

BioHarvest Sciences Inc.
Unaudited Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023
Expressed in U.S. dollars in thousands

BioHarvest Sciences Inc.

Unaudited Interim Condensed Consolidated Financial Statements For the Three and Nine Months Ended September 30, 2023 Expressed in U.S. dollars in thousands

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS:	
Unaudited Interim Condensed Consolidated Statements of Financial Position	4
Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss	5
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit	6-7
Unaudited Interim Condensed Consolidated Statements of Cash Flows	8
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	9-23

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

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

	Notes	As at September 30, 2023	As at December 31, 2022
Assets			
Current			
Cash and cash equivalents		\$ 1,559	\$ 1,736
Trade accounts receivable		633	545
Other accounts receivable		456	663
Inventory		2,075	1,378
Total current assets		4,723	4,322
Non-current			
Restricted cash		173	163
Property and equipment, net		5,697	4,908
Total non-current assets		5,870	5,071
Total assets		\$ 10,593	\$ 9,393
Liabilities			
Current liabilities			
Trade accounts payable		\$ 1,844	\$ 1,067
Other accounts payable		2,586	1,740
Accrued liabilities		178	163
Convertible Loans	5	9,987	8,549
Total current liabilities		14,595	11,519
Non-current liabilities			
Cash-settled share-based payment	4	-	123
Lease liability		1,444	1,670
Liability to Agricultural Research Organization		2,304	2,010
Total non-current liabilities		3,748	3,803
Shareholders' deficit			
Share capital and premium	3	68,520	65,012
Accumulated deficit		(76,270)	(70,941)
Total Shareholders' deficit		(7,750)	(5,929)
Total liabilities and shareholders' deficit		\$ 10,593	\$ 9,393

Going concern (Note 1b)

November 28, 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 Statements of Comprehensive Loss**

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

	Three-months period ended September 30,		Nine-months period ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 3,239	\$ 1,517	\$ 8,152	\$ 3,054
Cost of revenues	1,797	1,243	4,812	2,501
Gross profit	1,442	274	3,340	553
Operating expenses				
Research and development	894	554	2,317	1,740
Sales and marketing	1,798	1,595	5,490	3,704
General and administrative	757	1,102	2,950	3,184
Total operating expenses	3,449	3,251	10,757	8,628
Loss from operations	2,007	2,977	7,417	8,075
Finance expenses	155	951	457	1,249
Finance income	435	4	2,545	894
Net loss before tax	1,727	3,924	5,329	8,430
Net loss and comprehensive loss	\$ 1,727	\$ 3,924	\$ 5,329	\$ 8,430
Basic and diluted loss per share	0.00	0.01	0.01	0.02
Weighted average number of shares outstanding	469,722,873	458,007,096	467,718,719	460,716,275

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

BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

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

For the nine-month period ended September 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		-	532	-	532
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
Share issuance lieu of cash fees	3	100,000	16	-	16
Net loss and comprehensive loss for the period		-	-	(5,329)	(5,329)
Balance, September 30, 2023		478,688,168	\$ 68,520	\$ (76,270)	\$ (7,750)

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

BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

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

For the nine-month period ended September 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	-	1,150	-	1,150
Exercise of options and warrants by employees and consultants	6,922,138	816	-	816
Exercise of warrants by investors	164,000	64	-	64
Net loss and comprehensive loss for the period	-	-	(8,430)	(8,430)
Balance, September 30, 2022	460,716,275	\$ 64,593	\$ (68,135)	\$ (3,542)

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

BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statements of Cash Flows**

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

	Nine-months period ended	
	September 30,	
	Note	
	2023	2022
Cash flows from operating activities:		
Net loss for the period	\$ (5,329)	\$ (8,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	624	520
Fair value adjustments of derivative liability - convertible loans	(2,423)	801
Fair value adjustments of derivative liability - warrants	-	(630)
Interest and re-assessment on liability for Agricultural Research Organization, net	294	226
Finance expense, net	(90)	(160)
Share based compensation (including cash-settled share-based payment)	431	1,007
Changes in operations assets and liabilities:		
Change in inventory	(697)	(552)
Change in trade accounts receivables	(88)	(53)
Change in other accounts receivables	207	(169)
Changes in trade payables and accrued expenses	1,632	812
Cash used in operations	(5,439)	(6,628)
Interest paid	(89)	(109)
Net cash used in operating activities	(5,528)	(6,737)
Cash flow from investing activities:		
Purchase of property and equipment	(1,183)	(993)
Net cash used in investing activities	(1,183)	(993)
Cash flow from financing activities		
Payments of lease liabilities	(274)	(276)
Issuance of Convertible loan	5 6,418	5,307
Exercise of options and warrants	403	876
Net cash provided by financing activities	6,547	5,907
Exchange rate differences on cash and cash equivalents	(13)	(22)
Decrease in cash and cash equivalents	(164)	(1,823)
Cash and cash equivalents at the beginning of the period	1,736	4,117
Cash at the end of the period	\$ 1,559	\$ 2,272
Significant non-cash transaction:		
Conversion of Convertible loans into shares	2,557	-

The accompanying notes are an integral part of these Interim Condensed 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 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

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 Botanical Synthesis platform 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 Botanical Synthesis platform 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 has incurred losses from operations since its inception. As of September 30, 2023, the Company has an accumulated deficit of \$76,270. The Company generated negative cash flows from operating activities of \$5,528 and a loss in the amount of \$5,329 for the nine months ended September 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 it will fund near term anticipated activities based on proceeds from capital fund raising and future revenues.

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:

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 from January 1, 2023

- a) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment to IAS 8, which added the definition of accounting estimates, clarifies that the effects of a change in an input or measurement techniques are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments had no material effect on the interim condensed consolidated financial statements of the Company.
- b) IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendment to IAS 12, which clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously. The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These amendments had no material effect on the interim condensed consolidated financial statements of the Company.

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 2 - BASIS OF PREPARATION (Continued):

New IFRSs adopted from January 1, 2023 (continued)

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 is evaluating these standards but does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

NOTE 3 - SHARE CAPITAL:

	Number of shares	
	September 30, 2023 Issued and outstanding	December 31, 2022 Issued and outstanding
Ordinary shares	478,688,168	460,716,275

- The Company is authorized to issue an unlimited number of common shares.
- On July 14, 2023 the Company issued 100,000 common shares to consultants in lieu of cash fees. The increase in share capital and premium as a result of this transaction is \$16.
- During the nine-month period ended September 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 nine-month period ended September 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).

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):

- e. 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).
- f. On August 18, 2023, the Company granted employees and consultants 300,000 options to purchase the Company's shares at CAD 0.17 (\$0.13) 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 26 (\$19).
- g. The following table summarizes information regarding expenses relating to share-based compensation:

	Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2022
Equity settled compensation	118	532	360	1,150
Cash settled compensation	-	(101)	(21)	(143)
	118	431	339	1,007

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

Expected volatility	50%
Expected dividend yield	0%

- 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, 2023		December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise 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-f)	3,495,000	0.18	8,160,800	0.23
Options cancelled	-	-	(4,993,800)	0.35
Options exercised (See 3c)	(3,619,639)	0.11	(4,022,138)	0.11
Options forfeited*	(919,166)	0.25	(681,668)	0.18
Options outstanding at the end of the period (**)	61,377,502	0.19	62,421,307	0.19
Options exercisable at end of period	54,966,859		48,710,096	

(*) During the nine-month period ended September 30, 2023 919,166 options were forfeited due to termination of employment.

(**) The options outstanding at September 30, 2023 had a weighted-average contractual life of 7.35 years (September 30, 2022: 8 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 September 30, 2023:

Number Outstanding at September 30, 2023	Options Outstanding Exercise Price	Expiry Date	Options Exercisable at September 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	870,833
3,715,000	\$0.14 (CAD 0.19)	December 23, 2030	3,544,640
765,000	\$0.27 (CAD 0.36)	January 12, 2031	654,167
235,000	\$0.32 (CAD 0.43)	January 29, 2031	233,333
366,000	\$0.37 (CAD 0.50)	February 8, 2031	226,000
6,000,000	\$0.49 (CAD 0.66)	February 25, 2031	6,000,000
880,000	\$0.38 (CAD 0.51)	March 22, 2031	755,000
253,000	\$0.33 (CAD 0.45)	July 9, 2031	186,333
700,000	\$0.25 (CAD 0.34)	October 8, 2031	422,500
400,000	\$0.25 (CAD 0.34)	October 21, 2031	233,333
63,200	\$0.30 (CAD 0.40)	October 29, 2031	42,367
850,000	\$0.28 (CAD 0.38)	November 29, 2031	516,667
482,000	\$0.26 (CAD 0.35)	March 22, 2032	362,000
300,000	\$0.25 (CAD 0.34)	May 6, 2032	125,000
1,360,000	\$0.18 (CAD 0.24)	July 4, 2032	532,217
30,000	\$0.17 (CAD 0.23)	July 8, 2032	30,000
5,318,800	\$0.24 (CAD 0.32)	September 9, 2032	4,705,467
145,000	\$0.21 (CAD 0.28)	October 21, 2032	118,750
100,000	\$0.21 (CAD 0.28)	November 4, 2032	100,000
386,667	\$0.22 (CAD 0.29)	February 3, 2033	86,667
350,000	\$0.16 (CAD 0.22)	March 10, 2033	87,500
1,850,000	\$0.20 (CAD 0.26)	April 20, 2033	106,250
600,000	\$0.16 (CAD 0.21)	June 1, 2033	50,000
300,000	\$0.13 (CAD 0.17)	August 17, 2033	-
61,377,502			54,966,859

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

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

	September 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 September 30, 2023:

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

NOTE 5 - CONVERTIBLE LOANS:

a. Convertible loan A:

In 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 a 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 repaid 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 instrument that includes a debt host contract and an embedded derivative liability.

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):

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 ("OCI"). 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:

	September 30, 2023
Risk-free interest rate	4.88%
Expected volatility	50%

	Convertible loan A
Balance as of January 1, 2023	8,549
Income recognized in Profit or loss	(2,457)
Conversion of convertible loans (See note 3d)	(2,557)
Balance as of September 30, 2023	3,535

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 a convertible loan (the "Convertible Loan") with aggregate principal amounts of up to \$10,000 ("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 12% 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.

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):

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

- 80% 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").
- In the event that the Discounted Conversion Price is less than CAD 0.24 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.

An investor who invests a minimum amount of CAD 2,700,000 will also receive upon closing an additional warrant (the "Major Investment Warrant") for each CAD 0.30 invested. Each Major Investment Warrant will be exercisable for a period of 24 months from the Closing Date of the convertible loan to purchase a common share of the Company at CAD 0.30 per share (see note 9c).

As an incentive for early conversion, any investor who converts their investment amount within 12 months following the Closing Date of the convertible loan will receive a warrant for each CAD 0.30 converted (the "Early Conversion Warrant"). Each Early Conversion Warrant will be exercisable to purchase a common share of the Company at an exercise price of CAD 0.30 per share for a period expiring on the maturity date of the convertible loan.

The Company paid finder's fees of \$28 in connection with the transaction.

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 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 OCI. 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:

	September 30, 2023
Risk-free interest rate	4.88%
Expected volatility	50%

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):

	Convertible loan B
Balance as of January 1, 2023	-
Issuance of Convertible loan	2,978
Loss recognized in Profit or loss	105
Balance as of September 30, 2023	3,083

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 a 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 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'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):

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:

	September 30, 2023
Risk-free interest rate	4.88%
Expected volatility	50%

	Convertible loan C
Balance as of January 1, 2023	-
Issuance of Convertible loan	3,440
Income recognized in Profit or loss	(71)
Balance as of September 30, 2023	3,369

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	September 30, 2023			Significant unobservable inputs
	Fair value	Valuation technique	Fair value hierarchy level	
Convertible loan	9,987	Binomial model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- \$12 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	630
Balance as of December 31, 2022	-
Balance as of September 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
Issuance of Convertible loan	6,418
Conversion of Convertible loan	(2,557)
Loss (income) recognized in Profit or loss	(2,423)
Balance as of September 30, 2023	9,987

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 September 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:

	Nine months ended September 30, 2023	Three months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended September 30, 2022
Compensation of key management personnel of the Company:				
CEO management fees	354	116	382	121
Chairman management fees	583	150	158	59
CFO management fees	23	8	23	8
Share based payment to CEO	11	0	99	15
Share based payment to Chairman	198	23	282	136
Other related party transactions:				
Share based payments	9	2	44	3

Balance with related parties:

	As of September 30, 2023	As of December 31, 2022
Due to CEO	175	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.

The Company's chief operational decision maker reviews the Company's internal reports for performance evaluation and resource allocations. The Company's management determined the operational segments based on these reports. The chief operational decision maker examines the performance of the operating segments based on the measurement of operating profit.

No information was presented on the assets and liabilities of the segments because these items are not analyzed by the main operational decision maker in segmentation.

1) Segment information

	Nine months ended September 30, 2023		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>	8,152	-	8,152
<i>Segment loss</i>	6,635	782	7,417
<i>Finance expense, net</i>			(2,088)
<i>Tax expenses</i>			-
<i>Loss</i>			5,329

	Three months ended September 30, 2023		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>	3,239	-	3,239
<i>Segment loss</i>	1,777	230	2,007
<i>Finance expense, net</i>			(280)
<i>Tax expenses</i>			-
<i>Loss</i>			1,727

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):

	Nine months ended September 30, 2022		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>	3,054	-	3,054
<i>Segment loss</i>	5,691	2,384	8,075
<i>Finance expense, net</i>			355
<i>Tax expenses</i>			-
<i>Loss</i>			8,430

	Three months ended September 30, 2022		
	Nutraceuticals	Pharmaceuticals	Total
<i>Revenues</i>	1,517	-	1,517
<i>Segment loss</i>	2,151	826	2,977
<i>Finance expense, net</i>			947
<i>Tax expenses</i>			-
<i>Loss</i>			3,924

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

	Nine months ended September 30,	
	2023	2022
Israel	1,363	1,370
USA	6,789	1,684
	8,152	3,054

	Three months ended September 30,	
	2023	2022
Israel	405	510
USA	2,834	1,007
	3,239	1,517

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.

BioHarvest Sciences Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 9 - SUBSEQUENT EVENTS:

- a) On October 7, 2023 an attack was launched against Israel by Hamas (a terror organization) which thrust Israel into a state of war (hereinafter: "The state of war") in Israel and in Gaza strip. The company is continuing with its operations both in Israel and globally, as the state of war had no substantial impact on its operations or business results. The company continues to assess the effects of the state of war on its financial statements and business.
- b) During October- November 2023 the Company raised \$5,955 to convertible loan B (see note 5b).
- c) On October 30, 2023 the Company closed the first tranche of Convertible loan B. As part of the terms on the convertible loan, the Company issued 18,136,072 Major Investor Warrants (see note 5b).