the capital of the Company as constituted on the date hereof ("Shares") at the Conversion Price.

The conversion price is CAD 0.20 per share (the "Conversion Price").

The Company paid finder's fees of \$31 in connection with the transaction.

The Convertible Loans are denominated in Canadian dollars and convertible into common shares based on the principal and interest balance. The conversion rate of Convertible loan a to common shares is variable as it depends on the Company's share price prevailing at specific dates on the stock exchange.

Therefore, the convertible loan is a hybrid instrument that includes a debt host contract and an embedded derivative liability.

As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the company's own credit risk is recognized in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. There was no change in the company company's own credit risk since the issuance of the convertible notes.

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

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

NOTE 5 - CONVERTIBLE LOANS (Continued):c. Convertible loan C (Continued):

	Convertible loan C
Balance as of January 1, 2023	-
Issuance of Convertible loan	3,440
Loss recognized in Profit or loss	174
Balance as of June 30, 2023	3,614

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:

June 30, 2023				
Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Convertible loan	9,077	Binomial model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- \$22 of the fair value

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:**Derivative liability - Warrants**

Balance as of December 31, 2021	636
Exercise of warrants	(6)
Loss (income) recognized in Profit or loss	631
Balance as of December 31, 2022	-
Balance as of June 30, 2023	-

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):

Convertible loan

Balance as of December 31, 2021	-
Issuance of Convertible loan	7,658
Loss (income) recognized in Profit or loss	891
Balance as of December 31, 2022	8,549
Convertible loan received	5,140
Conversion of Convertible loan	(2,557)
Loss (income) recognized in Profit or loss	(2,055)
Balance as of June 30, 2023	9,077

Financial instruments not measured at fair value:

Financial instruments not measured at fair value include cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, and Liability to Agricultural Research Organization.

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables approximates their fair value.

The fair value of Liability to Agricultural Research Organization for June 30, 2023 and December 31, 2022 is not materially different to the carrying amount.

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, 2023	Three months ended June 30, 2023	Six months ended June 30, 2022	Three months ended June 30, 2022
Compensation of key management personnel of the Company:				
CEO management fees	238	115	261	128
Chairman management fees	433	365	99	59
CFO management fees	15	8	16	8
Share based payment to CEO	11	2	84	41
Share based payment to Chairman	175	61	146	61
Other related party transactions:				
Share based payments	7	3	41	15

Balance with related parties:

	As of June 30, 2023	As of December 31, 2022
Due to CEO	241	184

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:

- Nutraceuticals: development, design, manufacture and marketing of Nutraceuticals for the private sectors.
- Pharmaceuticals: development, design, manufacture and marketing of pharmaceuticals ingredients.

1) Segment information

	Six months ended June 30, 2023		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>			
External	4,913	-	4,913
<i>Total</i>	4,913	-	4,913
<i>Segment loss</i>	4,858	552	5,410
<i>Finance expense, net</i>			(1,808)
<i>Tax expenses</i>			-
<i>Loss</i>			3,602

	Three months ended June 30, 2023		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>			
External	2,750	-	2,750
<i>Total</i>	2,750	-	2,750
<i>Segment loss</i>	2,604	271	2,875
<i>Finance expense, net</i>			(25)
<i>Tax expenses</i>			-
<i>Loss</i>			2,850

	As of June 30, 2023			
	Nutraceuticals	Pharmaceuticals	Adjustment & Elimination	Total
<i>Segment assets</i>	7,423	152	2,947	10,522
<i>Segment liabilities</i>	22,853	(244)	(5,930)	16,679

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):

	Six months ended June 30, 2022		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>			
External	1,537	-	1,537
<i>Total</i>	1,537	-	1,537
<i>Segment loss</i>	3,540	1,558	5,098
<i>Finance expense, net</i>			(592)
<i>Tax expenses</i>			-
<i>Loss</i>			4,506

	Three months ended June 30, 2022		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>			
External	838	-	838
<i>Total</i>	838	-	838
<i>Segment loss</i>	1,666	799	2,465
<i>Finance expense, net</i>			(89)
<i>Tax expenses</i>			-
<i>Loss</i>			2,376

	As of June 30, 2022			Total
	Nutraceuticals	Pharmaceuticals	Adjustment & Elimination	
<i>Segment assets</i>	10,209	19,006	(20,816)	8,399
<i>Segment liabilities</i>	17,862	7,700	(16,454)	9,108

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

	Six months ended June 30,	
	2023	2022
Israel	958	860
USA	3,955	677
	4,913	1,537

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):

	Three months ended June 30,	
	2023	2022
Israel	475	468
USA	2,275	370
	2,750	838

3) Additional information concerning 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:

- 1) During the period July - August 2023, the Company raised \$778 through a Convertible Loan B (see Note 5b).
- 2) On July 14, 2023, the Company issued 100,000 shares as compensation to consultants.
- 3) On August 18, 2023, the Company granted employees 300,000 options to purchase shares of the Company at CAD 0.17 (\$0.13) per share under the Company's share option plan.