BioHarvest Sciences Inc.

Consolidated Financial Statements

For the Year Ended December 31, 2022

Expressed in U.S. dollars in thousands

BioHarvest Sciences Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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BDO

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, 2022 and December 31, 2021 and the consolidated statements of comprehensive loss, changes in shareholders' equity (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, 2022 and December 31, 2021, 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 at December 31, 2022, the Company has an accumulated deficit of $70,941 thousand. In addition, the Company generated negative cash flows from operating activities of $9,241 thousand and a loss in the amount of $11,236 thousand for the year ended December 31, 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, We have determined that there are no other key audit matters to communicate in our report.

Other Information

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

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- 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.

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

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

Tel-Aviv, Israel

April 27, 2023

Ziv Haft

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

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BioHarvest Sciences Inc.

Consolidated Statements of Financial Position

U.S. dollars in thousands

	Notes	As at December 31, 2022	As at December 31, 2021
Assets			
Current			
Cash and cash equivalents		**$ 1,736**	$ 4,117
Trade accounts receivable		**545**	386
Other accounts receivable	4	**663**	234
Inventory	5	**1,378**	928
Total current assets		**4,322**	5,665
Non-current			
Restricted cash		**163**	179
Property and equipment, net	6	**4,908**	4,364
Total non-current assets		**5,071**	4,543
Total assets		**$ 9,393**	$ 10,208
Liabilities			
Current liabilities			
Trade accounts payable		**$ 1,067**	$ 875
Other accounts payable	9	**1,740**	1,277
Convertibles loans	12	**8,549**	-
Accrued liabilities		**163**	135
Derivative liability - Warrants	8	**-**	636
Total current liabilities		**11,519**	2,923
Non-current liabilities			
Cash-settled share-based payment	11	**123**	340
Lease liability	7	**1,670**	2,273
Liability to Agricultural Research Organization	23	**2,010**	1,817
Total non-current liabilities		**3,803**	4,430
Shareholders' equity (deficit)			
Share capital and contributed surplus	10	**65,012**	62,560
Accumulated deficit		**(70,941)**	(59,705)
Total Shareholders' equity (deficit)		**(5,929)**	2,855
Total liabilities and shareholders' equity (deficit)		**$ 9,393**	$ 10,208

Going Concern (Note 1B)

April 27, 2023	*'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, 2022	2021
Revenues	16	**$ 5,498**	$ 2,102
Cost of revenues	17	**4,279**	1,432
Gross profit		**1,219**	670
Operating expenses			
Research and development expenses	18	**2,308**	4,129
Sales and marketing expenses	19	**5,221**	3,306
General and administrative expenses	20	**4,302**	1,726
Total operating expenses		**(11,831)**	(9,161)
Loss from operations		**(10,612)**	(8,491)
Finance expenses	21	**1,485**	1,626
Finance income	22	**861**	290
Net loss before tax		**(11,236)**	(9,827)
Net loss and comprehensive loss		**$ (11,236)**	$ (9,827)
Basic and Diluted loss per share		(0.02)	(0.02)
Weighted Average Number of Shares Outstanding		456,877,572	435,669,422

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, 2021		410,619,089	$	47,583	$	(49,878)	$	(2,295)
Issuance of units of securities, net	**10**	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
Exercise of options and warrants by employees and consultants	**10**	**6,922,138**		**819**		**-**		**819**
Share based compensation		**-**		**1,569**		**-**		**1,569**
Exercise of warrants		**164,000**		**64**		**-**		**64**
Comprehensive loss for the period		**-**		**-**		**(11,236)**		**(11,236)**
Balance, December 31, 2022		**460,716,275**		**65,012**		**(70,941)**		**(5,929)**

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, 2022	2021
Cash flows from operating activities:			
Net loss for the year		**$ (11,236)**	$ (9,827)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		**712**	389
Fair value adjustments of convertible loans		**891**	-
Fair value adjustments of derivative liability - warrants		**(630)**	774
Re-assessment of Agricultural Research Organization liability	23	**(129)**	(2,154)
Interest on liability for Agricultural Research Organization		**360**	662
Finance expense, net		**(112)**	227
Share based compensation		**1,352**	3,367
Changes in operations assets and liabilities:			
Change in inventory		**(450)**	(828)
Change in trade accounts receivables		**(159)**	(168)
Change in other accounts receivables		**(429)**	(98)
Changes in trade payables and accrued expenses		**730**	998
Cash from operations		**(9,100)**	(6,658)
Interest paid		**(141)**	(136)
Net cash used in operating activities		**(9,241)**	(6,794)
Cash flow from investing activities:			
Purchase of property and equipment		**(1,256)**	(1,640)
Net cash used in investing activities		**(1,256)**	(1,640)
Cash flow from financing activities			
Payments of lease liabilities		**(359)**	(332)
Net proceeds from issuance of unit of securities	10	**-**	7,466
Exercise of warrants		**58**	-
Exercise of options and warrants by employees and consultants		**819**	3,638
Payment of royalties		**(38)**	-
Convertible loans received	12	**7,658**	-
Net cash provided by financing activities		**8,138**	10,772
Exchange rate differences on cash and cash equivalents		**(22)**	(4)
Increase in cash and cash equivalents		**(2,359)**	2,338
Cash and cash equivalents at the beginning of the year		**4,117**	1,783
Cash at the end of the year		**$ 1,736**	$ 4,117

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

NOTE 1- General:

A. The Company:

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

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

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

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

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

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

Description of Business

The Company is engaged in two business segments.

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

<u>Nutraceuticals - Super fruits (Polyphenol Anti-Oxidant) products</u>

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

<u>Pharmaceuticals- Cannabis and Red grape cells (RGC)</u>

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

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

B. Going concern:

The Company incurred losses from operations since its inception. As of December 31, 2022, the Company has an accumulated deficit of $70,941. The Company generated negative cash flows from operating activities of $9,241 and a loss in the amount of $11,236 for the year ended December 31, 2022. As of the date of the

NOTE 1- General (continued):

B. Going concern (continued):

issuance of these financial statements, the Company has not yet commenced generating sufficient sales, and therefore depends on fundraising from new and existing investors to finance its activities. These factors raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The company’s management believes that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceeds from capital fund raising and future revenues. The Company’s management are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

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

NOTE 2- 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) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). 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 27, 2023.

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.

NOTE 2- Significant accounting policies (continued):

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.

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.

NOTE 2- Significant accounting policies (continued):

g. Inventories (continued):

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

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 claa 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, 2022 and 2021 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.

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.

NOTE 2- Significant accounting policies (continued):

j. Fair value measurement (continued):

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, restricted cash, deposits and other account receivables), 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 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.

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.

NOTE 2- Significant accounting policies (continued):

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

1. 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.

2. 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.

3. 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.

4. 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, 2022 and 2021, there is no evidence of impairment.

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.

NOTE 2- Significant accounting policies (continued):

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 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 2022 and 2021 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.

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.

NOTE 2- Significant accounting policies (continued):

o. Liability to Agricultural Research Organization (continued):

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	7-33
Leasehold improvements	10-30
Laboratory equipment	10-15
Factory	7-33

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Company 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.

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 gives 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.

NOTE 2- Significant accounting policies (continued):

q. Revenue recognition (continued):

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.

Deferred revenues

A deferred revenue is recognized if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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.

t. Leases:

Right-of-use assets:

The Company 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

NOTE 2- Significant accounting policies (continued):

t. Leases (continued):

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 Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company 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 Company 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.

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, 2022 (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. These standards and interpretations will not have a material impact on the financial statements once adopted.

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 Company 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.

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.

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

NOTE 4- Other accounts receivable:

	December 31,	
	2022	**2021**
Prepaid expenses	**486**	118
Government Institutions	**177**	116
Total	**663**	234

NOTE 5 - Inventory:

	December 31,	
	2022	**2021**
Raw materials	**144**	163
Work in progress	**1,183**	229
Finished goods	**51**	536
Total	**1,378**	928

NOTE 6 – 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, 2021	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
Additions	**42**	**-**	**7**	**7**	**-**	**1,200**	**1,256**
Disposals	-	-	-	-	-	-	-
As of December 31, 2022	**818**	**102**	**571**	**105**	**3,121**	**2,687**	**7,404**
Accumulated depreciation:							
As of January 1, 2021	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
Additions	**26**	**9**	**31**	**11**	**427**	**208**	**712**
Disposals	-	-	-	-	-	-	-
As of December 31, 2022	**687**	**60**	**259**	**88**	**1,194**	**208**	**2,496**
Net Book Value:							
As of December 31, 2022	**131**	**42**	**312**	**17**	**1,927**	**2,479**	**4,908**
As of December 31, 2021	115	51	336	21	2,354	1,487	4,364

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

NOTE 7 – Leases:

a) In April 2019 the Company signed a one-year new agreement for office space in Rehovot Israel, with an extension option for two more years. The annual lease commitment is approximately $316 plus common area maintenance charges.

b) In December 2020, the Company signed an additional lease agreement for another property at the same location, which ends April 2023. 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 $140 plus common area maintenance charges. The incremental borrowing rate is 6.50%.

c) The Company's leases several cars. The lease period is for 3 years. The annual lease commitment is approximately $52.

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 a period of 10 years. The annual lease commitment is approximately $143. The incremental borrowing rate is 6.08%.

Lease liabilities	**Year ended December 31**	
	2022	**2021**
Interest expense	**141**	136
Total cash outflow for leases	**500**	468
Additions to right-of-use assets	**-**	190

NOTE 8 - 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, 2020	**26,786,332**	**0.18**
Issuance of warrants (Note 10)	19,340,521	0.47
Exercised (Note 10)	(18,298,832)	0.19
Expired	(8,487,500)	0.19
Balance, December 31, 2021	**19,340,521**	**0.47**
Exercised (Note 10)	(164,000)	0.45
Expired	(19,176,521)	0.46
Balance, December 31, 2022	**-**	**-**

As the warrants issued by the Company had an exercise price denominated in Canadian dollars, which differs from the Company’s functional currency, they did not qualify for classification as equity. These warrants were classified as warrant liability and were recorded initially at the fair value and revalued at each reporting date,

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

NOTE 8 - Derivative liability – Warrants (continued):

using the Black-Scholes valuation method. Changes in fair value for each period were 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:

Number of Warrants	**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 the 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, 2022, the Company recorded a loss of $631 (December 31, 2021 loss of $774) in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability.

NOTE 9 – Other accounts payable:

	December 31,	
	2022	**2021**
Government Institutions	**306**	193
Lease liability	**339**	386
Employees	**698**	695
Deferred revenue	**394**	-
Others	**3**	3
	1,740	1,277

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

NOTE 10 - Share Capital:

	Number of shares	
	December 31, 2022 Issued and outstanding	**December 31, 2021 Issued and outstanding**
Ordinary shares with no par value	**460,716,275**	453,630,137

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, 2021	**410,619,089**
Private Placement Financing (see b)	15,449,829
Private Placement Financing (see c)	6,845,368
Private Placement Financing (see d)	936,007
Warrants exercise (see e)	19,779,844
Balance as of December 31, 2021	**453,630,137**
Exercise of options and warrants by employees and consultants (see f)	**6,922,138**
Warrants exercise (see g)	**164,000**
Balance as of December 31, 2022	**460,716,275**

a. The Company is authorized to issue an unlimited number of common shares.

b. 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 11k), as finders' fees. The increase in share capital as a result of these transactions is $3,531.

c. 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.

d. 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.

e. 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

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

NOTE 10 - 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.

f. During 2022 the Company issued 6,922,138 common shares as a result of the exercise of 300,000 warrants issued to employees and or consultants with an exercise price of CAD 0.14 (approximately $0.10), 2,600,000 warrants issued to consultants with an exercise price of CAD 0.15 (approximately $0.11), 152,499 options with an exercise price of CAD 0.19 (approximately $0.15) and the exercise of 3,869,639 options with an exercise price of CAD 0.15 (approximately $0.11). The increase in Share Capital and Premium as a result of these transactions is $819.

g. During 2022 the Company issued 164,000 common shares as a result of the exercise of 164,000 warrants issued to investors with an exercise price of CAD 0.45 ($0.36). The increase in Share Capital and Premium as a result of these transactions is $64.

NOTE 11 - Share based compensation:

a. 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).

b. 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).

c. 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).

d. 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 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**	**December 31, 2022**
Risk-free interest rate	0.76%	1.27%	4.05%
Expected volatility	50%	50%	50%

e. 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).

f. 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).

NOTE 11 - Share based compensation (continued):

g. 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).

h. On October 21, 2021 the Company granted 400,000 options to purchase the Company's shares at CAD 0.34 ($0.28) per share under the Company's share option plan. The options will be exercisable for a 10-

i. year period. The options will vest quarterly over a 3-year period. The total value of the options granted is CAD 63 ($51).

j. 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).

k. 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).

l. On January 1, 2022 the Company canceled 650,000 options granted on December 24, 2020 at CAD 0.19 ($0.15).

m. On March 25, 2022 the Company granted 482,000 options to purchase the Company's shares at CAD 0.35 ($0.26) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 240,000 options will vest quarterly over a 3-year period, 215,000 options will vest quarterly over a 1-year period, 12,000 options will vest monthly over a 6 month period and 15,000 options will vest monthly over 4 month period. The total value of the options granted is CAD 79 ($63).

n. On May 5, 2022 the Company granted 350,000 options to purchase the Company's shares at CAD 0.34 ($0.25) 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 58 ($46).

o. On July 4, 2022 the Company granted 1,360,000 options to purchase the Company's shares at CAD 0.24 ($0.18) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 325,000 options will vest quarterly over a 3-year period, 35,000 options will vest monthly over a 2 months period, 166,666 options will vest at once after 6 months and 833,340 options will vest monthly starting January 4, 2023 over a 2.5 years period. The total value of the options granted is CAD 153 ($120).

p. On July 4, 2022 the Company canceled 4,343,800 options granted on March 22, 2021 at CAD 0.51 ($0.41).

q. On July 8, 2022 the Company granted 30,000 options to purchase the Company's shares at CAD 0.23 ($0.17) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest monthly over a 2-months period. The total value of the options granted is CAD 4 ($3).

r. On September 9, 2022 the Company granted 5,693,800 options to purchase the Company's shares at CAD 0.32 ($0.24) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 1,300,000 options will vest quarterly over a 3-year period and 4,393,800 options will vest quarterly over a 2-years period. The total value of the options granted is CAD 829 ($638).

s. On October 21, 2022 the Company granted 145,000 options to purchase the Company's shares at CAD 0.28 ($0.21) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 10,000 options will vest quarterly over a 3-year period, 75,000 options will vest quarterly over 1-year period and 60,000 options will vest over a 4 month period. The total value of the options granted is CAD 20 ($15).

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

NOTE 11 - Share based compensation (continued):

t. On November 4, 2022 the Company granted 100,000 options to purchase the Company's shares at CAD 0.28 ($0.21) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 100,000 options will vest monthly over a 9-month period. The total value of the options granted is CAD 14 ($10).

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

Expected volatility	50%
Expected dividend yield	0%

v. 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, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding as beginning of year	63,958,113	0.19	48,542,113	0.11
Changes during the period:				
Options granted (See m-o, q-t)	8,160,800	0.23	15,416,000	0.43
Options cancelled (See l,p)	(4,993,800)	0.35	-	-
Options exercised (See note 9f)	(4,022,138)	0.11	-	-
Options forfeited	(681,668)	0.18	-	-
Options outstanding at end of period (*)	62,421,307	0.19	63,958,113	0.19
Options exercisable at period end	48,710,096		52,566,077	

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

NOTE 11 - Share based compensation (continued):

(*) The options outstanding on December 31, 2022 had a weighted-average contractual life of 7.95 years (December 31, 2021: 8.3 years).

The following table summarizes information about the options outstanding as of December 31, 2022:

	Options Outstanding		Options Exercisable
Number Outstanding at December 31, 2022	**Exercise Price**	**Expiry Date**	**at December 31, 2022**
18,098,196	$0.10 (CAD 0.14)	June 9, 2030	15,081,830
7,389,278	$0.11 (CAD 0.15)	June 10, 2030	7,389,278
12,410,000	$0.11 (CAD 0.15)	July 29, 2030	12,410,000
700,000	$0.11 (CAD 0.15)	September 10, 2030	700,000
950,000	$0.10 (CAD 0.14)	November 9, 2030	633,333
3,815,000	$0.14 (CAD 0.19)	December 23, 2030	3,100,227
765,000	$0.27 (CAD 0.36)	January 12, 2031	487,917
245,000	$0.32 (CAD 0.43)	January 29, 2031	236,667
431,000	$0.37 (CAD 0.50)	February 8, 2031	203,917
6,000,000	$0.49 (CAD 0.66)	February 25, 2031	5,250,000
880,000	$0.38 (CAD 0.51)	March 22, 2031	567,500
369,667	$0.33 (CAD 0.45)	July 9, 2031	194,667
950,000	$0.25 (CAD 0.34)	October 8, 2031	333,333
400,000	$0.25 (CAD 0.34)	October 21, 2031	133,333
66,533	$0.30 (CAD 0.40)	October 29, 2031	33,200
850,000	$0.28 (CAD 0.38)	November 29, 2031	316,667
482,000	$0.26 (CAD 0.35)	March 22, 2032	248,250
300,000	$0.25 (CAD 0.34)	May 6, 2032	50,000
1,360,000	$0.18 (CAD 0.24)	July 4, 2032	62,083
30,000	$0.17 (CAD 0.23)	July 8, 2032	30,000
5,684,633	$0.24 (CAD 0.32)	September 9, 2032	1,206,783
145,000	$0.21 (CAD 0.28)	October 21, 2032	30,000
100,000	$0.21 (CAD 0.28)	November 4, 2032	11,111
62,421,307			**48,710,096**

Warrants

w. 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 11l).

x. 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).

y. The following assumptions were used to estimate the fair value of the options for all issuances:

Expected volatility	50%
Expected dividend yield	0%

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

NOTE 11 - Share based compensation (continued):

z. The following table summarizes information about the warrants outstanding as of December 31, 2022:

Warrants Outstanding		
Number Outstanding on December 31, 2022	**Exercise Price**	**Expiry Date**
50,000	$0.27 (CAD 0.34)	October 8, 2023
50,000		

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

	December 31, 2022		**December 31, 2021**	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Warrants outstanding as beginning of year	3,147,467	0.13	4,415,615	0.11
Changes during the period:				
Issuance of warrants	-	-	247,467	0.33
Exercised	(2,900,000)	0.10	(1,481,012)	0.11
Expired	(197,467)	0.35	(34,603)	0.11
Warrants outstanding at end of period	**50,000**	**0.27**	3,147,467	0.13

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

	2022	**2021**	**2020**
Equity settled compensations	**1,569**	3,027	1,383
Cash settled compensations	**(217)**	340	-
	1,352	**3,367**	**1,383**

NOTE 12 – Convertible loan:

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

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

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

NOTE 12 - Convertible loan (Continued):

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

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

(a) CAD 0.32, if the date of the receipt of such Conversion Notice by the Company occurs between and including the Closing Date and the date that is 90 days following the Closing Date;
(b) CAD 0.35, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 91 days following the Closing Date and 180 days following the Closing Date;
(c) CAD 0.39, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 181 days following the Closing Date and 270 days following the Closing Date;
(d) CAD 0.44, if the date of the receipt of such Conversion Notice by the Company occurs between and including the date that is 271 days following the Closing Date and the date that is one day prior to the Anniversary; or
(e) If the date of the receipt of such Conversion Notice by the Company occurs on or following the Anniversary the Discounted Conversion Price shall be:

- 75% of the closing price of the Shares, on the principal exchange on which the Shares are listed (the “Exchange”), on the date of receipt of the Conversion Notice by the Company (the “Closing Price”) if the Closing Price is CAD 0.50 or less; or
- 80% of the Closing Price, if the Closing Price is CAD 0.51 or greater.

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

- CAD 0.65, if the date of the receipt of such Conversion Notice by the Company occurs between and including the Anniversary and the date that is 90 days following the Anniversary;
- CAD 0.75, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 91 days following the Anniversary and 180 days following the Anniversary;

- (j) CAD 0.85, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 181 days following the Anniversary and 270 days following the Anniversary; or

- (k) CAD 0.95, if the date of the receipt of such Conversion Notice by the Company occurs between and including the date that is 271 days following the Anniversary and the date that is one day prior to the Maturity Date.

The Company paid finder's fees of $124 in connection with the transaction.

The Convertible Loan is denominated in Canadian dollars and convertible into common shares based on the principal and interest balance. The conversion rate to common shares is variable as it depends on the Company's share price prevailing at specific dates on the stock exchange.
Therefore, the convertible loan is a hybrid instruments that include a debt host contract and an embedded derivative liability.

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

NOTE 12 - Convertible loan (Continued):

As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.
The component of fair value changes relating to the company's own credit risk is recognized in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. There was no change in the company company's own credit risk since the issuance of the convertible notes.

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

	December 31, 2022
Risk-free interest rate	4.05%
Expected volatility	50%

NOTE 13 - Income tax:

a. Tax rates:

   i) The Company received final tax assessments in Israel through tax year 2017.

   ii) The corporate tax rate in Israel is 23% for 2022 and 2021.

b. Net operating losses carry forward:

   As of December 31, 2022 the Company has estimated carry forward tax losses of approximately $ 30 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,	**2022**	**2021**
Loss before income tax	**(11,236)**	(9,827)
Combined statutory tax rate- 22.44%	**(2,522)**	(2,260)
losses for which no deferred tax asset was recognized	**2,522**	2,260
Total income tax expense	**-**	**-**

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

NOTE 14 - Financial instruments and risk management:

The Company holds the following financial instruments:

Financial assets	**2022**	**2021**
Financial assets at amortized cost		
Cash and cash equivalents	1,736	4,117
Restricted cash	163	179
Trade accounts receivables	545	386
Other accounts receivables	663	15
	3,107	**4,697**

Financial liabilities	**2022**	**2021**
Financial liabilities at amortized cost		
Other accounts payable	1,099	698
Trade accounts payable and accrued liabilities	1,230	1,010
Liability to Agricultural Research Organization	2,010	1,817
Lease liability	2,009	2,659
	6,348	**6,184**
Financial liabilities at fair value		
Convertible loan	8,549	-
Derivative liability - Warrants	-	636
	8,549	**636**

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 to 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 are 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 is 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 14 - Financial instruments and risk management (continued):

	As of December 31, 2022				
Assets	**US dollar**	**EURO**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	1,634	1	67	34	**1,736**
Restricted cash	40	-	-	123	**163**
Trade receivables	62	-	-	483	**545**
Other accounts receivables	14	-	19	630	**663**
	1,750	**1**	**86**	**1,270**	**3,107**
Liabilities					
Trade accounts payable and accrued liabilities	581	-	68	581	**1,230**
Other accounts payable	475	-	-	624	**1,099**
Convertible loans	8,549	-	-	-	**8,549**
Lease liability	2,009	-	-	-	**2,009**
Liability to Agricultural Research Organization	2,010	-	-	-	**2,010**
	13,624	**-**	**68**	**1,205**	**14,897**

	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	2,246	-	-	-	2,246
Liability to Agricultural Research Organization	1,817	-	-	-	1,817
	5,280	**-**	**186**	**305**	**5,771**

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, 2022	**December 31, 2021**
Linked to CAD	**18**	1,937
	5%	5%
	1	97
Linked to EURO	**1**	2
	5%	5%
	-	-
Linked to NIS	**65**	444
	5%	5%
	3	22

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

NOTE 14 - 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 except of lease liability (the liability 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, 2022	**Amortized cost**						
	Book value	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
Liability to Agricultural Research Organization	(2,010)	(513)	(651)	(726)	(120)	(-)	(2,010)
Lease Liability	(2,009)	(457)	(428)	(425)	(425)	(694)	(2,429)
Other accounts payable	(1,401)	(1,401)	-	-	-	-	(1,401)
Trade accounts payable and accrued liabilities	(1,230)	(1,230)	-	-	-	-	(1,230)
Total	**(6,650)**	**(3,601)**	**(1,079)**	**(1,151)**	**(545)**	**(694)**	**(7,070)**

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**
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	**(6,184)**	**(2,423)**	**(1,103)**	**(1,411)**	**(1,752)**	**(1,450)**	**(8,139)**

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

NOTE 14 - 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, 2022

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Convertible loan	8,549	Bionomial model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $75 of the fair value

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

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

Derivative liability - Warrants	**2022**	**2021**
Balance as of January 1	**636**	672
Issuance of Warrants	**-**	1,379
Exercise of Warrants	**(6)**	(2,189)
Loss recognized due to changes in Warrant's terms	**-**	-
Loss (income) recognized in Profit or loss	**631**	774
Balance as of December 31	-	**636**

Convertible loan	**2022**	**2021**
Balance as of January 1	**-**	-
Issuance of Convertible loan	**7,658**	-
Loss recognized in Profit or loss	**891**	-
Conversion of convertible loans	**-**	-
Balance as of December 31	**8,549**	-

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

NOTE 14 - 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, 2022 and December 31, 2021 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:

The Company seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Company's capital is provided by equity rising. The Company manages its capital structure through raising funds from shareholders. The Company has net cash and cash equivalents as of December 31, 2022 of $1,736 (2021 – $4,117). Accordingly, the directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on receipt from issuance of shares in addition to revenues backlog.

NOTE 15 - 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,	2022	2021
Compensation of key management personnel of the Company:		
CEO Management fees	**511**	462
Chairman Management fees	**235**	253
CFO Management fees	**30**	30
Share base payment to CEO	**113**	315
Share base payment to Chairman	**503**	565
Other related party transactions:		
Share base payments	**98**	298

Balance with related parties:

For the year and period ended December,	2022	2021
Due to the CEO	**184**	70

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 16 - Revenues:

The Company derives its revenue from the transfer of goods at a point in time. See note 24 regarding geographical and segment information.

NOTE 17- Cost of revenues:

	For the year ended December 31,	
	2022	**2021**
Wage and salaries	**1,227**	626
COGS	**2,489**	287
Depreciation	**419**	329
Office maintenance, communication and Travel	**72**	190
Others	**72**	-
	4,279	1,432

NOTE 18 – Research and development expenses:

	For the year ended December 31,	
	2022	**2021**
Wage and salaries	**1,512**	1,105
Share base compensation	**159**	2,548
Professional fees	**238**	226
Patents	**63**	53
Depreciation	**122**	67
Office maintenance, communication and Travel	**129**	130
Materials	**79**	-
Others	**6**	-
	2,308	4,129

NOTE 19 – Sales and Marketing expenses:

	For the year ended December 31,	
	2022	**2021**
Wage and salaries	**871**	259
Marketing expenses	**4,211**	2,910
Depreciation	**48**	89
Office maintenance, communication and Travel	**91**	48
	5,221	3,306

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

NOTE 20- General and administrative expenses:

	For the year ended December 31,	
	2022	**2021**
Wages and salaries	**1,438**	1,397
Professional and legal fees	**701**	862
Office maintenance, communication and Travel	**439**	239
Re-assessment Liability to Agricultural Research Organization (Note 2o)	**(129)**	(2,131)
Rent	**39**	14
Share based compensation	**1,193**	818
Depreciation	**123**	184
Finder fees (Note 11)	**160**	43
Investor Relation	**217**	247
Other	**121**	53
	4,302	1,726

NOTE 21 - Financial expenses:

	For the year ended December 31,	
	2022	**2021**
Expense recognized from Derivative liability - Warrants	**-**	774
Exchange rate differences	**-**	-
Fair value adjustments of convertible loans	**891**	-
Interest on liability for Agricultural Research Organization	**360**	662
Bank commission	**86**	47
Interest and others	**148**	143
	1,485	1,626

NOTE 22 - Financial Income:

	For the year ended December 31,	
	2022	**2021**
Income recognized from Derivative liability - Warrants	**631**	-
Exchange rate differences	**230**	290
	861	290

NOTE 23 - 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 24 - Operating segments:

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

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

1) Segment information

	For the year ended December 31, 2022		
	Nutraceuticals	**Pharmaceuticals**	**Total**
Revenues			
External	5,498	-	**5,498**
Total	5,498	-	**5,498**
Segment loss	7,425	3,187	**10,612**
Finance expense, net			**624**
Tax expenses			-
Loss			**11,236**

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

	As of December 31, 2022			
	Nutraceuticals	**Pharmaceuticals**	**Adjustment & Elimination**	**Total**
Segment assets	**9,505**	**23,867**	**(23,979)**	**9,393**
Segment liabilities	**21,229**	**13,817**	**(19,724)**	**15,322**

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

NOTE 24 - Operating segments (continued):

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

2) Entity wide disclosures:

	For the year ended December 31,			
	External revenue by location of customers		Non-current assets by location of assets	
	2022	2021	2022	2021
Israel	**1,875**	1,494	**5,071**	4,543
USA	**3,623**	608	**-**	-
	5,498	2,102	**5,071**	4,543

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 for the year ended December 31, 2022 and 2021.

NOTE 25 - 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	Convertible loans	Derivative liability – warrants	Liability to Agricultural Research Organization
As at January 1, 2022	**2,659**	**-**	**636**	**1,817**
Changes from financing cash flows:				
Payments of lease liabilities	(359)	-	-	-
Receipts of convertible loans	-	7,658	-	-
Payment of Royalties to ARO	-	-	-	(38)
Repayment of long-term loans from banks	-	-	-	-
Total changes from financing cash flows	**2,300**	**7,658**	**636**	**1,779**
New Leases entered during the period	-	-	-	-
Changes in fair value	-	891	(631)	(129)
Exercise of Warrants	-	-	(6)	-
Interest expense	141	-	-	360
Interest paid	(141)	-	-	-
Effects of foreign exchange	(291)	-	-	-
As at December 31, 2022	**2,009**	**8,549**	**-**	**2,010**

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

NOTE 25 - Changes in liabilities arising from financing activities (continued):

	Lease liabilities	Derivative liability – warrants	Liability to Agricultural Research Organization
As at January 1, 2021	**2,888**	**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	**2,556**	**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	(87)	-	-
As at December 31, 2021	**2,659**	**636**	**1,817**

NOTE 26 - Subsequent events:

1) On January 12, 2023, the Company issued 5,774,175 shares as a result of conversion of $2,477 (principal and accrued interest) as part of the convertible loan.
2) On February 3, 2023, the Company granted employees and consultants 395,000 options to purchase shares of the Company at CAD 0.29 ($0.22) per share under the Company's share option plan.
3) On March 13, 2023, the Company granted employees and consultants 350,000 options to purchase the Company's shares at CAD 0.22 ($0.16) per share under the Company's share option plan.
4) On April 21, 2023, the Company granted to employees 1,850,000 options to purchase shares of the Company at CAD 0.26 ($ 0.19) per share under the Company's share option plan.
5) During the period January - April 2023, the Company raised $700 through a new convertible loan.