ELSE NUTRITION HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

CANADIAN DOLLARS IN THOUSANDS

INDEX

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of

ELSE NUTRITION HOLDINGS INC.

Opinion

We have audited the consolidated financial statements of Else Nutrition Holdings Inc. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of profit or loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1h in the consolidated financial statements which indicates that as of December 31, 2022 the Group has an accumulated deficit of approximately $48,868thousand, and that for the year ended December 31, 2022, the Group incurred total comprehensive loss of approximately $16,789thousand and had negative cash flow from operations of approximately $20,911thousand. As described in Note 1h, these conditions, together with other matters as set forth in Note 1h, indicate that a material uncertainty exists that may cast significant doubt as to the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. In addition to the matters described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Accuracy and existence of inventories AS described in Notes 6 and 2g, the Company's inventories totaled $5,910 thousand as at December 31, 2022. Inventories are comprised of raw materials, work in progress and finished goods. Raw materials are valued at the lower of cost and net realizable value. Work in progress are valued at direct costs and an appropriate portion of materials and production overheads. Finished goods are valued at the lower of cost and net realizable value and include the cost of raw materials, other direct costs and manufacturing overhead expenses. Net realizable value is the estimated selling price less costs necessary to make the sale. We considered this a key audit matter due to the magnitude of the inventories balance and the large number of inventory locations, and the audit effort involved in testing the inventories balance.	Our approach to addressing the matter included the following procedures, among others: • For a selection of locations of inventory counts performed by management prior to year-end, observed the inventory count procedures and performed independent test counts for a sample of inventory items. • Tested the inventories activity in the intervening period between the count date and the year-end date. • For a sample of inventory items for raw materials, work in progress and finished goods, recalculated the cost. • For a sample of work in progress and finished goods, tested the cost of transferred materials from raw materials to work in progress and finished goods, by agreeing the cost transferred to the carrying cost of the items previously classified in raw materials. • For a sample of inventory items, tested the net realizable value by comparing the selling prices of items sold close to the end of the reporting period to the carrying amounts of the inventory items. • Tested the allocation of other direct standard costs attributed to finished goods, by comparing the other direct standard costs in a sample of finished goods to the direct standard cost list. • Tested the reasonability of other direct standard costs absorbed by finished goods inventories during the year by analyzing the variances of standard to actual costs. • Tested the allocation of the actual manufacturing overhead expenses to inventories at year-end.

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Other Information included in the Group's 2022 Annual Information Form

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

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- material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Eli Barda.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
March 31, 2023

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian dollars in thousands

	Note	December 31, 2022	December 31, 2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		14,564	23,047
Restricted bank deposits		1,180	1,191
Short term bank deposit		817	1,229
Trade receivables	4	1,495	694
Other accounts receivables and prepaid expenses	5	823	431
Inventories	6	5,910	4,546
Total current assets		24,789	31,138
LONG-TERM ASSETS:			
Property, plant and equipment, net	7	533	484
Intangible assets, net	8	263	344
Right-of-use assets	9	578	956
Total long-term assets		1,374	1,784
Total assets		26,163	32,922
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		2,199	1,898
Other account payables	10	923	1,060
Related parties	16	9	8
Current portion of lease liability	9	238	351
Total current liabilities		3,369	3,317
LONG-TERM LIABILITIES:			
Lease liability	9	320	590
Warrants liability	14	4,072	2,243
Convertible loan	12	2,807	-
Total long-term liabilities		7,199	2,833
EQUITY:	14		
Share capital and premium		59,716	54,917
Other reserve		4,791	3,978
Accumulated other comprehensive income (loss)		(44)	(869)
Accumulated deficit		(48,868)	(31,254)
Total equity		15,595	26,772
Total liabilities and equity		26,163	32,922

The accompanying notes are an integral part of the consolidated financial statements.

March 31, 2023	*"Hamutal Yitzhak"*	*"Sokhie Puar"*
Date of approval of the financial statements	Hamutal Yitzhak CEO and Director	Sokhie Puar Director

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE LOSS

Canadian dollars in thousands, except share and per share data

	Year ended December 31, 2022	Year ended December 31, 2021
Revenues (Note 17)	8,527	4,687
Cost of sales (purchased products)	7,216	3,944
Gross profit	1,311	743
Operating expenses:		
Employee benefits expense	6,029	4,073
Research and development subcontractors	2,564	1,966
Share-based compensation	1,094	2,201
Consulting fees	1,531	1,092
Professional fees	1,054	593
Advertising	5,955	6,492
Depreciation and amortization	496	384
Investors relations	647	430
Office and miscellaneous	2,476	1,232
Total operating expenses	21,846	18,463
Loss before other expenses	(20,535)	(17,720)
Other expenses:		
Revaluation of warrants (Note 14d)	2,870	15,372
Unrealized gain (loss) on foreign currency	51	730
Net loss	(17,614)	(1,618)
Other comprehensive loss:		
Amounts that will be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	825	(591)
Total comprehensive loss for the year	(16,789)	(2,209)
Net loss per share attributable to equity holders of the Company (in Canadian dollars):		
Basic loss per common share	(0.16)	(0.02)
Diluted loss per common share	(0.16)	(0.17)
Weighted average number of shares outstanding – basic	108,684,822	97,463,350
Weighted average number of shares outstanding – diluted	108,684,822	100,522,077

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian dollars in thousands, except share and per share data

	Common shares		Reserve -	Reserve -	Accumulated other comprehensive income (loss)	Accumulated	Total shareholders'
	Number	Amount	warrants	options	**)	deficit	equity
Balance as of January 1, 2021	94,652,872	39,137	873	1,112	(278)	(29,636)	11,208
Other comprehensive loss	-	-	-	-	(591)	-	(591)
Net loss	-	-	-	-	-	(1,618)	(1,618)
Total comprehensive loss	-	-	-	-	(591)	(1,618)	(2,209)
Shares issued as a non-cash consideration for services	37,632	68	-	-	-	-	68
Issuance of public shares, net of issuance expenses	8,050,000	14,076	185	-	-	-	14,261
Issuance of shares upon warrants exercise	1,402,716	1,604	(388)	-	-	-	1,216
Issuance of shares upon options exercise	53,000	32	-	(5)	-	-	27
Share-based compensation	-	-	6	2,195	-	-	2,201
Balance as of December 31, 2021	104,196,220	54,917	676	3,302	(869)	(31,254)	26,772
Other comprehensive	-	-	-	-	825	-	825
Net loss	-	-	-	-	-	(17,614)	(17,614)
Total comprehensive profit	-	-	-	-	825	(17,614)	(16,789)
Issuance of public shares, net of issuance expenses	7,004,000	4,449	69	-	-	-	4,518
Issuance of shares upon warrants exercise	1,400,000	350	(350)	-	-	-	-
Share-based compensation	-	-	(176)	1,270	-	-	1,094
Balance as of December 31, 2022	112,600,220	59,716	219	4,572	(44)	(48,868)	15,595

**) Comprised of exchange differences on translation of foreign operations.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian dollars in thousands

	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities:		
Net loss	(17,614)	(1,618)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	1,094	2,201
Financial expenses, net	35	27
Revaluation of warrants	(2,870)	(15,372)
Depreciation and amortization	496	384
	(1,245)	(12,760)
Changes in asset and liability items:		
Increase in trade receivables	(774)	(303)
Increase in other account receivables and prepaid expenses	(399)	(141)
Increase in inventories	(1,020)	(2,081)
Increase in trade payable	244	729
Increase (decrease) in other account payables	(103)	411
	(2,052)	(1,385)
Net cash used in operating activities	(20,911)	(15,763)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian dollars in thousands

	Year ended December 31,	
	2022	**2021**
Cash flows from investing activities:		
Purchase of property and equipment	(160)	(287)
Change in short term deposit, net	341	1,940
Investment in restricted bank deposits	(11)	(512)
Net cash provided by investing activities	170	1,141
Cash flows from financing activities:		
Issue of Common shares and warrants, net of issue expenses	6,743	16,013
Lease payment	(335)	(259)
Warrants liability transaction fees	-	(166)
Receipt of a convertible loan	5,281	-
Non-cash cost of issuance	-	19
Cash from share options exercised	-	1,216
Cash received for exercise of warrants	-	27
Net cash provided by financing activities	11,689	16,850
Exchange rate differences on balances of cash and cash equivalents	569	(719)
Increase (decrease) in cash and cash equivalents	(8,483)	1,509
Cash and cash equivalents at the beginning of the year	23,047	21,538
Cash and cash equivalents at the end of the year	14,564	23,047
Non-cash transactions		
Right-of-use asset recognized with a corresponding lease liability	-	930
Issuance of warrants	2,474	-

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1: - GENERAL

a. Else Nutrition Holdings Inc. (the “Company” or “Else”) was incorporated under the Business Corporations Act of British Columbia on July 18, 2011.

b. On June 12, 2019, the Company completed a reverse take-over transaction with Else Nutrition GH Ltd. (“Else GH”) by way of a share exchange, (the “Transaction” or “RTO”). Upon the completion of the Transaction, the Company changed its name from ASB Capital Inc. to Else Nutrition Holdings Inc. In connection with the Transaction, Else GH became a wholly owned subsidiary of the Company.

Prior to the Transaction, the Company was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4 with its shares listed on the NEX trading board of the Exchange. Upon completion of the Transaction, the Company’s shares began trading on the Exchange as a Tier 2 ‘Technology’ company on June 18, 2019 under the trading symbol “BABY”.V. The Transaction represented the qualifying transaction of the Company under the policies of the Exchange. On January 25, 2022 the Company’s common shares and warrants commenced trading on the TSX under the trading symbols of “BABY”. In connection with the TSX listing, the Company’s common shares and warrants were concurrently delisted from the TSX-V.

Effective December 10, 2019, the Company’s common shares were listed for trading on the OTCQB International Market under the trading symbol ‘BABYF’. The OTCQB International Market is a venture market operated by the OTC Markets Group and designed for early-stage and developing U.S. and international companies. The Company upgraded its OTCQB listing to the OTCQX® Best Market as of July 24, 2020.

On June 12, 2021, the Company’s common shares were also accepted for listing on the Frankfurt Stock Exchange (FSE) under the trading symbol ‘0YL’.

c. The Company focuses on research, development, manufacturing, marketing and sale of innovative plant-based food and nutrition products and feeding accessories products to infant, toddler and children's markets.

The head office is located at 6 Hanechoshet Street, Tel Aviv, Israel6971070. The registered office of the Company is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

d. On January 23, 2020 the Company established a wholly owned subsidiary in the U.S., Else Nutrition USA, Inc., which is primarily engaged manufacturing, sales and marketing. The office is located at Suite 200 – 0501 W. Schrock Road, Westerville, OH 43081, USA.

e. On February 11, 2021, the Company filed and received a receipt for a preliminary base shelf prospectus with the securities commissions in each of the provinces of Canada excluding Quebec. The Company filed a final base shelf prospectus on April 20, 2021 and received a final receipt, therefore. The final base shelf prospectus qualifies distribution up to $75,000 in any combination of common shares, warrants and units of the Company in one or more transactions within a 25-month period from the effective date of the Short Form Prospectus. The specific terms of any offering under the base shelf prospectus will be established in a prospectus supplement, which will be filed with the applicable Canadian

NOTE 1: - GENERAL (Cont.)

securities' regulatory authorities in connection with any such offering. On October 2021 and June 2022, the Company utilized $17,308 and $7,354, respectively, out of the $75,000.

f. On January 25, 2022 the Company established a wholly owned subsidiary in the Canada, Else Nutrition Canada, Inc., which is primarily engaged in sales and marketing. The registered office of the Company is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

g. On December 7, 2022 the Company established a wholly owned subsidiary in the Australia, Else Nutrition Australia PTY Ltd., which is primarily engaged in sales and marketing. The registered office of the Company is located at Level 6, 140 William Street, Melbourne VIC 3000.

h. The Company experienced delays of certain research and development milestones. These delays were primarily caused by business and government closures of testing laboratories and regulatory agencies delays in inputs and responses, as well as the imposition of governmental restrictions as a result of COVID-19. The Company expects ongoing delays in FDA and other regulatory agencies reviewing process and long waiting times for input and responses required to obtain necessary EMA, FDA and other regulatory approvals as a result of ongoing pandemic related restrictions. The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. Management regularly monitors economic conditions and estimates their impact on the Company’s operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

i. These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Group has not achieved a scalable commercialization of its products. As of December 31, 2022, the Group has an accumulated deficit of $48,868. For the year ended December 31, 2022, the Group incurred total comprehensive loss of $16,789and had negative cash flow from operations of $20,911. The Group’s ability to continue as a going concern is dependent upon its ability to generate product sales, negotiate collaboration agreements with upfront and/or continuing payments, obtain research grants, raise additional financing, and ultimately attain and maintain profitable operations. While the Group is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Group to continue as a going concern.

The above circumstances indicate that a material uncertainty exists that may cast significant doubt as to the Group’s ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the Group’s assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

NOTE 1: - GENERAL (Cont.)

i. Definitions:

In these financial statements:

Related parties	-	As defined in IAS 24.
Subsidiaries		Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Group	-	The Company and its subsidiaries

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The Company's financial statements have been prepared on a cost basis, except for warrant liability which are presented at fair value through profit or loss. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

The Company has elected to present the profit or loss items using the nature of expense method.

The Company has one operating cycle that does not exceed one year.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of its subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the Canadian dollar.

The Group determines the functional currency of each Group entity. The functional currency of the entities located in Israel is the New Israel Shekel (“NIS”), and for the entities located in USA is the USA Dollar.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Cash and cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Restricted cash:

Restricted cash is primarily invested in highly liquid deposits, which mature within one year. These deposits are used as security for credit cards payments and rent payments and tender guarantee.

g. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials - at cost of purchase using the "first-in, first-out" method.

Work in progress - includes direct costs and an appropriate portion of materials and production overheads.

Finished goods - using the "first-in, first-out" method.

h. Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

Canadian dollars in thousands, except share and per share data

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	%	Mainly %
Office furniture and equipment	7-33	33
Computers, software and peripheral equipment	33	33
Lab equipment	10	10
Manufacturing equipment	10	7
Electronic equipment	10-33	33
Leasehold improvements	see below	

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

i. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective expenditure asset during its development. As of December 31, 2022 and 2021, the Group did not capitalize any research and development expenses.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The useful life of intangible assets is as follows:

	Customer relationship	**Order backlog**
Useful life	Definite (9.5-11.5 years)	Definite (5 years)
Amortization method	Straight-line	Straight-line

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

The following criteria are applied in assessing impairment of goodwill:

The impairment test is performed annually, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods:

Revenue from the sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

l. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term.

	Years	**Mainly**
Offices & Car	2-3	2
Lab	2	2

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. Variable lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Lease extension:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised, and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

n. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and

- The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

3. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or

- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or

  has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

a. Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures financial liabilities at amortized cost using the effective interest rate method.

b. Financial liabilities at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value. Transaction costs are recognized in profit or loss.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

After initial recognition, changes in fair value are recognized in profit or loss.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties.

7. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

o. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

p. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

q. Employee benefit liabilities:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law in Israel under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

r. Share-based payment transactions:

The Company's employees and service providers are entitled to remuneration in the form of equity-settled share-based payment transactions that are measured based on the increase in the Company's share price.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

If a grant of an equity instrument is canceled, it is accounted for as if it had vested on the cancelation date and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are accounted for as a modification of the original grant, as described above.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Loss per share:

Loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of Common shares outstanding during the period.

Potential Common shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Common shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

To compute diluted net loss per share, convertible securities (dilutive potential Common shares), detailed below, have not been taken into account since their conversion decreases the loss from continuing operations (anti-dilutive effect):

51,985,094 warrants
11,148,780 options to employees under share-based payment plans

t. Disclosure of new standards adopted during the year:

1) Amendments to IFRS 3, "Business Combinations":

In May 2021, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements.

The IASB added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately

According to the exception, liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 will be recognized on the acquisition date according to the criteria in IAS 37 or IFRIC 21 and not according to the Conceptual Framework.

The Amendments did not have an effect on the Company’s financial statement.

2) Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2021, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.
The Amendment did not have a material impact on the financial statements.

u. Disclosure of new standards in the period prior to their adoption:

1) Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2022, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted.

The Company is evaluating the effects of the Amendment on its financial statements.

2) Amendment to IAS 1, "Presentation of Financial Statements":
In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- An entity should provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months from the reporting date. This disclosure is required to include information about the covenants and the related liabilities. The disclosures must include information about the nature of the future covenants and when compliance is applicable, as well as the carrying amount of the related liabilities. The purpose of this information is to allow users to understand the nature of the future covenants and to assess the risk that a liability classified as non-current could become repayable within twelve months. Furthermore, if facts and circumstances indicate that an entity may have difficulty in complying with such covenants, those facts and circumstances should be disclosed.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted.

The Company is evaluating the effects of the Amendments on its financial statements.

NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

- Discount rate for a lease liability:

  When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

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Canadian dollars in thousands, except share and per share data

NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

- Determining the fair value of an unquoted financial liability:

  The fair value of unquoted warrant liability in Level 3 of the fair value hierarchy is determined using the Black and Scholes option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of and expected dividend

NOTE 4: - TRADE RECEIVABLES

	December 31,	
	2022	2021
Open accounts	1,442	638
Checks receivable	53	56
Trade receivables	1,495	694

No past due trade receivables on December 31, 2022 and 2021.

NOTE 5: - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2022	2021
Government authorities	47	105
Prepaid expenses	758	312
Advances to suppliers	18	14
	823	431

Canadian dollars in thousands, except share and per share data

NOTE 6: - INVENTORIES

	December 31, 2022	December 31, 2021
Raw materials	3,152	980
Work in progress	1,953	1,563
Finished goods	805	2,003
	5,910	4,546

NOTE 7: - PROPERTY, PLANTAND EQUIPMENT, NET

	December 31, 2022	December 31, 2021
Cost:		
Computers, software and peripheral equipment	116	116
Office furniture and equipment	89	76
Leasehold improvements	70	75
Lab equipment	106	100
Electronic equipment	71	53
Manufacturing equipment	293	167
	745	587
Accumulated depreciation:		
Computers, software and peripheral equipment	(81)	(51)
Office furniture and equipment	(12)	(6)
Leasehold improvements	(12)	(5)
Lab equipment	(21)	(9)
Electronic equipment	(25)	(10)
Manufacturing equipment	(61)	(22)
	(212)	(103)
Net book value	533	484

Canadian dollars in thousands, except share and per share data

NOTE 8: - INTANGIBLE ASSETS, NET

Composition and movement:

2022:

	Customer relationship	Order backlog	Goodwill	Total
Cost:				
Balance on January 1, 2022	269	186	52	507
Additions during the year	-	-	-	-
Adjustments arising from translating financial statements of foreign operations	(16)	(11)	(4)	(31)
Balance on December 31, 2022	253	175	48	476
Accumulated amortization:				
Balance on January 1, 2022	69	94	-	163
Additions during the year	25	35	-	60
Adjustments arising from translating financial statements of foreign operations	(3)	(7)	-	(10)
Balance on December 31, 2022	91	122	-	213
Net book value at December 31, 2022	162	53	48	263

2021:

	Customer relationship	Order backlog	Goodwill	Total
Cost:				
Balance on January 1, 2021	260	180	50	490
Additions during the year	-	-	-	-
Adjustments arising from translating financial statements of foreign operations	9	6	2	17
Balance on December 31, 2021	269	186	52	507
Accumulated amortization:				
Balance on January 1, 2021	41	54	-	95
Additions during the year	26	35	-	61
Adjustments arising from translating financial statements of foreign operations	2	5	-	7
Balance on December 31, 2021	69	94	-	163
Net book value at December 31, 2021	200	92	52	344

Canadian dollars in thousands, except share and per share data

NOTE 9: - OPERATING LEASES

The Group has entered into non-cancelable operating lease agreement of its offices, car leasing and a lab that terminates in between November 2022 to August 2023.

The leases include one or more options to renew. The Group assumes renewals in the determination of the lease term if the renewals are deemed to be reasonably assured at lease commencement date. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Other information about lease amounts recognized in the Group's consolidated financial statements is summarized as follows:

2022:

	Total right of use asset – offices & car leasing	Lease liability- offices & car leasing	Total right of use asset – lab	Lease liability – lab
As of January 1, 2022	890	880	66	61
Additions	-	-	-	-
Depreciation	(266)	-	(63)	-
Payments	-	(277)	-	(58)
Interest	-	(33)	-	(3)
Adjustments arising from translating financial statements of foreign operations	(46)	(12)	(3)	-
As of December 31, 2022	578	558	-	-

2021:

	Total right of use asset – offices & car leasing	Lease liability- offices & car leasing	Total right of use asset – lab	Lease liability – lab
As of January 1, 2021	98	99	135	129
Additions	930	930	-	-
Depreciation	(180)	-	(68)	-
Payments	-	(192)	-	(67)
Interest	-	20	-	7
Adjustments arising from translating financial statements of foreign operations	42	23	(1)	(8)
As of December 31, 2021	890	880	66	61

Canadian dollars in thousands, except share and per share data

NOTE 10: - OTHER ACCOUNT PAYABLES

	December 31, 2022	December 31, 2021
Accrued expenses	577	578
Employees and payroll accruals	346	482
	923	1,060

NOTE 11: - FINANCIAL INSTRUMENTS

a. Financial assets:

	December 31, 2022	December 31, 2021
Financial assets at amortized cost:		
Short – term bank deposit	817	1,229
Restricted cash	1,180	1,191
Trade receivables	1,495	694
Total financial assets at amortized cost	3,492	3,114
Total financial assets	3,492	3,114
Total current	3,492	3,114

b. Other financial liabilities:

	December 31, 2022	December 31, 2021
Financial liabilities at amortized costs:		
Trade payables	2,199	1,898
Other accounts payables	923	1,069
Lease liability	558	941
	3,680	3,907
Financial liabilities at fair value through profit or loss:		
Warrant liability	4,072	2,243
Convertible loan	2,807	-
	6,879	2,243
Total financial liabilities	10,568	6,150
Total current	3,369	3,317
Total non-current	7,199	2,833

NOTE 11: - FINANCIAL INSTRUMENTS (Cont.)

c. Management believes that the carrying amount of cash, restricted cash, trade receivables, other accounts receivables, trade payables, other account payables and related parties approximate their fair value due to the short-term maturities of these instruments.

d. Financial risk management objectives and policies:

The Company's principal financial assets include receivables, cash and restricted cash that derive directly from its operations.

The Company is exposed to credit risk, price risk, currency risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Company's financial performance. Risk management is performed by the Company's Chief Financial Officer.

1. Credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and trade receivables.

Cash and cash equivalents, and restricted cash are mainly invested in major banks in Israel and in Canada. Management believes that the financial institutions holding the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to those investments.

The Company does not require collateral on trade receivables, as the majority of their customers are well established companies. The Company performs ongoing reviews of its trade receivables based on payment due dates and provides an allowance for potential credit losses as necessary. For all periods presented credit losses are immaterial.

2. Share price risk:

The Company's warrant liability is sensitive to market price risk arising from uncertainties about future value of the Company. However, there will be no effect on the cash flow of the Company as the warrants can be only exercised to Company's shares.

3. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to the Company's cash and warrant liability which are denominated in Canadian dollar.

Canadian dollars in thousands, except share and per share data

NOTE 11: - FINANCIAL INSTRUMENTS (Cont.)

4. Liquidity risk:

The Group monitors the risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and debentures.

e. Changes in liabilities arising from financing activities:

	Loan liabilities	Lease liabilities	Warrant liability	Total liabilities arising from financing activities
Balance as of January 1, 2021	-	228	16,010	16,238
Cash flows	-	(259)	1,605	1,346
Effect of changes in exchange rates	-	15	-	15
Effect of changes in fair value	-	-	(15,372)	(15,372)
New finance lease obligation recognized	-	930	-	930
Other changes	-	27	-	27
Balance as of December 31, 2021	-	941	2,243	3,184
Cash flows	3,306	(335)	4,699	7,670
Effect of changes in exchange rates	-	(12)	-	(46)
Effect of changes in fair value	-	-	(2,870)	(2,870)
Other changes	-	(36)	-	(36)
Balance as of December 31, 2022	3,306	558	4,072	7,936

NOTE 12: - CONVERTIBLE LOAN

On December 19, 2022, the Company signed a convertible loan agreement with Lind Global Found II LP (Lind) in the amount of up to US $13,750 thousand (approximately $18,700). The convertible loan bears an annual interest of 10% with a maturity of 36 months.

On December 22, 2022 the Company received the Initial Convertible loan in the amount of US$4,250 thousand (approximately $5,780). The Initial Convertible Security will have a 36-month maturity date and will be convertible into Common shares of the Company after completion of a 120 day lock-up period. Lind will be able to convert 1/20th of the face value each month at a conversion price equal to 85% of the five-day volume weighted average price of the Common shares immediately prior to each conversion, subject to a right to increase conversions in certain circumstances.

The outstanding principal amount of the Initial Convertible Security, after 180 days, may be repaid in cash at the discretion of the Company, with a 5% premium (the “Buy-Back Right”). Should the Company exercise its Buy-Back Right, Lind would have the option to convert up to 33% of the face value of the Initial Convertible Security into Common shares.
Following the Initial Convertible Security issuance, the Company would have the right to draw a further US$1,250 thousand (which may be increased to US$3,000 thousand upon mutual agreement) (the “Second Draw”), subject to the terms of the formal agreements, and thereafter an optional follow-on investment of up to US$6,500 thousand, (the “Third Draw”), upon mutual agreement, in exchange for the issuance of additional convertible notes. The Initial Convertible Security, and each of the additional convertible notes, if applicable, will include detached warrants (the “Warrants”) to purchase Common Shares.

NOTE 12: - CONVERTIBLE LOAN (Cont.)

In connection with the Initial Convertible Security, the Company issued 8,247,129 Warrants at an exercise price of $1.15 per share for a period of four years from the date of issuance. As the exercise price of the warrants is denominated in Canadian dollars with the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.On the date of grant the Company recorded a liability with respect to the Warrant grant in the amount of $ 2,474.

The number of Warrants issued on the Second Draw and Third Draw will be calculated on 75% of the amount of the draw divided by the volume weighted average price per share during the twenty (20) consecutive trading days immediately before the closing date of the Second Draw and the Third Draw. The exercise price of Warrants issued on the Second Draw and the Third Draw will be equal to the greater of: (i) the volume weighted average price per share (in Canadian dollars) for the five (5) consecutive trading days immediately before the date of the Second Draw or Third Draw closing as applicable, and (ii) 130% of the volume weighted average price per share (in Canadian dollars) for the twenty (20) consecutive trading days immediately before the date of the Second Draw or Third Draw closing as applicable.

The signed agreement includes an event of Cash Balance default if the aggregate of the Company's net cash falls below US$3 million at any time.

NOTE 13: - TAXES ON INCOME

a. Tax rates applicable to the Group:

The Canadian corporate income tax rate was 26.5% in 2022 and 2021.

The Israeli corporate income tax rate was 23% in 2022 and 2021.

The USA corporate income tax rate was 21% in 2022 and 2021.

b. Tax assessments:

The Company and its subsidiaries have not received final tax assessments since their incorporation.

c. Carryforward losses for tax purposes and other temporary differences:

Carryforward operating tax losses and capital losses of the Group total approximately $43,472 as of December 31, 2022.

Deferred tax assets relating to carryforward operating losses of approximately $10,007as of December 31,2022 and to other temporary differences of approximately $498 were not recognized because their utilization in the foreseeable future is not probable.

NOTE 14: - EQUITY

a. Authorized share capital:

Unlimited number of Common shares without par value.

b. Issuance of share capital:

In connection with the Transaction (see Note 1), the Company consolidated its Common shares on a 5:1 basis, resulting in 3,538,666 post-consolidation shares outstanding immediately prior to completion of the Transaction. As part of the Transaction, 29,400,019 Common shares were issued to the shareholders of Else GH at a ratio of 132.30022 new Common shares for each share of Else GH. The shareholders of Else were also granted.

31,165,462 Key Person Warrants (see "Share Warrants" below) as part of the exchange for their shares in Else. In addition, for services related to the Transaction 4,199,965 Common shares valued at $1,050 and 3,237,760 share warrants valued at $379 were issued.

On June 12, 2019, the Company closed a private placement for 30,000,000 Common shares at $0.25 per share for $7,500. In connection with the private placement, the Company paid $861 in finders' fees.

On March 2, 2020, the Company closed financing of $8,005 through a private placement. Pursuant to the private placement, the Company issued 12,383,900 units at a price of $0.646 per unit for gross proceeds of $8,005. Each unit consists of one Common share and 0.25 share warrants, with each whole warrant entitling the holder to acquire one additional Common share of the Company at an exercise price of $0.969 per share for a period of thirty months from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling $7,212 (after deduction of issuance expenses totaling $373) and a liability in respect of warrants at the amount of $399 (after deduction of issuance expenses totaling $21). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

On October 6, 2020, the Company closed an upsized bought deal public offering of 9,200,000 units at a price of $2.25 per unit for aggregate proceeds of $20,700. Concurrent with the above-mentioned public offering, the Company also issued 2,224,111 units on a private placement for aggregate proceeds of $5,004. Each unit comprises one Common Share of the Company and one-half of one Common Share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of $3.25 per share for a period of two years. At the time of closing the Company recorded an increase in equity in

NOTE 14: - EQUITY (Cont.)

respect of shares, totaling $18,393 (after deduction of issuance expenses totaling $5,556) and liability in respect of share for warrants at the amount of $1,344 (after deduction of issuance expenses totaling $406). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the private placement warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model, and the public warrants are measured based on market price.

The Company issued 597,920 broker warrants as underwriting fees, each broker warrant entitling the holder to purchase one Common share at a price of $2.25 per share for a period of two years. The fair value of the broker Warrants on the date of grant was $283.

On October 21, 2021, the Company has closed a financing round of $17,308 through a public offering, The Company issued 8,050,000 units at a price of $2.15 per unit for gross proceeds of $17,308. Each unit consists of one common share and 0.5 share Warrant, with each whole Warrant entitling the holder to acquire one additional Common Share of the Company at an exercise price of $2.70 per share for a period of five years from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling $14,076 (after deduction of issuance expenses totaling $1,461) and liability in respect of Warrants at the amount of $1,605 (after deduction of issuance expenses totaling $166). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

The Company issued 447,194 broker warrants as underwriting fees, 423,939 of the broker warrant entitling the holder to purchase one Common share at a price of $2.15 per share for a period of two years and the other 23,255 broker warrant entitling the holder to purchase one Common share at a price of $2.70 per share for a period of five years. The fair value of the broker Warrants on the date of grant was $185.

On June 29, 2022, the Company has closed a financing round of $7,354 through a public offering, The Company issued 7,004,000 units at a price of $1.05 per unit for gross proceeds of $7,354. Each unit consists of one common share and one share Warrant, with each whole Warrant entitling the holder to acquire one additional Common Share of the Company at an exercise price of $1.25 per share for a period of five years from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling $4,450 (after deduction of issuance expenses totaling $453) and liability in respect of Warrants at the amount of $2,225 (after deduction of issuance expenses totaling $226). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

The Company issued 460,280 broker warrants as underwriting fees, the broker Warrant entitling the holder to purchase one Common share at a price of $1.05 per share for a period of two years. The fair value of the broker Warrants on the date of grant was $68, classified as level 3 of the fair value hierarchy.

NOTE 14: - EQUITY (Cont.)

c. Stock options:

In February 2018 and September 2019, the Board of Directors of the Company adopted the Company's 2018 Stock Option Plan and 2019 Stock Option Plan, respectively (together "the Plan"). The Plan provides for the grant of options to purchase Common shares of the Company to employees, officers, directors and consultants of the Company. The Plan set the pool of the unallocated options to a total of 10% of the issued shares of the Company.

Options granted under the Plan expire 10 years from the date of grant.

On June 12, 2019, the Company issued an aggregate of 3,430,000 incentive stock options to directors, officers, and employees of the Company. Each option is exercisable into one Common share of the Company at a price of $0.25 per share for a period of five years from the date of grant. The total stock options will follow two different vesting schedules. Of the total options granted: (A) 2,630,000 options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; and (B) 800,000 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On September 26, 2019, the Company issued an aggregate of 144,000 incentive stock options as a consideration towards consulting agreement for the general capital markets, management and business development advisory services. Each option is exercisable into one Common share of the Company at a price of $0.49 per share for a period of three years from the date of grant. These options will vest equally over a period of 36 months from the date of grant.

On December 18, 2019, the Company issued an aggregate of 72,000 incentive stock options as a consideration towards consulting agreement. Each option is exercisable into one Common share of the Company at a price of $0.38 per share for a period of three years from the date of grant. These options will vest equally over a period of 36 months from the date of grant.

On December 19, 2019, the Company issued an aggregate of 72,000 incentive stock options as a consideration towards consulting agreement. Each option is exercisable into one Common share of the Company at a price of $0.38 per share for a period of three years from the date of grant. These options will vest equally over a period of 36 months from the date of grant.

NOTE 14: - EQUITY (Cont.)

On January 14, 2020, the Company issued an aggregate of 100,000 incentive stock options as a consideration towards consulting agreements. Each option is exercisable into one common share of the Company at a price of $0.48 per share for a period of five years from the date of grant. Out of these options, one-fourth (1/4) will vest immediately, and rest will vest equally over a period of 10 months from the date of grant.

On July 20, 2020, the Company issued an aggregate of 1,390,250 incentive stock options to its officers, directors, employees, and consultants. Each option is exercisable into one Common share of the Company at a price of $2.19 for a period of five years.

The total stock options will follow six different vesting schedules. Of the total options granted: (A) 455,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the five years anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; (B) 350,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months); (C) 420,250 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted are subject to 36 months vesting schedule as follows: 2.78% vest upon completion of each quarter (up to 100% in 36 months); (D) 72,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted are subject to 12 months vesting schedule as follows: 8.33% vest upon completion of each month (up to 100% in 12 months); (E) 21,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options are fully vested on date of grant; (F) 72,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first quarter, the remaining 2/3 of such options vest in equal amounts each month for the next 33 months.

On July 27, 2020, the Company issued an aggregate of 72,000 incentive stock options as consideration towards a consulting agreement. Each option is exercisable into one Common Share at a price of $2.10 per share for a period of five years from the date of grant. These options will vest equally over a period of thirty-six (36) months beginning from August 27, 2020.

On August 10, 2020, the Company issued an aggregate of 30,000 incentive stock options to the Company’s employee as an employment agreement. Each option is exercisable into one Common Share of the Company at a price of $1.84 per share for a period of five years from the date of grant. These options will vest equally every month beginning from February 16, 2021.

NOTE 14: - EQUITY (Cont.)

On September 6, 2020, the Company issued an aggregate of 72,000 incentive stock options as consideration towards a consulting agreement Each option is exercisable into one Common Share at a price of $2.77 per share for a period of five years from the date of grant. These options are fully vested.

On October 20, 2020, the Company issued an aggregate of 175,000 incentive stock options to one of the directors of the Company. Each option is exercisable into one Common share of the Company at a price of $2.02 per share for a period of five years from the date of grant. Out of these options, one-third (1/3) options will vest on September 14, 2022, and rest of the options will vest equally over a period of next twenty-four (24) months.

On December 11, 2020, the Company issued an aggregate of 491,200 incentive stock options to various consultants of the Company. Each option is exercisable into one Common share of the Company at a price of $4.04 for a period of five years.
The total stock options will follow five different vesting schedules. Of the total options granted: (A) 130,000 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. These options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the five years anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; (B) 246,000 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. options granted are subject to 36 months vesting schedule as follows: 0.8% vest upon completion of 7 months, the remaining 92% of such options vest in equal amounts each month for the next 29 months; (C) 72,000 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. These options granted are subject to 36 months vesting schedule as follows: 2.78% vest upon completion of each month (up to 100% in 36 months); (D) 19,200 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. These options granted are subject to 12 months vesting schedule as follows: 8.33% vest upon completion of each month (up to 100% in 12 months) and (E) 24,000 incentive stock options, each option is exercisable into one Common share of the company at a price of $4.04 per share for a period of five years from the date of grant. These options granted will be subject to 12 months vesting schedule as follows: 25% of such options vest on the first quarter, the remaining 75% of such options vest in equal amounts each month for the next 9 months.

On December 21, 2020, the Company issued an aggregate of 157,000 incentive stock options to the Company's employees as employees' agreement. Each option is exercisable into one Common Share at a price of $3.42 per share for a period of five years from the date of grant. These options will vest equally every 36 months.

NOTE 14: - EQUITY (Cont.)

On January 20, 2021, the Company issued an aggregate of 375,000 incentive stock options to the Company's employees and director. Each option is exercisable into one Common Share at a price of $3.50 per share for a period of five years from the date of grant.
The total stock options will follow two different vesting schedules. Of the total options granted: (A) 200,000 will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months. (B) 175,000 these options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On February 24, 2021, the Company issued an aggregate of 144,000 incentive stock options to the Company's advisor. Each option is exercisable into one Common Share at a price of $3.65 per share for a period of five years from the date of grant. These options will vest equally every 36 months.

On May 13, 2021, the Company issued an aggregate of 253,000 incentive stock options to the Company's employees and director. Each option is exercisable into one Common Share at a price of $2.03 per share for a period of five years from the date of grant.
The total stock options will follow two different vesting schedules. Of the total options granted: (A) 178,000 will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months. (B) 75,000 these options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On June 28, 2021, the Company issued an aggregate of 205,000 incentive stock options to the Company's employees as an employment agreement. Each option is exercisable into one Common Share at a price of $2.59 per share for a period of five years from the date of grant. These options will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months.

On November 11, 2021, the Company issued an aggregate of 962,475 incentive stock options to the Company's employees director, and consultant. Each option is exercisable into one Common Share at a price of $1.65 per share for a period of five years from the date of grant. The total stock options will follow two different vesting schedules. Of the total options granted: (A) 787,475 These options will vest equally every 36 months. (B) 175,000 these options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On December 7, 2021, the Company issued an aggregate of 1,089,010 incentive stock options to the Company's employees as an employment agreement. Each option is exercisable into one Common Share at a price of $1.43 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 133,200 will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months. (B) 595,810 these options

Canadian dollars in thousands, except share and per share data

NOTE 14: - EQUITY (Cont.)

will vest equally every 36 months. (C) 360,000 will be subject to 36 months vesting schedule as follows: 1/6 of such options will be vested on the 6 months anniversary and 5/6 of such options will vest over the next 30 months.

On August 2, 2022, the Company issued an aggregate of 1,690,000 incentive stock options to the Company's employees, and consultant. Each option is exercisable into one Common Share at a price of $0.67 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 360,000 options granted will vest equally every 36 months. (B) 200,000 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months). (c) 1,130,000 options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months.

On October 4, 2022, the Company issued an aggregate of 946,500 incentive stock options to the Company's employees, and consultant. Each option is exercisable into one Common Share at a price of $0.66 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 772,500 options granted will vest equally every 36 months. (B) 144,000 options granted are fully invested. (c) 30,000 options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months.

On December 14, 2022, the Company issued an aggregate of 563,500 incentive stock options to the Company's employees, and director. Each option is exercisable into one Common Share at a price of $0.5 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 346,000 options granted will vest equally every 36 months. (B) 87,500 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months). (c) 130,000 option granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months.

The following table lists the inputs to the Black-Scholes option pricing model used for the fair value measurement of equity-settled share options for the above plan:

	2022	2021
Dividend yield (%)	-	-
Expected volatility of the share prices (%)	48.87-62.72	50-54
Risk-free interest rate (%)	0.029-0.037	0.01-0.015
Expected life of share options (years)	4.58-4.92	3.7-4
Share price ($) average	0.67	2.04

Canadian dollars in thousands, except share and per share data

NOTE 14: - EQUITY (Cont.)

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

	Number of options	Weighted average exercise price (in $)
Stock options outstanding as of December 31, 2020	5,945,450	1.25
Stock options granted during the year	3,028,485	1.99
Stock options forfeited during the year	(176,335)	2.28
Stock options exercised during the year	(53,000)	0.41
Stock options outstanding as of December 31, 2021	8,744,600	1.47
Stock options granted during the year	3,200,000	0.64
Stock options forfeited during the year	(795,821)	1.92
Stock options exercised during the year	-	-
Stock options outstanding as of December 31, 2022	11,148,779	0.96
Stock options exercisable as of December 31, 2022	6,975,834	1.24

The weighted average fair value for the share options granted during the year ended December 31, 2022 was $0.64 (December 31, 2021 - $0.62).

The weighted average remaining contractual life for the share options outstanding as of December 31, 2022 was 3.12 years (December 31, 2021 – 3.51 years).

Canadian dollars in thousands, except share and per share data

NOTE 14: - EQUITY (Cont.)

d. Share warrants:

On June 12, 2019, the Company granted 31,801,492 share warrants to key persons and founders (“Key Person Warrant”). Each Key Person Warrant entitles the holder to receive an additional Common share of the Company at nominal price of $0.0001 per Common share exercisable for a period of three years following the achievement of following exercise events:

Exercise event	**Number of key person warrants**
Else obtains (A) Food and Drug Administration ("FDA") or equivalent regulatory approval in the US or (B) any other equivalent regulatory approval in any other primary market (including any of the markets in European Union, UK, Canada, Japan or China) permitting a product based on the intellectual property pertaining to a plant-based, non-dairy formulation to be sold or marketed as an infant formula (up to 12 months of age) or baby formula(any such approval in any market).	10,271,882 (32.3%)
The occurrence of the Group, on a consolidated basis, achieving $10,000 in top line revenue in any 12-month period.	5,501,658 (17.3%)
The occurrence of the Group, on a consolidated basis, achieving $20,000 in top line revenue in any 12-month period.	8,013,976 (25.2%)
The occurrence of the Group, on a consolidated basis, achieving $60,000 in top line revenue in any 12-month period.	8,013,976 (25.2%)

Any unvested Key Person Warrants automatically expire on June 12, 2025 if the above exercise events have not occurred. As of December 31, 2022, no Key Person Warrants have vested. 31,801,492 of the Key Person Warrants are also exercisable, even if the Exercise Event has not occurred, in the following situations before June 2025: Change of control of the Group, sale of substantially all of the assets of the Group and termination of employment of Key Persons for any reason.

On June 12, 2019, the Company granted 600,000 key person warrants (the “Else Key Person Additional Warrants”) with each Else Key Person Additional Warrant entitling the holder to receive an additional Common share of the Company for a nominal consideration of $0.0001 per share exercisable by the holder for a period of three years from the date of grant. 125,000 of such Else Key Person Additional Warrants are subject to the following vesting schedule: 25,000 Else Key Person Additional Warrants vest and become exercisable on each of June 30, 2019, July 31, 2019, August 31, 2019, September 30, 2019 and October 31, 2019. As of December 31, 2022, an aggregate of 600,000 Else Key Person Additional Warrants have been exercised.

NOTE 14: - EQUITY (Cont.)

On June 12, 2019, the Company granted 1,200,000 advisor warrants (the “Advisor Warrants”) as finders fee. Each Advisor Warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $0.0001 per share for a period of three years following the date of grant. As of December 31, 2022, an aggregate of 1,200,000 Advisor Warrants have been exercised.

On June 12, 2019, the Company granted 2,037,760 warrants (the “Broker Warrants”) as finders fee for the Transaction. Each Broker Warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $0.25 per share for a period of two years following the date of grant. As of December 31, 2019, an aggregate of 82,160 Broker Warrants have been exercised. As of December 31, 2021 and 2020, an aggregate of 477,434 and 1,478,166, respectively, Broker Warrants have been exercised.

On June 12, 2019, the Company granted 5,000,000 warrants to certain advisors (the “Additional Advisor Warrants”) in connection with consulting services related to capital markets and future financings. Each Additional Advisor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $0.15 per share for period of two years from the date of grant. As of December 31, 2021 and 2020, an aggregate of 130,000 and 2,000,000, respectively, Additional Advisory Warrants have been exercised and the remaining 2,870,000 Additional Advisory Warrants have expired.

On March 2, 2020, as part of March 2021 private placements the Company issued 3,095,975 liability warrants (the “Investors Warrants”). Each warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $0.969 per share for a period of two and a half years following the date of grant. As of December 31, 2021 and 2020, an aggregate of 3,750 and 33,498, respectively, warrants have been exercised. As of December 31, 2022 an aggregate of 3,058,727 warrants have expired.

On October 6, 2020, the Company granted 597,920 Warrants (the "Broker Warrants") as finders fee for the private placement. Each Broker Warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $2.25 per share for a period of two years following the date of grant. As of December 31, 2021 and 2020, an aggregate of 298,021 and 38,562, respectively, Broker Warrants have been exercised. As of December 31, 2022 an aggregate of 261,337 Broker Warrants have expired.

On October 6, 2020, as part of the private placement the Company granted 1,287,057 liability Warrants to Investors (the “Investors Warrants”) as their invested. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $3.25 per share for a period of two years following the date of grant. As of December 31, 2022, an aggregate of 3,111 Investors Warrants have been exercised and an aggregate of 1,283,946 Investors Warrants have expired.

NOTE 14: - EQUITY (Cont.)

On October 6, 2020, as part of the public offering, the Company granted 4,425,000Warrants to Additional Investors (the "Additional Investors") as their invested. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $3.25 per share for a period of two years following the date of grant. These Warrants are traded on the stock exchange. As of December 31, 2022 and 2021, an aggregate of 90,400 and 4,450, respectively, Additional Investors Warrants have been exercised. As of December 31, 2022 an aggregate of 4,330,150 Additional Investors Warrants have expired.

On October 21, 2021, as part of a public offering Company granted 4,024,999 liability Warrants to Investors (the "Investors Warrants") as their investing. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $2.7 per share for a period of five years following the date of grant. As of December 31, 2022, the Investors Warrants have vested and are outstanding.

On October 21, 2021, the Company granted 447,194 Warrants (the "Broker Warrants") as finders fee for the public offering. 423,939 of the Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $2.15 per share and 23,255 of the Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $2.7 per share for a period of two years following the date of grant. As of December 31, 2022 an aggregate of 447,194 Broker Warrants have vested and are outstanding.

On June 29, 2022, as part of a public offering Company granted 7,004,000 liability Warrants to Investors (the "Investors Warrants") as their investing. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $1.25 per share for a period of five years following the date of grant. As of December 31, 2022, the Investors Warrants have vested and are outstanding.

On June 29, 2022, the Company granted 460,280 Warrants (the "Broker Warrants") as finders fee for the public offering. The Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $1.05 per share for a period of two years following the date of grant. As of December 31, 2022 an aggregate of 460,280 Broker Warrants have vested and are outstanding.

On December 22, 2022, the Company granted 8,247,129 Warrants as finders fee for convertible loan agreement. The Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $1.15 per share for a period of four years following the date of grant. As of December 31, 2022 an aggregate of 8,247,129 Warrants have vested and are outstanding.

Canadian dollars in thousands, except share and per share data

NOTE 14: - EQUITY (Cont.)

The following table presents the changes in the number and the weighted average exercise prices of share warrants:

	Number of options	Weighted average exercise price (in $)
Share warrants outstanding as of December 31, 2020 (1)	46,408,364	0.5
Share warrants granted during the year (2)	4,472,193	2.648
Share warrants forfeited during the year	-	-
Share warrants expired during the year	(2,870,000)	0.15
Share warrants exercised during the year	(1,402,712)	0.796
Share warrants outstanding as of December 31, 2021	46,607,845	0.48
Share warrants granted during the year (3)	15,711,409	1.19
Share warrants forfeited during the year	-	
Share warrants expired during the year	(8,934,160)	2.44
Share warrants exercised during the year	(1,400,000)	0.0001
Share warrants outstanding as of December 31, 2022	51,985,094	0.59
Share warrants exercisable as of December 31, 2022	20,183,602	1.51

(1) Of the 46,408,364 share warrants outstanding in 2020, there were 31,165,462 share warrants granted to the Else shareholders as part of their exchange for their shares in Else and therefore are accounted for in the Transaction directly in equity as part of the recapitalization of the Company. The fair value on the date of grant of the balance of the share warrants granted amounted to $0.27.

(2) The 4,472,193 Share Warrants granted during 2021 are all related to the Warrants granted as part of the October 2021 public offering. 4,024,999 of the Warrant are recorded as a liability as of December 31, 2022 in the consolidated statement of financial position. The public Warrants with a fair value of $237 as of December 31, 2022 are classified as level 1.

(3) The 15,711,409 Share Warrants granted during 2022 are a part of the June 2022 public offering and, the convertible loan agreement signed at December 22, 2022. 15,251,129 are recorded as a liability as of December 31, 2022 in the consolidated statement of financial position. The 7,004,000 public Warrants with a fair value of $3,834 as of December 31,

Canadian dollars in thousands, except share and per share data

2022 are classified as level 1. The 8,247,129 convertible loan Warrants with a fair value of $2,474 as of December 31, 2022 are classified as level 3.

NOTE 14: - EQUITY (Cont.)

The weighted average remaining contractual life for the share warrants outstanding as of December 31, 2021 was 2.61 years and as of December 31, 2022 was 2.88 years.

The following table lists the inputs to the Black and Scholes model used for the fair value measurement of the above warrants that are not publicly traded:

	2022	2021
Dividend yield (%)	-	_
Expected volatility of the share prices (%)	64.96-66.7	53 - 55
Risk-free interest rate (%)	0.0314-0.0394	0.08
Expected life of share warrants (years)	1.5-4.5	3-5
Share price ($)	0.55	1.92

NOTE 15:- NET LOSS PER SHARE

a. Details of the number of shares and loss used in the computation of net loss per share:

	Year ended December 31,			
	2022		2021	
	Weighted number of shares *)	Net loss attributable to equity holders of the Company	Weighted number of shares *)	Net loss attributable to equity holders of the Company
Number of shares and loss for the computation of basic net loss	108,684,822	$ (17,614)	97,463,350	$ (1,618)
Effect of potential dilutive warrants	-	-	3,058,727	15,372
Number of shares and loss for the computation of diluted net loss	108,684,822	$ (17,614)	100,522,077	$ (16,990)

b. To compute diluted net loss per share, convertible securities (dilutive potential Common shares), detailed below, have not been taken into account since their conversion decreases the loss from continuing operations (anti-dilutive effect):

For the year ended December 31, 2022:
51,985,054 warrants
11,148,779 options to employees under share-based payment plans

For the year ended December 31, 2021:
43,549,118 warrants
8,744,600 options to employees under share-based payment plans

Canadian dollars in thousands, except share and per share data

NOTE 16: - RELATED PARTY TRANSACTIONS

The amounts due to and from related parties are due to the directors and officers of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations and have been valued in these Financial Statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a. Related party payable balances:

	December 31, 2022	December 31, 2021
Company controlled by a director	9	8
Other accounts payable - salaries	63	67
	72	75

b. Compensation and benefits to key management personnel:

	Year ended December 31, 2022	Year ended December 31, 2021
Short-term employee benefits	940	469
Consulting fees	108	90
Share-based compensation	384	506
	1,432	1,065

Canadian dollars in thousands, except share and per share data

NOTE 17: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

Additional information on revenues:

	Year ended December 31,	
	2022	**2021**
Revenue from dried food	645	514
Revenue from feeding accessories	456	575
Revenue from formula	7,426	3,598
	8,527	4,687

Geographical information:

The following table shows the breakdown of revenues for the periods indicated by geographic location based on the geographic location of the Company's customers:

	Year ended December 31,	
	2022	**2021**
North America	7,426	3,598
Israel	1,101	1,089
	8,527	4,687

All non-current assets are located in Israel.

NOTE 18: CONTINGENT LIABILITIES

Else Nutrition USA, Inc. (hereinafter, "**Else**") received notice of a lawsuit pending in the federal district court for the District of Nevada (hereinafter "**the Action**"), by *American Nutritional Corporation, Inc. v. Else Nutrition USA, Inc.* - Case No. 22-cv-01286-APG-EJY.

The Action arises from a dispute between plaintiff ANC and Else about ANC's packaging of Else's Toddler organic powder. ANC has filed claims against Else alleging breach of contract and unjust enrichment, and Else has filed counterclaims against ANC for breach of contract and breach of implied warranty.

In the Action, Else asserts that ANC allowed Else's Toddler organic powder to become contaminated with unacceptable animal proteins, and asserts that the contamination caused damages to Else of at least US$382,561. ANC denies that assertion, and alleges that Else owes ANC at least US$252,924 in fees.

In a lawsuit like this Action, where many critical facts are disputed, it is not possible to estimate the outcome, however, the disputed invoices were recorded in the financial statements. Else believes that its evidence and its case is strong, and is preparing its defense in case the parties go to trial. However, Else and ANC are also exploring alternative dispute resolution, and hope that the matter can be settled without trial.

NOTE 19: SUBSEQUENT EVENTS

On February 27, 2023, 175,000 options were exercised for one common share of the company at an exercise price of $0.25 per share.