

BioHarvest Sciences Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2024

Expressed in U.S. dollars in thousands

NOTICE TO SHAREHOLDERS

The accompanying unaudited interim condensed consolidated financial statements of BioHarvest Sciences Inc. for the three months ended March 31, 2024, 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 Months Ended March 31, 2024 Expressed in U.S. dollars in thousands

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

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

	Notes	As at March 31, 2024	As at December 31, 2023
Assets			
Current			
Cash and cash equivalents		\$ 3,436	\$ 5,355
Trade accounts receivable		755	808
Other accounts receivable		689	423
Inventory		2,676	2,466
Total current assets		7,556	9,052
Non-current			
Restricted cash		163	179
Property and equipment, net		5,194	5,771
Total non-current assets		5,357	5,950
Total assets		\$ 12,913	\$ 15,002
Liabilities			
Current liabilities			
Trade accounts payable		\$ 2,140	\$ 1,778
Other accounts payable		2,882	3,172
Derivative liability - warrants		-	526
Convertible loans	5	7,981	20,533
Accrued liabilities		313	458
Total current liabilities		13,316	26,467
Non-current liabilities			
Lease liability		726	1,425
Liability to Agricultural Research Organization		2,055	1,963
Total non-current liabilities		2,781	3,388
Shareholders' deficit			
Share capital and premium	3	86,902	68,652
Accumulated deficit		(90,086)	(83,505)
Total Shareholders' deficit		(3,184)	(14,853)
Total liabilities and shareholders' deficit		\$ 12,913	\$ 15,002

Going concern (Note 1B)

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

<p>May 30, 2024</p> <hr/> <p>Date of approval of the financial statements</p>	 <p>"Zaki Rakib" Director</p>	 <p>"Ilan Sobel" CEO</p>
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BioHarvest Sciences Inc.**Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss**

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

	Three-months period ended	
	March 31,	
	2024	2023
Revenues	\$ 5,344	\$ 2,163
Cost of revenues	2,341	1,371
Gross profit	3,003	792
Operating expenses		
Research and development expenses	1,034	611
Sales and marketing expenses	2,564	1,841
General and administrative expenses	829	875
Total operating expenses	4,427	3,327
Loss from operations	1,424	2,535
Finance expenses	5,157	143
Finance income	-	1,926
Net loss before tax	6,581	752
Net loss and comprehensive loss	\$ 6,581	\$ 752
Basic and diluted loss per share	(0.01)	(0.00)
Weighted average number of shares outstanding	481,109,884	465,720,560

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' Deficit**

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

For the three-months period ended March 31, 2024:

	Note	Number of shares	Share capital and premium	Accumulated deficit	Total
Balance, January 1, 2024		478,688,168	\$ 68,652	\$ (83,505)	\$ (14,853)
Exercise of options and warrants by employees and consultants	3,4	95,000	13	-	13
Share based compensation		-	133	-	133
Conversion of convertible loans into common shares and warrants	3,6	73,268,708	17,170	-	17,170
Reclassification of warrants	5,6	-	934	-	934
Net loss and comprehensive loss for the period		-	-	(6,581)	(6,581)
Balance, March 31, 2024		552,051,876	\$ 86,902	\$ (90,086)	\$ (3,184)

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' Deficit**

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

For the three-months period ended March 31, 2023:

	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	-	225	-	225
Conversion of convertible loans into common shares	5,774,175	1,292	-	1,292
Net loss and comprehensive loss for the period	-	-	(752)	(752)
Balance, March 31, 2023	466,490,450	\$ 66,529	\$ (71,693)	\$ (5,164)
Exercise of options and warrants by employees and consultants	3,619,639	403	-	403
Share based compensation	-	439	-	439
Conversion of convertible loans into common shares	8,478,079	1,265	-	1,265
Share issuance in lieu of cash fees	100,000	16	-	16
Net loss and comprehensive loss for the period	-	-	(11,812)	(11,812)
Balance, December 31, 2023	478,688,168	\$ 68,652	\$ (83,505)	\$ (14,853)

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

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

U.S. dollars in thousands

	Three-months period ended March 31,		
	Note	2024	2023
Cash flows from operating activities:			
Net loss for the period		\$ (6,581)	\$ (752)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		202	198
Fair value adjustments of derivative liability - convertible loans		4,618	(1,874)
Fair value adjustments of derivative liability - warrants		408	-
Interest and re-assessment on liability to Agricultural Research Organization, net		92	93
Finance expense, net		70	(18)
Share based compensation (including cash-settled share-based payment)		133	124
Changes in operations assets and liabilities:			
Change in inventory		(210)	(480)
Change in trade accounts receivable		53	1
Change in other accounts receivable		(266)	152
Changes in trade accounts payable, other accounts payable and accrued liabilities		(73)	931
Cash used in operations		(1,554)	(1,625)
Interest paid		(24)	(30)
Net cash used in operating activities		(1,578)	(1,655)
Cash flow from investing activities:			
Purchase of property and equipment		(222)	(376)
Net cash used in investing activities		(222)	(376)
Cash flow from financing activities:			
Payments of lease liabilities		(129)	(83)
Exercise of options		13	-
Convertible loans received	5	-	700
Net cash (used in) provided by financing activities		(116)	617
Exchange rate differences on cash and cash equivalents		(3)	(22)
Decrease in cash and cash equivalents		(1,916)	(1,414)
Cash and cash equivalents at the beginning of the period		5,355	1,736
Cash and cash equivalents at the end of the period		\$ 3,436	\$ 300
Significant non-cash transaction:			
Conversion of convertible loans into common shares and warrants		17,170	1,292

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 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 Munich Stock Exchange under the symbol “8MV”, the Stuttgart Stock Exchange under the symbol “CA09076J1084.SG” and the Tradegate 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 a biotechnology company that has developed the Botanical Synthesis Platform Technology, which enables the Company to grow, at an industrial scale, the active and beneficial ingredients in certain fruits and plants without the need to grow the plant itself. The Botanical Synthesis Platform Technology is the only non-genetically modified organism platform that can produce plant cells with significantly higher concentrations of active ingredients (as compared to those that are produced naturally), as well as extremely high levels of solubility and bio-availability. The Botanical Synthesis Platform Technology is economical, ensures consistency and avoids the negative environmental impacts associated with traditional agriculture by providing consistent product production, a year-round production cycle and products that are devoid of sugar, calories and contaminants, such as pesticides, heavy metals and residues.

The Company is currently focused on utilizing the Botanical Synthesis Platform Technology to develop the next generation of science-based and clinically proven therapeutic solutions through two business units:

1. The Products Business Unit, comprising:

- (a) **Nutraceuticals:** Research, development, manufacturing, marketing and sales of science-based therapeutic nutraceutical solutions (capsules, powders, chews and other delivery mechanisms such as coffee, teas and protein bars);
- (b) **Pharmaceuticals:** Research and development of plant cell-based Active Pharmaceutical Ingredients (“APIs”); and
- (c) **Cosmeceuticals:** Research and development for future manufacturing, marketing and sales of science-based therapeutic cosmeceutical solutions; and

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):

2. **The CDMO Services Business Unit**, a Contract Development and Manufacturing Operation (“CDMO”) that offers customers from the pharmaceutical, cosmeceutical, nutraceutical and nutrition industries the development and manufacturing of specific plant-based active molecules, via an end-to-end service agreement.

B. Going concern:

The Company has incurred losses from operations since its inception. As of March 31, 2024, the Company has an accumulated deficit of \$90,086. The Company generated negative cash flows from operating activities of \$1,578 and a net loss in the amount of \$6,581 for the three months ended March 31, 2024. 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB)and Interpretations (collectively IFRS). The financial statements have been prepared under the historical cost convention, except for the embedded derivative, share-based compensation and the convertible loans that are measured at fair value through profit or loss. 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, 2023. The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2023, are applied consistently in these interim consolidated financial statements.

New IFRSs adopted in the period

The following amendments are effective for the period beginning January 1, 2024:

- a) Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7); These amendments have no effect on the measurement or presentation of any items in the Interim Condensed Consolidated Financial Statements of the Company but affect the disclosure of accounting policies of the Company.
- b) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16); These amendments had no material effect on the Interim Condensed Consolidated Financial Statements of the Company.
- c) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); 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):

- d) Non-current Liabilities with Covenants (Amendments to IAS 1). These amendments had no material effect on the Interim Condensed Consolidated Financial Statements of the Company.

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, that the Company has decided not to adopt early. The Company is currently assessing the impact of these new standards, interpretations and amendments. The Company does not believe that the standards, interpretations and amendments will have a material impact on the financial statements once adopted.

NOTE 3 - SHARE CAPITAL:

	Number of shares	
	March 31, 2024	December 31, 2023
	Issued and outstanding	Issued and outstanding
Common shares	552,051,876	478,688,168

- a. The Company is authorized to issue an unlimited number of common shares.
- b. During the three-months period ended March 31, 2024, the Company issued 73,268,708 common shares as a result of the conversion of convertible loans. Based on the terms of the convertible loans, upon conversion, the Company also issued 39,775,554 early exercise warrants with an exercise price of \$0.22. 34,563,008 warrants are exercisable until October 30, 2025, and 5,212,546 are exercisable until December 22, 2025 (see note 5b). The increase in share capital and premium as a result of this transaction is \$17,170.
- c. During the three-months period ended March 31, 2024, the Company issued 95,000 common shares as a result of the exercise of options. The increase in share capital and premium as a result of this transaction is \$13.
- d. The following table summarizes information about the warrants outstanding as at March 31, 2024:

Warrants Outstanding		
at March 31, 2024	Exercise Price	Expiry Date
18,136,072	\$0.22	October 30, 2025
34,563,008	\$0.22	October 30, 2025
5,212,546	\$0.22	December 22, 2025

NOTE 4 - SHARE BASED COMPENSATION:

- a. Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable within 10 years from the date of grant upon payment of the exercise price as indicated in the Plan.
- b. On February 20, 2024, the Company granted employees and consultants 100,000 options to purchase shares of the Company at CAD 0.225 (\$0.17) 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 11 (\$8).

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):

- c. On February 20, 2024, the Company granted employees and consultants 476,000 options to purchase shares of the Company at CAD 0.225 (\$0.17) per share under the Company's share option plan. The options will be exercisable for a 2-year period. The options will vest immediately in May 2024. The total value of the options granted is CAD 24 (\$18).
- d. On March 22, 2024, the Company granted employees and consultants 1,650,000 options to purchase the Company's shares at CAD 0.285 (\$0.21) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 400,000 options will vest quarterly over a 2-year period, 1,130,000 options will vest quarterly over a 3-year period, 100,000 options will vest quarterly over a 1-year period, 20,000 options will vest over a 18-months period. The total value of the options granted is CAD 237 (\$175).
- e. On March 22, 2024, the Company granted employees and consultants 800,000 options to purchase the Company's shares at CAD 0.285 (\$0.21) per share under the Company's share option plan. The options will be exercisable for a 3-year period. 500,000 options will vest quarterly over a 2.75-year period after a 3-months period from the date of the grant and 300,000 options will vest monthly over a 2.5-year period after a 6-months period from the date of the grant. The total value of the options granted is CAD 77 (\$57).
- f. The following table summarizes information regarding expenses relating to share-based compensation:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Equity settled compensation	133	225
Cash settled compensation	0	(101)
	133	124

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

	March 31, 2024		December 31, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding at beginning of period	63,360,835	0.19	62,421,307	0.19
Changes during the period:				
Options granted	3,026,000	0.20	6,757,500	0.17
Options cancelled	-	-	-	-
Options exercised	(95,000)	0.14	(3,619,639)	0.11
Options forfeited*	(338,333)	0.18	(2,198,333)	0.21
Options outstanding at the end of the period (**)	65,953,502	0.19	63,360,835	0.19
Options exercisable at end of period	56,148,470		55,234,580	

(*) During the three-months period ended March 31, 2024, 338,333 options were forfeited due to termination of employment.

(**) The options outstanding at March 31, 2024 had a weighted-average contractual life of 6.98 years (March 31, 2023: 7.72 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 March 31, 2024:

Options Outstanding			Options Exercisable
at March 31, 2024	Exercise Price	Expiry Date	at March 31, 2024
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	950,000
2,695,000	\$0.14 (CAD 0.19)	December 23, 2030	2,695,000
665,000	\$0.27 (CAD 0.36)	January 12, 2031	665,000
160,000	\$0.32 (CAD 0.43)	January 29, 2031	160,000
266,000	\$0.37 (CAD 0.50)	February 8, 2031	266,000
6,000,000	\$0.49 (CAD 0.66)	February 25, 2031	6,000,000
880,000	\$0.38 (CAD 0.51)	March 22, 2031	880,000
243,000	\$0.33 (CAD 0.45)	July 9, 2031	209,666
700,000	\$0.25 (CAD 0.34)	October 8, 2031	535,000
400,000	\$0.25 (CAD 0.34)	October 21, 2031	300,000
63,200	\$0.30 (CAD 0.40)	October 29, 2031	50,700
850,000	\$0.28 (CAD 0.38)	November 29, 2031	650,000
482,000	\$0.26 (CAD 0.35)	March 22, 2032	402,000
290,000	\$0.25 (CAD 0.34)	May 6, 2032	169,167
1,360,000	\$0.18 (CAD 0.24)	July 4, 2032	753,052
30,000	\$0.17 (CAD 0.23)	July 8, 2032	30,000
5,257,967	\$0.24 (CAD 0.32)	September 9, 2032	4,827,967
145,000	\$0.21 (CAD 0.28)	October 21, 2032	139,167
385,000	\$0.22 (CAD 0.29)	February 3, 2033	145,000
350,000	\$0.16 (CAD 0.22)	March 10, 2033	175,000
1,850,000	\$0.20 (CAD 0.26)	April 20, 2033	610,416
400,000	\$0.16 (CAD 0.21)	June 1, 2033	175,000
300,000	\$0.13 (CAD 0.17)	August 17, 2033	50,000
2,927,500	\$0.15 (CAD 0.20)	December 7, 2033	307,500
300,000	\$0.16 (CAD 0.21)	December 14, 2033	25,000
476,000	\$0.17 (CAD 0.225)	February 20, 2026	-
100,000	\$0.17 (CAD 0.225)	February 20, 2034	-
300,000	\$0.21 (CAD 0.285)	March 22, 2027	-
500,000	\$0.21 (CAD 0.285)	June 22, 2027	-
1,650,000	\$0.21 (CAD 0.285)	March 22, 2034	-
65,953,502			56,148,470

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

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

	March 31, 2024		December 31, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at the beginning of the period	2,274,500	0.22	50,000	0.27
Changes during the period:				
Issuance of warrants	-	-	2,274,500	0.22
Expired	-	-	(50,000)	0.27
Warrants outstanding at the end of the period	2,274,500	0.22	2,274,500	0.22

The following table summarizes information about the warrants outstanding as at March 31, 2024:

Warrants Outstanding		
Number Outstanding	Exercise Price	Expiry Date
2,274,500	\$0.22 (CAD 0.30)	October 25, 2025

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.

On March 28, 2024 the company issued 1,665,283 shares as a result of the conversion of \$319 (principal and accrued interest) related to the Convertible loan A (see note 3b).

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):

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:

	March 31, 2024
Risk-free interest rate	4.72%
Expected volatility	50%

	Convertible loan A
Balance as of January 1, 2024	4,503
Loss recognized in Profit or loss	801
Conversion of convertible loans (note 3b)	(344)
Balance as of March 31, 2024	4,960

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.

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

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NOTE 5 - CONVERTIBLE LOANS (Continued):

b. Convertible loan B (Continued):

- 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. On October 30, 2023, the Company issued 18,136,072 Major Investment Warrants. These Warrants are classified as Derivative liability (see note 6). On March 28, 2024, all Major Investment Warrant holders agreed to convert the exercise price of the warrants from CAD to the equivalent in USD, based on the exchange rate at the dated of the approval of the Canadian Securities Exchange. Since the warrants have an exercise price denominated in US dollars which is the Company's functional currency, the Company reclassified the Major Investment Warrants as an equity instrument.

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. On March 28, 2024, all Early Conversion Warrant holders agreed to convert the exercise price of the warrants from CAD to the equivalent in USD, based on the exchange rate at the dated of the approval of the Canadian Securities Exchange. Since the warrants have an exercise price denominated in US dollars which is the Company's functional currency, the Company reclassified the Major Investment Warrants as an equity instrument.

On March 28, 2024 the company issued 49,719,442 shares as a result of the conversion of \$8,796 (principal and accrued interest) related to the Convertible loan B and 39,775,554 Early Conversion Warrants to purchase shares of the Company at USD 0.222 per share. 34,563,008 warrants will expire on October 30, 2025, and 5,212,546 warrants will expire on December 22, 2025 (see note 3b, 3d).

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:

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NOTE 5 - CONVERTIBLE LOANS (Continued):

b. Convertible loan B (Continued):

	March 31, 2024
Risk-free interest rate	4.32% - 4.40%
Expected volatility	50%

	Convertible loan B
Balance as of January 1, 2024	11,727
Loss recognized in Profit or loss	2,824
Conversion of convertible loans (note 3b)	(12,310)
Balance as of March 31, 2024	2,241

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").

On March 28, 2024 the company issued 21,883,983 shares as a result of the conversion of \$3,226 (principal and accrued interest) related to Convertible loan C (see note 3b).

The Convertible Loans are denominated in Canadian dollars and convertible into common shares based on the principal and interest balance. 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.

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:

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

	March 31, 2024
Risk-free interest rate	4.72%
Expected volatility	50%

	Convertible loan C
Balance as of January 1, 2024	4,303
Loss recognized in Profit or loss	993
Conversion of convertible loans (note 3b)	(4,516)
Balance as of March 31, 2024	780

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:

March 31, 2024				
Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Convertible Loans	7,981	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, 2022	-
Issuance of warrants	291
Exercise of warrants	-
Loss (income) recognized in profit or loss	235
Balance as of December 31, 2023	526
Loss (income) recognized in profit or loss	408
Reclassification as an equity instrument (note 5b)	(934)
Balance as of March 31, 2024	-

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NOTE 6 - FINANCIAL INSTRUMENTS - FAIR VALUE MEASUREMENT (Continued):**Convertible Loans**

Balance as of December 31, 2022	8,549
Issuance of convertible loan	13,517
Loss (income) recognized in profit or loss	1,024
Conversion of convertible loans	(2,557)
Balance as of December 31, 2023	20,533
Conversion of Convertible loan (note 3b)	(17,170)
Loss (income) recognized in Profit or loss	4,618
Balance as of March 31, 2024	7,981

Financial instruments not measured at fair value:

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

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

The fair value of Liability to Agricultural Research Organization for March 31, 2024 and December 31, 2023 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:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Compensation of key management personnel of the Company:		
CEO management fees	117	123
Chairman management fees	132	69
CFO management fees	8	8
Share based payment to CEO	-	9
Share based payment to Chairman	-	114
Other related party transactions:		
Share based payments	1	4

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NOTE 7 - RELATED PARTIES TRANSACTIONS (Continued):

Related party balances:

	March 31, 2024	December 31, 2023
Due to CEO	30	29

NOTE 8 - OPERATING SEGMENTS:

Starting January 1, 2024, the Company has two operating segments or business units: the Products business unit and the CDMO Services business unit. In identifying these operating segments, management generally follows the Company service lines representing its main products and services.

Segment description:

1. Products business unit.
 - Nutraceuticals: Research, development, manufacturing, marketing and sales of science-based therapeutic nutraceutical solutions (capsules, powders, chews and other delivery mechanisms such as coffee, teas and protein bars);
 - Pharmaceuticals: Research and development of plant cell-based active pharmaceutical ingredients (“APIs”); and
 - Cosmeceuticals: Research and development for future manufacturing, marketing, and sales of science-based therapeutic cosmeceutical solutions.
2. CDMO Services business unit
Offering customers from the pharmaceuticals, cosmeceuticals, nutraceuticals, and nutrition industries through an end-to-end service agreement for development and manufacturing of specific plant-based active molecules.

Segment information:

	Three months ended March 31, 2024		
	Products	CDMO Services	Total
<i>Revenues</i>	5,269	75	5,344
<i>Segment loss</i>	1,249	175	1,424
<i>Finance expense, net</i>			5,157
<i>Tax expenses</i>			-
<i>Loss</i>			6,581

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NOTE 8 - OPERATING SEGMENTS (Continued):

	Three months ended March 31, 2023		
	Products	CDMO Services	Total
<i>Revenues</i>	2,163	-	2,163
<i>Segment loss</i>	2,535	-	2,535
<i>Finance expense (income), net</i>			(1,783)
<i>Tax expenses</i>			-
<i>Loss</i>			752

- 1) Entity wide disclosures of external revenue by location of customers:

	Three months ended March 31,	
	2024	2023
Israel	485	483
USA	4,859	1,680
	5,344	2,163

- 2) 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:

- a) On April 1, 2024, the Company entered into a new lease agreement for a new facility located in Yavne, Israel and will be leased for a period of 6.5 years. The new facility houses clean rooms, laboratory space, offices, and additional space capable of supporting a new manufacturing facility. In parallel, the Company signed an equipment purchase agreement for 12 clean rooms located at the same facility at a cost of \$3,500. All equipment for the clean rooms has been installed and is ready for immediate operational use.
- b) On April 18, 2024, the Company issued 22,826,132 shares as a result of conversion of \$4,124 (principal and accrued interest) and 3,090,284 Early Conversion Warrants to purchase shares of the Company at USD 0.222 per share as part of convertible loan B. 2,917,987 warrants will expire on October 30, 2025, and 172,297 warrants will expire on December 22, 2025.
- c) On April 26, 2024, the Company granted 300,000 warrants to consultants to purchase shares of the Company at CAD 0.26 (\$0.19) per share. The warrants are exercisable for 24 months.
- d) On April 26, 2024, the Company granted 700,000 restricted share units to a consultant pursuant to its Equity Incentive Compensation Plan.

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NOTE 9 - SUBSEQUENT EVENTS (Continued):

- e) On May 27, 2024, the Company's shareholders approved a 35-for-1 share consolidation, (hereinafter referred to as the 35:1 Share Consolidation) of the Company's common shares pursuant to which the holders of the Company's common shares received one common share for every 35 common shares held. The 35:1 Share Consolidation is subjected to the approval of the Canadian Securities Exchange and will be effective once it is obtained. All common shares (issued and unissued) will be consolidated on the basis that every 35 common shares of no-par value will be consolidated into 1 common share of no-par value.