BioHarvest Sciences Inc.

Consolidated Financial Statements

For the Year Ended December 31, 2021

Expressed in U.S. dollars in thousands

BioHarvest Sciences Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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Independent Auditors' Report
To the Shareholders of BioHarvest Sciences Inc.

Opinion

We have audited the consolidated financial statements of BioHarvest Sciences Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021 and December 31, 2020 and the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for 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 Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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 Company in accordance with the ethical requirements relevant to the audit of the 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 1B to the consolidated financial statements, the Company incurred losses from operations since its inception, and as of December 31, 2021, the Company has an accumulated deficit of \$59,705 thousand. In addition, the Company generated negative cash flows from operating activities of \$6,794 thousand and a loss in the amount of \$9,827 thousand for the year ended December 31, 2021, As stated in Note 1B, these events and conditions, along with other matters as set forth in Note 1B, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 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 Company'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 Company'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 Company's 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company 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.

The engagement partner on the audit resulting in this independent auditor's report is Tomer Fromovich.

Tel-Aviv, Israel
April 28, 2022

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

BioHarvest Sciences Inc.

Consolidated Statements of Financial Position

U.S. dollars in thousands

	Notes		December 31, 2021		December 31, 2020
Assets					
Current					
Cash and cash equivalents		$	**4,117**	$	**1,783**
Trade accounts receivable			**386**		**218**
Other accounts receivable			**234**		**136**
Inventory	4		**928**		**100**
Total current assets			**5,665**		**2,237**
Non-current					
Restricted cash			**179**		**144**
Property and equipment, net	5		**4,364**		**2,923**
Total non-current assets			**4,543**		**3,067**
Total assets		$	**10,208**	$	**5,304**
Liabilities					
Current liabilities					
Trade accounts payable		$	**875**	$	**435**
Other accounts payable	8		**1,277**		**637**
Accrued liabilities			**135**		**150**
Derivative liability - Warrants	7		**636**		**672**
Total current liabilities			**2,923**		**1,894**
Non-current liabilities					
Cash-settled share-based payment	10		**340**		**-**
Lease liability	6		**2,273**		**2,396**
Liability to Agricultural Research Organization	20,2o		**1,817**		**3,309**
Total non-current liabilities			**4,430**		**5,705**
Shareholders' equity (deficit)					
Share capital and contributed surplus	9		**62,560**		**47,583**
Accumulated deficit			**(59,705)**		**(49,878)**
Total Shareholders' equity (deficit)			**2,855**		**(2,295)**
Total liabilities and shareholders' equity (deficit)		$	**10,208**	$	**5,304**

Going Concern (Note 1B)

April 28, 2022	*'Zaki Rakib'*	*'Ilan Sobel'*
Date of approval of the financial statements	Director	CEO

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

BioHarvest Sciences Inc.

Consolidated Statement of Comprehensive Loss

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

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Revenues	14	$ **2,102**	$ **396**
Cost of revenues		**1,432**	**258**
Gross profit		**670**	**138**
Operating expenses			
Research and development expenses	15	**4,129**	**1,264**
Selling and marketing expenses	16	**3,306**	**467**
General and administrative expenses	17	**1,726**	**3,974**
Listing expenses	1a	**-**	**599**
Total operating expenses		**(9,161)**	**(6,304)**
Loss from operations		**(8,491)**	**(6,166)**
Finance expenses	18	**1,626**	**611**
Finance income	19	**290**	**193**
Net loss before tax		**(9,827)**	**(6,584)**
Net loss and comprehensive loss		$ **(9,827)**	$ **(6,584)**
Basic and Diluted loss per share		0.02	0.02
Weighted Average Number of Shares Outstanding		435,669,422	339,975,497

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

BioHarvest Sciences Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

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

	Note	Number of shares	Share Capital and contributed surplus	Accumulated deficit	Total
Balance, January 1, 2020		103,243,680	$ 16,324	$ (43,294)	$ (26,970)
Issuance of shares- private placement, net	**1**	8,000,000	883	-	883
Business combination under common control	**1**	299,057,739	25,407	-	25,407
Issuance of shares, net		32,927,250	3,563	-	3,563
Share based compensation		1,226,666	1,406	-	1,406
Treasury shares acquired from subsidiary		(33,836,246)	-	-	-
Comprehensive loss for the period		-	-	(6,584)	(6,584)
Balance, December 31, 2020		410,619,089	47,583	(49,878)	(2,295)
Issuance of units of securities, net	**9**	**23,231,204**	**6,112**	-	**6,112**
Share based compensation		-	**3,040**	-	**3,040**
Exercise of warrants		**19,779,844**	**5,825**	-	**5,825**
Comprehensive loss for the period		-	-	**(9,827)**	**(9,827)**
Balance, December 31, 2021		**453,630,137**	**62,560**	**(59,705)**	**2,855**

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

BioHarvest Sciences Inc.

Consolidated Statement of Cash Flows

U.S. dollars in thousands

	Note	Year ended December 31, 2021	2020
Cash flows from operating activities:			
Net loss for the year		$ **(9,827)**	$ (6,584)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		**389**	288
Fair value adjustments of convertible loans		**-**	27
Fair value adjustments of derivative liability - warrants		**774**	(62)
Re-assessment of Agricultural Research Organization liability	20,2o	**(2,154)**	667
Interest on liability for Agricultural Research Organization		**662**	445
Finance expense, net		**227**	45
Listing expenses		**-**	173
Share based compensation		**3,367**	1,383
Changes in operations assets and liabilities:			
Change in Inventory		**(828)**	(49)
Change in trade accounts receivables		**(168)**	(180)
Change in other accounts receivables		**(98)**	107
Changes in trade payables and accrued expenses		**998**	(110)
Cash from operations		**(6,658)**	(3,850)
Interest paid		**(136)**	(25)
Net cash used in operating activities		**(6,794)**	(3,875)
Cash flow from investing activities:			
Purchase of property and equipment		**(1,640)**	(173)
Net cash used in investing activities		**(1,640)**	(173)
Cash flow from financing activities			
Repayment of short-term loan		**-**	(55)
Payments of lease liabilities		**(332)**	(257)
Net proceeds from issuance of unit of securities	9	**7,466**	4,469
Exercise of warrants		**3,638**	-
Convertible loans received		**-**	769
Net cash provided by financing activities		**10,772**	4,926
Exchange rate differences on cash and cash equivalents		**(4)**	(6)
Increase in cash and cash equivalents		**2,338**	878
Cash and cash equivalents at the beginning of the year		**1,783**	911
Cash at the end of the year		$ **4,117**	$ 1,783
Significant non-cash transactions:			
Conversion of Convertible loans into shares		**-**	24,208
Extinguishing PPM penalty liability with shares		**-**	1,039

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

NOTE 1- GENERAL:

A. Formation of the Company, Merger transaction and Description of business:

Formation of the Company

BioHarvest Sciences Inc. (formerly Canna-V-Cell Sciences Inc. (“CannaVCell”) the “Company” or “BioHarvest Sciences”) together with its wholly owned subsidiaries (the "Group") was incorporated under the Business Corporations Act of British Columbia on April 19, 2013. On September 27, 2018, the Company completed a qualifying transaction (the “Transaction”) with BioHarvest Ltd., (“BioHarvest”), a company incorporated in Israel, and BioHarvest’s 100% wholly owned subsidiary, Dolarin Ltd., (“Dolarin”), a corporation incorporated in Israel. The Company issued 48,337,496 shares to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). As a result of the Transaction, Dolarin became a wholly-owned subsidiary of the Company. Completion of the Transaction resulted in a reverse takeover and change of business for the Company (the “RTO")

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

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

On February 26, 2018, BioHarvest incorporated a wholly owned subsidiary in Israel, Dolarin Ltd.

On December 5, 2019, BioHarvest Sciences incorporated a wholly owned subsidiary in Israel, BioFarming Ltd. ("BioFarming" or "Merger Sub").

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

Merger transaction

On December 9, 2019, BioHarvest entered into a merger agreement with Merger Sub (hereafter the "Merger Transaction"). Pursuant to the terms and subject to the closing conditions set forth in the Merger Agreement, Merger Sub would merge into the Company in accordance with sections 314 through 327 of the Israeli Companies Law, and the separate corporate existence of Merger Sub would cease. Following the Merger Transaction, BioHarvest would become a wholly owned subsidiary of BioHarvest Sciences, which would become the record and beneficial owner of all of the issued and outstanding shares of BioHarvest's share capital, and there would be no outstanding shares, options, warrants or rights of any kind to subscribe for or purchase any shares of BioHarvest's share capital. According to the merger agreement, the closing of the merger was subject to the following closing conditions:

- Shareholder approval at meetings called for that purpose;
- Approval of the Israeli Securities Authority;
- The indebtedness of BioHarvest at closing not exceeding $500;
- Approval of the Canadian Securities Exchange;
- The agreement of Convertible Loans holders of BioHarvest to accept warrants of BioHarvest Sciences to replace their warrants in BioHarvest
- Termination of BioHarvest outstanding options payable; and
- BioHarvest Sciences to complete a financing round of $4 million, subject to adjustment at the option of BioHarvest Sciences, depending on the financial position of BioHarvest at closing

On March 31, 2020, all terms of the Merger Transaction were met. The following was the merger consideration:

- Issuance of 299,057,739 common shares of BioHarvest Sciences to the shareholders of BioHarvest at a deemed price of $0.11 per share (CAD$0.15).

NOTE 1- GENERAL (Continued):

- Issuance of 39,565,579 warrants to purchase common shares of BioHarvest Sciences at $0.70 per share (CAD $1.00). Each warrant exercisable until August 31, 2020. These warrants replace the existing warrants held by the convertible loan holders in BioHarvest.

As part of the closing of the Merger Transaction, all of BioHarvest's convertible loans signed a statement of conversion (the "Statement of Conversion") according to which each lender agreed that effective as of immediately prior to, and subject to the closing of the Merger Transaction, the amount payable would be converted into BioHarvest's shares. These shares would be replaced with approximately 1.7 shares of BioHarvest Sciences for each BioHarvest share held and each existing warrant would be converted to approximately 1.7 warrants to purchase an additional common share of BioHarvest Sciences at $0.76 per share (CAD $1.00).

As part of the closing of the Merger Transaction, all of BioHarvest's outstanding share based compensation options were cancelled (731,348 options).

The Merger Transaction did not constitute a business combination within the scope of IFRS 3 and accordingly has been accounted by the Company in the financial statements as a pooling of interest. According to this method, the Company prepared its financial statements in order to reflect as if the Merger was in effect as of the date the two entities were under common control.

Concurrent with closing the Merger Transaction, BioHarvest Sciences completed a private placement of 8,000,000 shares at a price of $0.11 per share (CAD $0.15) for gross proceeds of $890 (CAD $1,200).

In connection with the private placement, the Company issued 117,600 finders' fees warrants (the "Finder Warrants") to purchase an additional common share of the Company. The Finders Warrants amount equals to 6% of the number of shares placed with persons introduced by the finders. The Finder Warrants are exercisable at $0.11 per share (CAD $0.15). Each warrant is exercisable until September 30, 2021.

From March 31, 2020 BioHarvest Sciences held 100% of the issued share capital of BioHarvest.

On December 28, 2021 BioHarvest Ltd (the absorbing company) entered into a merger agreement with Dolarin (the target company). According to the merger agreement, the target company will merge with and into the absorbing company by way and upon the terms and conditions set forth in the agreement and in accordance with the provisions of Sections 314-327 of the Israeli Companies Law 1999, pursuant to which all activity, assets and liabilities of Dolarin will be transferred to BioHarvest Ltd, Dolarin will cease to exist and BioHarvest Ltd shall continue as the surviving company. According to the merger agreement, the closing of the merger was subject to the following closing conditions:

1. Filing of form 980 with the ITA in accordance with Section 103 of the Income Tax Ordinance, which confirms that the Merger complies with all the conditions set forth in Section 103c of Income Tax Ordinance and shall, therefore, can be carried out as tax exempt merger;
2. Tax Ruling from the ITA in accordance with Section 103C of the Income Tax Ordinance, which confirms that the Merger complies with all the conditions set forth in Section 103C of Income Tax Ordinance and therefore, can be carried out as a tax-exempt merger.
3. Approval and/or consent of any other third party (including financial institutions), if and as required for the consummation of the Merger under any agreement and/or law;
4. At least fifty (50) days shall have elapsed after the filing of the Merger Proposals with the Companies Registrar; and
5. The absorbing company shall have received the merger certificate from the Companies Registrar in accordance with Section 323(5) of the Companies Law.

NOTE 1- GENERAL (CONTINUED):

Description of Business

The Company is focused on driving its growth in the nutraceutical and cannabis markets via its Nutraceutical Super Fruits and Cannabis verticals. The Bio-Plant CELLicitation ™ technology developed by BioHarvest is protected with 14 granted patents.

Super fruits

The Company is engaged in research and development in the food industry. The Company's first nutraceutical superfruits product, VINIA®, is a red grape powder to be consumed as a food that supplies the benefits of red wine consumption but without the sugar and alcohol found in wine. The Company has conducted various clinical trials, to verify the efficacy of the VINIA® powder and has made all required notifications required by the FDA to support the use of its claims on packaging and in communication materials. VINIA® has gone through the necessary regulatory approval processes both in the US and in Israel and is approved classification as a food item as well as a dietary supplement in these respective markets.

Cannabis

The Company is engaged in research and development of its Bio-Plant CELLicitation ™ technology in the cannabis industry. The plant based technology produces cannabis cells in a process that is controlled, consistent, aseptic, non-GMO, pesticide-free and chemical-free.

B. Going concern:

Since inception through December 31, 2021, the Company has generated a cumulative loss of $59,705. The Company generated negative cash flows from operating activities of $6,794 and a loss in the amount of $9,827 for the year ended December 31, 2021. As of the date of the issuance of these financial statements, the Company has not yet commenced generating significant sales, and therefore depends on fundraising from new and existing investors to finance its activities.

These factors raise material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

C. COVID-19:

The continued global spread of COVID-19 could have an adverse impact on the business, operations and financial results of the Company, including with respect to challenges in finalizing the construction and installation of all equipment and systems required to fully operate the 20 Ton per year manufacturing facility by the end of Q1, 2023. The Company has already implemented a number of precautionary measures, which would not have otherwise been implemented prior to the COVID-19 outbreak, at its facility to ensure the safety of its personnel, and to potential clients and partners, which may adversely impact the Company's productivity from an R&D perspective and its business in the supply chain sector. The Company is also fully compliant with local rules and regulations instituted during COVID 19 and understands that mandatory or voluntary self-quarantines may limit the staffing at the Company's facility which will have a further impact on productivity. Management continues to be fully engaged in assessing the impact of COVID-19 and adjusting its operations accordingly to minimize the impact on business performance.

Amidst this highly challenging operating environment, the Company asses that COVID-19, had no material effect on its business, operations or financial results.

NOTE 2- Significant accounting policies:

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

a. Basis of preparation:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). The financial statements have been prepared under the historical cost convention, except for the embedded derivative that is measured at fair value through profit or loss.

The financial statements were approved and signed on April 28, 2022.

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, revenue and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 3.

c. Functional and presentation currency:

The functional currency of the Company and its subsidiaries and the presentation currency of the consolidated financial statements is the U.S. dollar.

The Company and its subsidiaries determine the functional currency of each entity, and this currency is used to separately measure each Company entity's financial position and operating results.

d. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

e. Basis of consolidation:

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee,

NOTE 2- Significant accounting policies (continued):

including: the contractual arrangement with the other vote holders of the investee, the Group's potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity. (ii) Recognizes the consideration received at fair value, recognizes any investment retained at fair value of and recognizes any surplus or deficit in profit or loss. (iii) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

f. Cash equivalents:

Cash equivalents are considered by the Company to be highly-liquid investments, including, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

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 and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.

Purchased merchandise and products - using the weighted average cost method or using the "first-in, first-out" method.

NOTE 2- Significant accounting policies (continued):

h. Deferred taxation:

The Company accounts for income taxes in accordance with the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

i. Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years, ended December 31, 2021 and 2020 no impairment charges of non-financial assets were recognized.

j. 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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or

2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

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.

NOTE 2- Significant accounting policies (continued):

A 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 Company 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.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

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 either 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).

k. Financial instruments:

1. Financial assets:

The Company classifies its financial assets based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

Amortized cost

These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

2. Financial Liabilities:

The Company classifies its financial liabilities into one of the following categories:

Amortized cost

These liabilities include Accounts payable, accrued liabilities, bank loans, convertible loans and Liability to Agricultural Research Organization, initially recognized at fair value plus transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

NOTE 2- Significant accounting policies (continued):

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss (convertible loan) and derivatives (Derivative liability – Warrants).

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Derivatives, including separated embedded derivatives, are classified as held for trading.

2. 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.

3. Derivative liability - Warrants:

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

4. Derecognition:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

The terms of a financial liability are substantially different if the discounted cash flows under the new terms are at least 10 per cent different from the discounted remaining cash flows of the original financial liability

5. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. For December 31, 2019 and 2018, there is no evidence of impairment.

NOTE 2- Significant accounting policies (continued):

l. Operating Segment:

An operating segment is a component of the Company that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Company's financial income and expenses and income tax.

m. Share-based compensation:

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

The Company's employees / other service providers are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. The cost of cash-settled transactions is measured at fair value on the grant date using an acceptable option pricing model. The fair value is recognized as an expense over the vesting period and a corresponding liability is recognized. The liability is remeasured at each reporting date until settled at fair value with any changes in fair value recognized in profit or loss.

n. Research and Development:

Research Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years ended December 2021 and 2020 the Company did not meet these criteria, therefore all research and development expenditures were expensed as incurred in the following criteria therefore all research and development recognized as expenses.

NOTE 2- Significant accounting policies (continued):

o. Liability to Agricultural Research Organization:

Grants received from the Agricultural Research Organization - Volcany Center (henceforth "ARO") as support for research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from ARO, are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9. Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method.

Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of IFRS 9.

At the end of each reporting period, the Company evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recorded in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

p. Property, plant and equipment:

Property, plant 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.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

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

	%
Computers and others	33
Furniture and office equipment	7
Leasehold improvements	10-30
Laboratory equipment	10-15

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 expected 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.

NOTE 2- Significant accounting policies (continued):

q. Revenue recognition:

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the product.

Right of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

To estimate the variable consideration to which it will be entitled, the Company applied the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Company includes in the transaction price amounts of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Company updates its estimates of variable consideration.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

r. Severance pay:

The Company's liability for its Israeli employees regarding severance pay is pursuant to Section 14 of the Israeli severance pay law ("Section 14"). All the Israeli employees are included under this section, and entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in the employee's name with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. The fund is made available to the employee at the time the employer-employee relationship is terminated, regardless of cause of termination. The severance pay liabilities and deposits under Section 14 are not reflected in the balance sheet as the severance pay risks have been irrevocably transferred to the severance funds.

s. Provisions:

The Company has recognized provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

NOTE 2- Significant accounting policies (continued):

t. Leases:

Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets comprises the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date less any lease incentives received; and initial direct costs incurred. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are presented within property, plant and equipment.

Lease liabilities:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease term:

The term of a lease is determined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Depreciation of a right-of-use asset:

Subsequent to the inception of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accumulated impairment losses, and is adjusted for re-measurements of the lease liability. Depreciation is measured using the straight-line method over the useful life or contractual lease term, whichever ends earlier.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero.

u. Issuance costs:

The Group allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, were recognized as an expense in the statement of comprehensive income.

NOTE 2- Significant accounting policies (continued):

v. New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to December 31, 2021 (the date on which the Company's next annual financial statements will be prepared up to) that the Company has decided not to adopt early. The Company does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS1 - Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently evaluating the impact of IAS 1 amendments, however, at this stage it is unable to assess such impact.

NOTE 3- Critical accounting estimates and judgements:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a. Derivative liability - Warrants

The Company uses the Black-Scholes option-pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the warrants.

b. Liability to Agricultural Research Organization

The Company measured the Liability to Agricultural Research Organization, each period, based on discounted cash flows derived from Company's future anticipated revenues.

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

NOTE 3- Critical accounting estimates and judgements (continued):

c. 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.

d. Determining the transaction price and amounts allocated to the performance obligations:

In transactions with customers that include variable consideration, the Company assesses, based on past experience, business forecasts and current economic conditions, whether it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In determining the transaction price for each contract with a customer, the Company considers the effect of the right of return.

The Company also assesses for each transaction with variable consideration the approach that will best reflect the amount of the consideration to which the Company will be entitled, using either the "expected value" method or the "most likely amount" method.

NOTE 4 - Inventory:

	December 31,	
	2021	2020
Raw materials	**163**	34
Work in progress	**229**	-
Finished goods	**536**	66
Total	**928**	100

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

NOTE 5 – Property, Plant and Equipment, net:

	Laboratory equipment	Furniture and office equipment	Leasehold improvements	Computers	Right of use assets	Factory	Total
Cost:							
As of January 1, 2020	716	63	224	71	740	-	1,814
Additions	17	-	140	16	2,247	140	2,560
Disposals	-	-	-	-	(40)	-	(40)
As of December 31, 2020	733	63	364	87	2,947	140	4,334
Additions	**43**	**39**	**200**	**11**	**190**	**1,347**	**1,830**
Disposals	**-**	**-**	**-**	**-**	**(16)**	**-**	**(16)**
As of December 31, 2021	**776**	**102**	**564**	**98**	**3,121**	**1,487**	**6,148**
Accumulated depreciation:							
As of January 1, 2020	618	41	184	61	259	-	1,163
Additions	23	3	16	6	240	-	288
Disposals	-	-	-	-	(40)	-	(40)
As of December 31, 2020	641	44	200	67	459	-	1,411
Additions	**20**	**7**	**28**	**10**	**324**	**-**	**389**
Disposals	**-**	**-**	**-**	**-**	**(16)**	**-**	**(16)**
As of December 31, 2021	**661**	**51**	**228**	**77**	**767**	**-**	**1,784**
Net Book Value:							
As of December 31, 2021	**115**	**51**	**336**	**21**	**2,354**	**1,487**	**4,364**
As of December 31, 2020	92	19	164	20	2,488	140	2,923

NOTE 6 – Leases:

a) The Company’s lease arrangement for office space in Rehovot, Israel ends in April 2022. In April 2019 the Company signed a one-year new agreement for the same office space with an extension option for two more years. The annual lease commitment is approximately $241 plus common area maintenance charges.

b) On December 2020, the Company signed on an additional lease agreement for another property at the same location, which ends April 2022. According to the terms of this agreement, the Company has an extension option for five additional years for all of the Company's space at this location. The annual lease commitment is approximately $119 plus common area maintenance charges. The incremental borrowing rate is 6.54%.

c) The Company's leases several cars. The lease period is for 3 years. The annual lease commitment is approximately $65.

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

NOTE 6 – Leases (continued):

d) In October 2020, the Company entered into a manufacturing agreement with Sugart Ltd. Under the terms of the agreement, the Company will invest in the required capital equipment for its technology as well as appropriate capital upgrades needed for Sugart's existing manufacturing facility. The facility is located in Yavne, Israel and will be leased for period of 10 years. The annual lease commitment is approximately $145. The incremental borrowing rate is 6.08%.

Lease liabilities	**Year ended December 31**	
	2021	**2020**
Interest expense	136	25
Total cash outflow for leases	468	282
Additions to right-of-use assets	190	2,387

NOTE 7 - Derivative liability - Warrants:

(i) A summary of changes in share purchase warrants issued by the Company during the years ended December 31 is as follows:

	Number of Warrants	**Weighted Average Exercise Price ($)**
Balance, December 31, 2019	**27,556,815**	**0.18**
Issuance of warrants (Note 1)	39,565,579	0.70
Expired	(40,336,062)	0.69
Balance, December 31, 2020	**26,786,332**	**0.18**
Issuance of warrants (Note 11)	19,340,521	0.47
Exercised (Note 11)	(18,298,832)	0.19
Expired	(8,487,500)	0.19
Balance, December 31, 2021	**19,340,521**	**0.47**

The following table summarizes information about warrants outstanding as at December 31, 2021:

Date of issuance	**Date of expiry**	**Exercise price**	**Exercisable at December 31, 2021**
February 2, 2021	February 2, 2022	$ 0.36 (CAD 0.45)	15,449,829
August 30, 2021	August 30, 2022	$ 0.43 (CAD 0.55)	3,422,687
October 4, 2021	October 4, 2022	$ 0.43 (CAD 0.55)	468,005
			19,340,521

As the warrants issued by the Company have an exercise price denominated in Canadian dollars, which differs from the Company's functional currency, they do not qualify for classification as equity. These warrants have been classified as warrant liability and are recorded initially at the fair value and revalued at each reporting date, using the Black-Scholes valuation method. Changes in fair value for each period are included in comprehensive profit and loss for the period.

(ii) The Company uses the Black-Scholes option pricing model to estimate fair value of the warrant liability at the end of each reporting period.

(iii) The following assumptions were used to estimate the fair value of the derivative warrant liability on:

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

NOTE 7 - Derivative liability – Warrants (continued):

	15,449,829		3,422,687		468,005	
	At Issuance Date February 2, 2021	December 31, 2021	At Issuance Date August 30, 2021	December 31, 2021	At Issuance Date October 4, 2021	December 31, 2021
Expected life of warrants	1 year	0.2 year	1 year	0.7 year	1 year	0.8 year
Expected volatility	50%	50%	50%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	0.13%	1.27%	0.89%	1.27%	1.15%	1.27%
Market price of Common share	CAD 0.475	CAD 0.46	CAD 0.395	CAD 0.46	CAD 0.33	CAD 0.46
Exercise price	CAD 0.45	CAD 0.45	CAD 0.55	CAD 0.55	CAD 0.55	CAD 0.55

The Company considers expected volatility of the shares of comparable companies and its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was

based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

For the year ended December 31, 2021, the Company recorded a loss of $774 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability as of December 31, 2021 (December 31, 2020**:** profit of $175).

NOTE 8 – Other accounts payable:

	December 31, 2021	December 31, 2020
Institutions	**193**	11
Lease liability	**386**	319
Employees	**695**	292
Accrued expenses	**-**	12
Others	**3**	3
	1,277	637

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

NOTE 9 - Share Capital:

	Number of shares	
	December 31, 2021 Issued and outstanding	**December 31, 2020 Issued and outstanding**
Ordinary shares with no par value	453,630,137	410,619,089

Ordinary Shares:

Ordinary Shares confer upon their holders, the right to receive notice of, and to participate in, all general meetings of the Company, to vote in such meetings, to receive dividends, and to participate in the distribution of the surplus assets of the Company in the event of liquidation of the Company.

Movements in ordinary shares:

	Number of shares
Balance as of January 1, 2020	**103,243,680**
Private Placement Financing (see b)	8,000,000
Issuance of shares- Merger Transaction (see note 1)	299,057,739
Private Placement Financing (see c)	3,150,000
Private Placement Financing (see d)	4,349,195
Issuance of shares (see e)	400,000
Issuance of shares (see f)	26,666
Private Placement Financing (see g)	21,492,221
Issuance of shares (see h)	400,000
Private Placement Financing (see i)	3,935,834
Treasury shares (see j)	(33,836,246)
Issuance of shares (see k)	400,000
Balance as of December 31, 2020	**410,619,089**
Private Placement Financing (see l)	15,449,829
Private Placement Financing (see m)	6,845,368
Private Placement Financing (see n)	936,007
Warrants exercise (see o)	19,779,844
Balance as of December 31, 2021	**453,630,137**

a. The Company is authorized to issue an unlimited number of common shares.
b. On March 31, 2020 the Company completed a private placement financing (the "Private Placement Financing") by issuing 8,000,000 common shares at a price of CAD 0.15 ($0.11) per share for gross proceeds of $890 (CAD 1,200). The Company paid $3 (CAD 4) as cash commission to finders. The increase in Share Capital is $883.
c. On May 7, 2020 the Company completed a private placement financing by issuing 3,150,000 common shares at a price of CAD 0.15 ($0.11) per share for gross proceeds of $350 (CAD 473). The increase in Share Capital is $350.
d. On August 4, 2020 the Company completed a private placement financing by issuing 4,349,195 common shares at a price of CAD 0.15 ($0.11) per share for gross proceeds of $483 (CAD $652). The Company issued 166,766 finder's warrants to purchase a common share of the Company at a price of CAD 0.15 ($0.11) and paid $19 (CAD 25) as cash commission. The finder's warrants are exercisable for a period of 12 months from date of issuance. The increase in Share Capital is $461.

NOTE 9 - Share Capital (continued):

e. On August 6, 2020 the Company issued 400,000 common shares at a price of CAD 0.15 ($0.11) per share for services received during the period. The increase in Share Capital is $45.
f. On August 31, 2020 the Company issued 26,666 common shares at a price of CAD 0.16 ($0.12) per share for services received during the period. The increase in Share Capital is $3.
g. On September 14, 2020 the Company completed a private placement financing by issuing 21,492,221 common shares at a price of CAD 0.15 ($0.11) per share for gross proceeds of $2,886 (CAD 3,224). The Company issued 724,235 finder's warrants to purchase a common share of the Company at a price of CAD 0.15 ($0.11) and paid $89 (CAD 116) as cash commission. The finder's warrants are exercisable for a period of 12 months from date of issuance. The increase in Share Capital is $2,332.
h. On October 3, 2020 the Company issued 400,000 common shares at a price of CAD 0.15 ($0.11) per share for services received during the period. The increase in Share Capital is $45.
i. On October 7, 2020 the Company completed a private placement financing by issuing 3,935,834 common shares at a price of CAD 0.15 ($0.11) per share for gross proceeds of $445 (CAD 590) The Company issued 194,642 finder's warrants to purchase a common share of the Company at a price of CAD 0.15 ($0.11) and paid $22 (CAD 29) as cash commission. The finder's warrants are exercisable for a period of 12 months from date of issuance. The increase in Share Capital is $420.
j. On September 27, 2018, BioHarvest completed a transaction with the Company in which the Company issued 48,337,496 shares of the Company to BioHarvest in consideration for 100% of the issued share capital of Dolarin (1,000,000 shares). Pursuant to the Merger Transaction, these shares are held as a treasury shares. On October 27, 2020, the Company completed a transaction with BioHarvest Ltd in which the Company bought 48,337,496 shares of the Company from BioHarvest Ltd at a price of CAD 0.13 ($0.10) per share. On October 27, 2020 33,836,246 shares out of the 48,337,496 were cancelled. The remaining 14,501,250 shares will be cancelled on April 2021 and October 2021 once released from escrow.
k. On November 3, 2020 the Company issued 400,000 common shares at a price of CAD 0.135 ($0.10) per share for services received during the period. The increase in Share Capital is $41.
l. On February 2, 2021 the Company completed a private placement financing by issuing 15,449,829 units at a price of CAD 0.4 ($0.32) per unit for gross proceeds of CAD 6,180 ($4,865). Net proceeds were CAD 5,983 ($4,713). Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of CAD 0.45 ($0.36) per share for a period of 12 months. The Company paid CAD 197 ($152) as finders' fees and issued 197,427 warrants at an exercise price of CAD 0.45 ($0.36) that were accounted as share-based compensation (see note 10k), as finders' fees. The increase in share capital as a result of these transactions is $3,531.
m. On August 30, 2021 the Company completed a private placement financing by issuing 6,845,368 units at a price of CAD 0.45 ($0.36) per unit for gross proceeds of CAD 3,080 ($2,431). Net proceeds were CAD 3,067 ($2,421). Each unit consists of one common share of the Company and one half (1/2) of one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of CAD 0.55 ($0.43) per share for a period of 12 months. The Company paid CAD 14 ($11) as finders' fees. The increase in share capital as a result of these transactions is $2,261.
n. On October 4, 2021, the Company completed a private placement financing by issuing 936,007 units at a price of CAD 0.45 ($0.36) per unit for gross proceeds of CAD 421 ($331). Net proceeds were CAD 418 ($329). Each unit consists of one common share of the Company and one half (1/2) of one share purchase warrant. Each warrant is exercisable to purchase an additional common share at a price of CAD 0.55 ($0.43) per share for a period of 12 months. The Company paid CAD 3 ($2) as finders' fees. The increase in share capital as a result of these transactions is $320.
o. During 2021 the Company issued 19,779,844 common shares as a result of the exercise of 15,192,446 warrants with an exercise price of CAD 0.23 ($0.17), the exercise of 3,106,386 warrants with an exercise

NOTE 9 - Share Capital (continued):

price of CAD 0.3 ($0.23) and the exercise 1,481,012 warrants with an exercise price of CAD 0.15 ($0.11). The increase in share capital as a result of these transactions is $5,828.

NOTE 10 - Share based compensation:

a. Options granted under the Company's 2008 Israeli Share Option Plan ("Plan") are exercisable in accordance with the terms of the Plan, within 10 years from the date of grant, against payment of an exercise price.

b. On June 9, 2020, the Company granted 18,098,196 options to purchase the Company's Shares at CAD 0.14 ($0.105) per share under the Company's share option. The options will be exercisable for 10-year period and will vest monthly over 3-year period. The total value of the options is $869 (CAD 1,158).

c. On June 10, 2020, the Company granted 11,008,917 options to purchase the Company's Shares at CAD 0.15 ($0.11) per share under the Company's share option. The options will be exercisable for 10-year period and will vest quarterly over 2-year period. The total value of the options is $545 (CAD 736).

d. On June 10, 2020, the Company cancelled 5,094,800 options to purchase the Company's Shares under the Company's share option. The Company has accelerated the related expanse.

e. On July 29, 2020, the Company granted 12,660,000 options to purchase the Company's Shares at CAD 0.15 ($0.11) per share under the Company's share option. The options will be exercisable for 10-year period and will vest quarterly over 2-year period. The total value of the options is $630 (CAD 840).

f. On September 10, 2020, the Company granted 700,000 options to purchase the Company's Shares at CAD 0.15 ($0.11) per share under the Company's share option. The options will be exercisable for 10-year period and will vest quarterly over 2-year period. The total value of the options is $28 (CAD 37).

g. On November 9, 2020, the Company granted 950,000 options to purchase the Company's Shares at CAD 0.135 ($0.10) per share under the Company's share option. The options will be exercisable for 10-year period and will vest quarterly over 3-year period. The total value of the options is $45 (CAD 58).

h. On December 24, 2020, the Company granted 5,125,000 options to purchase the Company's Shares at CAD 0.19 ($0.15) per share under the Company's share option. The options will be exercisable for 10-year period. 4,154,318 will vest quarterly over 3-year period and 970,682 will vest quarterly over 2-year period. The total value of the options is $341 (CAD 439).

i. On January 12, 2021, the Company granted 765,000 options to purchase the Company's shares at CAD 0.36 ($0.29) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 665,000 options will vest quarterly over a 3-year period and 100,000 options will vest monthly over a 7 month period. The total value of the options granted is CAD 124 ($98).

j. On January 29, 2021, the Company granted 245,000 options to purchase the Company's shares at CAD 0.43 ($0.34) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 20,000 options will vest quarterly over a 3-year period, 175,000 options will vest quarterly over a 1-year period and 50,000 options will vest monthly over a 4 month period. The total value of the options granted is CAD 37 ($29).

k. On February 8, 2021, the Company granted 441,000 options to purchase the Company's shares at CAD 0.5 ($0.4) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 415,000 options will vest quarterly over a 3-year period, and 26,000 options will vest monthly over a 4 month period. The total value of the options granted is CAD 100 ($79).

l. On February 25, 2021, the Company granted 6,000,000 options to purchase the Company's shares at CAD 0.66 ($0.52) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The total value of the options granted is CAD 1,738 ($1,373). The Company also included a cash compensation mechanism. According to the agreement, if by the completion of the vesting period of 2 years, the Company’s share price does not exceed CAD 1.89 ($1.49), the Company will pay cash

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

NOTE 10 - Share based compensation (continued):

compensation to the option holders of up to CAD 2,000 ($1,580). The payment will be paid in 4 installments over one year.

	At Issuance Date February 25, 2021	December 31, 2021
Risk-free interest rate	0.76%	1.27%
Expected volatility	50%	50%

m. On March 22, 2021, the Company granted 5,223,800 options to purchase the Company's shares at CAD 0.51 ($0.41) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 750,000 options will vest quarterly over a 3-year period, 4,343,800 options will vest quarterly over a 2-year period and 130,000 options will vest monthly over a 10 month period. The total value of the options granted is CAD 1,189 ($951).

n. On July 9, 2021 the Company granted 423,000 options to purchase the Company's shares at CAD 0.45 ($0.36) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 370,000 options will vest quarterly over a 3-year period and 53,000 options will vest monthly over a 4 month period. The total value of the options granted is CAD 87 ($70).

o. On October 8, 2021 the Company granted 955,000 options to purchase the Company's shares at CAD 0.34 ($0.27) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 915,000 options will vest quarterly over a 3-year period and 20,000 options will vest quarterly over a 2-year period and 20,000 options will vest monthly over a 6 month period. The total value of the options granted is CAD 146 ($117).

p. On October 21, 2021 the Company granted 400,000 options to purchase the Company's shares at CAD 0.345 ($0.28) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 3-year period. The total value of the options granted is CAD 63 ($51).

q. On October 29, 2021 the Company granted 113,200 options to purchase the Company's shares at CAD 0.40 ($0.33) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 100,000 options will vest quarterly over a 3-year period and 13,200 options will vest monthly over a 6-month period. The total value of the options granted is CAD 21 ($17).

r. On November 29, 2021 the Company granted 850,000 options to purchase the Company's shares at CAD 0.375 ($0.30) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 800,000 options will vest quarterly over a 3-year period and 50,000 options will vest monthly over a 3 month period. The total value of the options granted is CAD 147 ($116).

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

Expected volatility	50%
Expected dividend yield	0%

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

NOTE 10 - Share based compensation (continued):

t. A summary of activity of options granted to purchase the Company's Shares under the Company's share option plan is as follows:

	December 31, 2021		December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	48,542,113	0.11	11,136,453	0.21
Changes during the period:				
Granted (See b-l)	15,416,000	0.43	48,542,113	0.11
Cancelled (See note 1)	-	-	(731,348)	0.99
Cancelled	-	-	(5,094,800)	0.15
Forfeited	-	-	(5,310,305)	0.15
Options outstanding at end of period (*)	63,958,113	0.19	48,542,113	0.11
Options exercisable at period end	52,566,077		21,966,238	

(*) The options outstanding on December 31, 2021 had a weighted-average contractual life of 8.3 years (December 31, 2020: 5 years).

The following table summarizes information about the options outstanding as of December 31, 2021:

Options Outstanding			Options Exercisable
Number Outstanding at December 31, 2021	Exercise Price	Expiry Date	at December 31, 2021
18,098,196	$0.105 (CAD 0.14)	June 9, 2030	15,448,010
11,008,917	$0.11 (CAD 0.15)	June 10, 2030	10,550,212
12,660,000	$0.11 (CAD 0.15)	July 27, 2030	11,809,092
700,000	$0.11 (CAD 0.15)	September 10, 2030	636,053
950,000	$0.10 (CAD 0.135)	November 9, 2030	686,278
5,125,000	$0.15 (CAD 0.19)	December 24, 2030	3,623,822
765,000	$0.29 (CAD 0.36)	January 12, 2031	464,012
245,000	$0.34 (CAD 0.43)	January 29, 2031	233,926
441,000	$0.4 (CAD 0.5)	February 8, 2031	285,367
6,000,000	$0.52 (CAD 0.66)	February 25, 2031	4,498,165
5,223,800	$0.41 (CAD 0.51)	March 22, 2031	3,674,143
423,000	$0.36 (CAD 0.45)	July 9, 2031	207,046
955,000	$0.27 (CAD 0.34)	October 8, 2031	237,101
400,000	$0.28 (CAD 0.35)	October 21, 2031	80,454
113,200	$0.33 (CAD 0.4)	October 29, 2031	26,892
850,000	$0.3 (CAD 0.38)	November 29, 2031	105,504
63,958,113			**52,566,077**

Warrants

u. On August 4, 2020, the Company granted to Private Placement's brokers 166,738 warrants to purchase the Company's Shares at an exercise price of CAD 0.145 ($0.11) per share. The warrants will be exercisable for 12 months. The total value of the warrants is $4 (CAD 5).

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

NOTE 10 - Share based compensation (continued):

v. On August 5, 2020, the Company granted 1,600,000 warrants to purchase the Company's Shares at an exercise price of CAD 0.15 ($0.11) per share for services rendered to the Company. The warrants will be exercisable for 18 months. The total value of the warrants is $44 (CAD 58).

w. On August 5, 2020, the Company granted 1,000,000 warrants to purchase the Company's Shares at an exercise price of CAD 0.15 ($0.11) per share for services rendered to the Company. The warrants will be exercisable for 24 months. The total value of the warrants is $31 (CAD 42).

x. On August 6, 2020, the Company granted 430,000 warrants to purchase the Company's Shares at an exercise price of CAD 0.15 ($0.11) per share for services rendered to the Company. The warrants will be exercisable for 14 months. The total value of the warrants is $10 (CAD 14).

y. On September 9, 2020, the Company granted 300,000 warrants to purchase the Company's Shares at an exercise price of CAD 0.14 ($0.10) per share for services rendered to the Company. The warrants will be exercisable for 18 months. The total value of the warrants is $8 (CAD 10).

z. On September 14, 2020, the Company granted to Private Placement's brokers 724,235 warrants to purchase the Company's Shares at an exercise price of CAD 0.15 ($0.11) per share. The warrants will be exercisable for 12 months. The total value of the warrants is $16 (CAD 21).

aa. On October 7, 2020, the Company granted to Private Placement's brokers 194,642 warrants to purchase the Company's Shares at an exercise price of CAD 0.15 ($0.11) per share. The warrants will be exercisable for 12 months. The total value of the warrants is $3 (CAD $4).

bb. On February 2, 2021, the Company granted to Private Placement's brokers 197,467 warrants to purchase the Company's Shares at an exercise price of CAD 0.45 ($0.36) per share. The warrants will be exercisable for 12 months. The total value of the warrants is CAD 20 ($16) (See note 9l).

cc. On October 8, 2021, the Company granted to a consultant 50,000 warrants to purchase the Company's Shares at an exercise price of CAD 0.34 ($0.27) per share. The warrants will be exercisable for 24 months. The total value of the warrants is CAD $10 ($7).

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

Expected volatility	50%
Expected dividend yield	0%

ee. The following table summarizes information about the warrants outstanding as of December 31, 2021:

Warrants Outstanding		
Number Outstanding on December 31, 2021	**Exercise Price**	**Expiry Date**
1,600,000	$0.11 (CAD $0.15)	August 5, 2022
1,000,000	$0.11 (CAD $0.15)	August 5, 2022
300,000	$0.10 (CAD $0.14)	March 9, 2022
197,467	$0.35 (CAD 0.45)	February 2, 2022
50,000	$0.27 (CAD 0.34)	October 8, 2023
3,147,467		

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

NOTE 10 - Share based compensation (continued):

ff. A summary of activity of warrants granted to purchase the Company's Shares is as follows:

	December 31, 2021		December 31, 2020	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Warrants outstanding as beginning of year	4,415,615	0.11	-	
Changes during the period:				
Issuance of warrants (See b-i)	247,467	0.33	4,415,615	0.11
Exercised	(1,481,012)	0.11	-	
Expired	(34,603)	0.11	-	
Warrants outstanding at end of period	**3,147,467**	0.13	**4,415,615**	0.11

gg. The following table summarizes information about the expenses recorded as a result of share based compensations:

	2021	2020
Equity settled compensations	3,027	1,383
Cash settled compensations	340	-
	3,367	**1,383**

NOTE 11 - Income tax:

a. Tax rates:

i) The Company received final tax assessments in Israel through tax year 2018.

ii) The corporate tax rate in Israel is 23% for 2020 and 2021.

b. Net operating losses carry forward:

As of December 31, 2021 the Company has estimated carry forward tax losses of approximately $ 27 million, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax asset on the Company's losses was not recognized since it is not probable that taxable profit will be available in the foreseen future.

c. Reconciliation of effective tax rate:

The adjustments for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

For the Year ended December 31,	2021	2020
Loss before income tax	(9,827)	(6,584)
Tax computed at the corporate rate in Israel – 23%	(2,260)	(1,598)
losses for which no deferred tax asset was recognized	2,260	1,598
Total income tax expense	-	-

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

NOTE 12 - Financial instruments and risk management:

The Company holds the following financial instruments:

Financial assets	**2021**	**2020**
Financial assets at amortized cost		
Cash And cash equivalents	4,117	1,783
Restricted cash	179	144
Trade accounts receivables	386	218
Other accounts receivables	15	11
	4,697	**2,156**

Financial liabilities	**2021**	**2020**
Financial liabilities at amortized cost		
Other accounts payable	698	319
Trade accounts payable and accrued liabilities	1,010	585
Liability to Agricultural Research Organization	1,817	3,309
Lease liability	2,659	2,714
	6,184	**6,927**
Financial liabilities at fair value		
Derivative liability - Warrants	636	672
	636	**672**

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, trade payables and other liabilities. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly currency risk and liquidity risk. The Company has no interest rate risk as the balances exposure to interest is minimal. The risk management policies employed by the Company to manage these risks discussed below.

a. Foreign currency risk:

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company is exposed to currency risk to the extent that there is a mismatch between the currency in which it denominated and the respective functional currency of the company.

The currencies in which some transactions are primarily denominated are CAD, US dollars, Euro and NIS.

The company's policy is not to enter into any economic hedging transactions to neutralize the effects of foreign currency fluctuations. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

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

NOTE 12 - Financial instruments and risk management (continued):

a. Foreign currency risk (continued):

	As of December 31, 2021				
Assets	**US dollar**	**EURO**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	1,783	2	2,123	209	4,117
Restricted cash	40	-	-	139	179
Trade receivables	-	-	-	386	386
Other accounts receivables	-	-	-	15	15
	1,823	**2**	**2,123**	**749**	**4,697**
Liabilities					
Trade accounts payable and accrued liabilities	519	-	186	305	1,010
Other accounts payable	698	-	-	-	698
Lease liability	1,817	-	-	-	1,817
Liability to Agricultural Research Organization	2,246	-	-	-	2,246
	5,280	**-**	**186**	**305**	**5,771**

	As of December 31, 2020				
Assets	**US dollar**	**EURO**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	1,533	28	227	-	1,788
Restricted cash	30	-	-	114	144
Trade receivables	-	-	-	218	218
Other accounts receivables	-	-	-	11	11
	1,563	28	227	343	2,161
Liabilities					
Trade accounts payable and accrued liabilities	316	-	34	235	585
Other accounts payable	319	-	-	-	319
Cash And cash equivalents	-	-	-	5	5
Lease liability	2,714	-	-	-	2,714
Liability to Agricultural Research Organization	3,309	-	-	-	3,309
	6,658	-	34	240	6,932

Analysis:

A 5% appreciation of the USD against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

For a 5% depreciation of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	December 31, 2021	**December 31, 2020**
Linked to CAD	1,937	193
	5%	5%
	97	(10)
Linked to EURO	2	28
	5%	5%
	-	(1)
Linked to NIS	444	103
	5%	5%
	22	(5)

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

NOTE 12 - Financial instruments and risk management (continued):

b. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Company has no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a positive working capital and cash in bank to finance its working capital in the near future.
The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the repayment forecast of the management of the company.

December 31, 2021:			**Amortized cost**				
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Other receivables	234	234	-	-	-	-	234
Liability to Agricultural Research Organization	(1,817)	(185)	(598)	(938)	(1,282)	(214)	(3,217)
Lease Liability	(2,659)	(530)	(505)	(473)	(470)	(1,236)	(3,214)
Other accounts payable	(698)	(698)	-	-	-	-	(698)
Trade accounts payable and accrued liabilities	(1,010)	(1,010)	-	-	-	-	(1,010)
Total	**(5,950)**	**(2,189)**	**(1,103)**	**(1,411)**	**(1,752)**	**(1,450)**	**(7,905)**

December 31, 2020:			**Amortized cost**				
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Other receivables	136	136	-	-	-	-	136
Liability to Agricultural Research Organization	(3,309)	(188)	(464)	(873)	(1,453)	(4,410)	(7,388)
Lease Liability	(2,714)	(473)	(480)	(458)	(456)	(1,666)	(3,533)
Other accounts payable	(319)	(319)	-	-	-	-	(319)
Trade accounts payable and accrued liabilities	(585)	(585)	-	-	-	-	(585)
Total	**(6,791)**	**(1,429)**	**(944)**	**(1,331)**	**(1,909)**	**(6,076)**	**(11,689)**

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

NOTE 12 - Financial instruments and risk management (continued):

c. Fair value of financial assets and liabilities:

The fair value of the Company's current financial assets and liabilities approximates their carrying amounts as their maturity date is less than 1 year and they do not bear a fixed interest rate.
The following table summarizes the information about the level 3 fair value measurements:

December 31, 2021

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	636	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $55 of the fair value

December 31, 2020

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Derivative liability - Warrants	672	Black-Scholes model	level 3	Volatility of firm's assets returns*
Convertible loan	-	Black-Scholes model	level 3	Volatility of firm's assets returns

* A change in the volatility measure by 5% results in a change of +/- $79 of the fair value

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

Derivative liability - Warrants	**2021**	**2020**
Balance as of January 31	672	734
Issuance of Warrants	1,379	-
Exercise of Warrants	(2,189)	-
Loss recognized due to changes in Warrant's terms	-	113
Loss (income) recognized in Profit or loss	774	(175)
Balance as of December 31	**636**	672

Convertible loan	**2021**	**2020**
Balance as of January 31	-	1,042
Issuance of Convertible loan	-	769
Loss recognized in Profit or loss	-	27
Conversion of convertible loans	-	(1,838)
Balance as of December 31	-	-

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

NOTE 12 - Financial instruments and risk management (continued):

d. Financial instruments not measured at fair value:

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

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

The fair value of Liability to Agricultural Research Organization for December 31, 2020 and December 31, 2019 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

e. Capital management:

Company's objective is to maintain, as much as possible, a stable capital structure. In the opinion of Company's management its current capital structure is stable. Consistent with others in the industry, the Company monitors capital, including others also, on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

NOTE 13 - Related Parties Transactions:

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

Related party transactions:

For the year and period ended December,	2021	2020
Compensation of key management personnel of the Company:		
CEO Management fees	462	330
Chairman Management fees	253	136
CFO Management fees	30	19
Share base payment to CEO	315	451
Share base payment to Chairman	565	250
Other related party transactions:		
Share base payments	298	403

Balance with related parties:

For the year and period ended December,	2021	2020
Due to the CEO	70	53

Bonus plan

The Company's Chairman, CEO and key management employees are entitled to receive an annual bonus based on performance.

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

NOTE 14 - Revenues:

The Company derives its revenue from the transfer of goods at a point in time. See note 21 regarding geographical and segment information.

NOTE 15 – Research and development expenses:

	For the year ended December 31,	
	2021	**2020**
Wage and salaries	**1,105**	933
Share base compensation	**2,548**	-
Professional fees	**226**	40
Patents	**53**	26
Depreciation	**67**	151
Office maintenance, communication and Travel	**130**	105
Others	**-**	9
	4,129	1,264

NOTE 16 – Selling and Marketing expenses:

	For the year ended December 31,	
	2021	**2020**
Wage and salaries	**259**	76
Marketing expenses	**2,910**	345
Depreciation	**89**	23
Office maintenance, communication and Travel	**48**	23
	3,306	467

NOTE 17- General and administrative expenses:

	For the year ended December 31,	
	2021	**2020**
Wages and salaries	**1,397**	783
Professional and legal fees	**862**	453
Office maintenance, communication and Travel	**239**	246
Re-assessment Liability to Agricultural Research Organization (Note 2o)	**(2,131)**	672
Rent	**14**	-
Share based compensation	**818**	1,249
Depreciation	**184**	104
Finder fees (Note 9)	**43**	220
Investor Relation	**247**	235
Other	**53**	12
	1,726	3,974

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

NOTE 18 - Financial expenses:

	For the year ended December 31,	
	2021	**2020**
Fair value adjustments of convertible loans	**-**	27
Expense recognized from Derivative liability - Warrants	**774**	-
Exchange rate differences	**-**	75
Interest on liability for Agricultural Research Organization	**662**	445
Bank commission	**47**	14
Interest and others	**143**	50
	1,626	611

NOTE 19 - Financial Income:

	For the year ended December 31,	
	2021	**2020**
Income recognized from Derivative liability - Warrants	**-**	62
Exchange rate differences	**290**	-
PPM- penalty	**-**	131
	290	193

NOTE 20 - Commitments and Contingencies:

In March 2007, the Company entered into a Research and Exclusive License Agreement with the Volcany Center (ARO). According to the agreement, the Company received the right to develop, market and sell the product "Vinia®". The Volcany center is entitled to royalties at the amount of 3% of the Vinia sales. Future products are not included in this agreement. Furthermore, if the Company sells the license or grants a sub-license to a third party, the Volcany Center will be entitled to 5% of the total amount of the consideration received by the Company.

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

NOTE 21 - Operating segments:

The Company and its subsidiaries are engaged in the following segments:

- Vinia: development, design, manufacture and marketing of "Vinia" for the private sectors.
- Cannabis: development, design, manufacture and marketing of medical Cannabis.

1) Segment information

	For the year ended December 31, 2021		
	Vinia	Cannabis	Total
Revenues			
External	2,102	-	2,102
Inter-segment	-	-	-
Total	2,102	-	2,102
Segment loss	4,402	4,089	8,491
Finance expense, net			1,336
Tax expenses			-
Loss			9,827

	For the year ended December 31, 2020		
	Vinia	Cannabis	Total
Revenues			
External	396	-	396
Inter-segment	-	-	-
Total	396	-	396
Segment loss	2,575	3,591	6,166
Finance expense, net			418
Tax expenses			-
Loss			6,584

	As of December 31, 2021			
	Vinia	Cannabis	Adjustment & Elimination	Total
Segment assets	9,787	17,516	(17,095)	10,208
Segment liabilities	13,883	6,203	(12,733)	7,353

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

NOTE 21 - Operating segments (continued):

	As of December 31, 2020			
	Vinia	Cannabis	Adjustment & Elimination	Total
Segment assets	6,132	5,451	(6,279)	5,304
Segment liabilities	5,180	4,334	(1,915)	7,599

2) Entity wide disclosures:

	For the year ended December 31,			
	External revenue by location of customers		Non-current assets by location of assets	
	2021	2020	2021	2020
Israel	1,494	366	4,543	3,067
Other	608	30	-	-
	2,102	396	4,543	3,067

3) Additional information about revenues:

There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements.

NOTE 22 - Changes in liabilities arising from financing activities:

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows

	Lease liabilities	Derivative liability – warrants	Liability to Agricultural Research Organization
At 1 January 2021	**2,714**	**672**	**3,309**
Changes from financing cash flows:			
Issuance of Warrants	-	1,379	-
Payments of lease liabilities	(332)	-	-
Repayment of long-term loans from banks	-	-	-
Total changes from financing cash flows	**(2,382)**	**2,051**	**3,309**
New Leases entered during the period	190		
Changes in fair value	-	774	(2,154)
Exercise of Warrants	-	(2,189)	-
Interest expense	136	-	662
Interest paid	(136)	-	-
Effects of foreign exchange	(14)	-	-
At 31 December 2021	**2,558**	**636**	**1,817**

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

NOTE 22 - Changes in liabilities arising from financing activities (continued):

	Loans and borrowings	Lease liabilities	Convertible loans	Derivative liability – warrants	Liability to Agricultural Research Organization
At 1 January 2020	61	549	23,412	734	2,197
Changes from financing cash flows:					
Receipts of convertible loans	-	-	769	-	-
Issuance of Warrants	-	-	-	3	-
Payments of lease liabilities	-	(257)	-	-	-
Repayment of long-term loans from banks	(55)	-	-	-	-
Total changes from financing cash flows	**6**	**292**	**24,181**	**737**	**2,197**
New Leases entered during the period	-	2,387	-	-	-
Changes in fair value	-	-	-	(178)	667
Loss recognized due to changes in Warrant's terms (See note 12)	-	-	-	113	
Interest expense	-*	25	27	-	445
Interest paid	-	(25)	-	-	-
Conversion of Convertible loans	-	-	(24,208)	-	-
Effects of foreign exchange	(6)	35	-	-	-
At 31 December 2020	-	2,714	-	**672**	**3,309**

NOTE 23 - Subsequent events:

1) On January 1, 2022 650,000 options granted to employees on December 23, 2020 were cancelled
2) On January 4, 2022, 2,499 options were exercised at CAD 0.19 ($0.15).
3) On January 7, 2022 250,000 options at CAD 0.15 ($0.11) and 150,000 options at CAD 0.19 ($0.15) were exercised.
4) On March 1, 2022 7,501 options granted on December 23, 2020, 10,000 options granted on February 8, 2021 and 10,000 options granted on October 8, 2021 were forfeited.
5) On March 25, 2022 482,000 options were granted at CAD 0.35 ($0.28).
6) During the period January 2022 till April 28, 2022, 164,000 warrants at CAD 0.45 ($0.36) and 300,000 warrants at CAD 0.14 ($0.10) were exercised.