BioHarvest Sciences Inc.

Consolidated Financial Statements

For the Year Ended December 31, 2023

Expressed in U.S. dollars in thousands

BioHarvest Sciences Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Opinion

We have audited the consolidated financial statements of BioHarvest Sciences Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023 and equity December 31, 2022 and the consolidated statements of comprehensive loss, changes in shareholders' (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2023 and December 31, 2022, 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 Standard 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, 2023, the Company has an accumulated deficit of $83,505 thousand. In addition, the Company generated negative cash flows from operating activities of $8,522 thousand and a loss in the amount of $12,564 thousand for the year ended December 31, 2023, 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.

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 **Email:** bdo@bdo,co.il **Website:** www.bdo.co.il

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 express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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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 30, 2024

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

BioHarvest Sciences Inc.

Consolidated Statements of Financial Position

U.S. dollars in thousands

	Note	As at December 31, 2023	As at December 31, 2022
Assets			
Current			
Cash and cash equivalents		**$ 5,355**	$ 1,736
Trade accounts receivable		**808**	545
Other accounts receivable	4	**423**	663
Inventory	5	**2,466**	1,378
Total current assets		**9,052**	4,322
Non-current			
Restricted cash		**179**	163
Property and equipment, net	6	**5,771**	4,908
Total non-current assets		**5,950**	5,071
Total assets		**$ 15,002**	$ 9,393
Liabilities			
Current liabilities			
Trade accounts payable		**$ 1,778**	$ 1,067
Other accounts payable	9	**3,172**	1,740
Derivative liability - Warrants	8	**526**	-
Convertible loans	12	**20,533**	8,549
Accrued liabilities		**458**	163
Total current liabilities		**26,467**	11,519
Non-current liabilities			
Cash-settled share-based payment	11	**-**	123
Lease liability	7	**1,425**	1,670
Liability to Agricultural Research Organization	23	**1,963**	2,010
Total non-current liabilities		**3,388**	3,803
Shareholders' deficit			
Share capital and contributed surplus	10	**68,652**	65,012
Accumulated deficit		**(83,505)**	(70,941)
Total Shareholders' deficit		**(14,853)**	(5,929)
Total liabilities and shareholders' deficit		**$ 15,002**	$ 9,393

Going Concern (Note 1B)

April 30, 2024	'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

		Year ended December 31,	
	Note	**2023**	**2022**
Revenues	16	**$ 12,672**	$ 5,498
Cost of revenues	17	**7,039**	4,279
Gross profit		**5,633**	1,219
Operating expenses			
Research and development expenses	18	**3,369**	2,308
Sales and marketing expenses	19	**7,748**	5,221
General and administrative expenses	20	**4,482**	4,302
Total operating expenses		**(15,599)**	(11,831)
Loss from operations		**(9,966)**	(10,612)
Finance expenses	21	**2,624**	1,485
Finance income	22	**26**	861
Net loss before tax		**(12,564)**	(11,236)
Net loss and comprehensive loss		**$ (12,564)**	$ (11,236)
Basic and diluted loss per share		(0.03)	(0.02)
Weighted average number of shares outstanding		473,660,600	456,877,572

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

BioHarvest Sciences Inc.

Consolidated Statements of Changes in Shareholders' 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, 2022		**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 by investors		164,000	64	-	64
Net loss and comprehensive loss for the period		-	-	(11,236)	(11,236)
Balance, December 31, 2022		**460,716,275**	**65,012**	**(70,941)**	**(5,929)**
Exercise of options and warrants by employees and consultants	**10**	**3,619,639**	**403**	**-**	**403**
Share based compensation		**-**	**664**	**-**	**664**
Conversion of Convertible Loans		**14,252,254**	**2,557**	**-**	**2,557**
Share issuance in lieu of cash fees		**100,000**	**16**		**16**
Net loss and comprehensive loss for the period		**-**	**-**	**(12,564)**	**(12,564)**
Balance, December 31, 2023		**478,688,168**	**68,652**	**(83,505)**	**(14,853)**

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, 2023	2022
Cash flows from operating activities:			
Net loss for the year		**$ (12,564)**	$ (11,236)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		**840**	712
Fair value adjustments of derivative liability - convertible loans		**1,024**	891
Fair value adjustments of derivative liability - warrants		**526**	(630)
Re-assessment of liability to Agricultural Research Organization, net	23	**96**	(129)
Interest on liability to Agricultural Research Organization		**402**	360
Finance expense, net		**368**	(112)
Share based compensation (including cash-settled share-based payment)		**563**	1,352
Changes in operations assets and liabilities:			
Change in inventory		**(1,088)**	(450)
Change in trade accounts receivables		**(262)**	(159)
Change in other accounts receivables		**240**	(429)
Changes in trade payables and accrued expenses		**1,865**	730
Cash used in operations		**(7,990)**	(9,100)
Interest paid		**(532)**	(141)
Net cash used in operating activities		**(8,522)**	(9,241)
Cash flow from investing activities:			
Purchase of property and equipment		**(1,474)**	(1,256)
Net cash used in investing activities		**(1,474)**	(1,256)
Cash flow from financing activities			
Payments of lease liabilities		**(364)**	(359)
Exercise of warrants		**-**	58
Exercise of options and warrants by employees and consultants		**403**	819
Payment of royalties		**-**	(38)
Convertible loans received	12	**13,517**	7,658
Net cash provided by financing activities		**13,556**	8,138
Exchange rate differences on cash and cash equivalents		**59**	(22)
Increase (decrease) in cash and cash equivalents		**3,560**	(2,359)
Cash and cash equivalents at the beginning of the year		**1,736**	4,117
Cash at the end of the year		**$ 5,355**	$ 1,736
Significant non-cash transaction:			
Conversion of Convertible loans into shares		**2,557**	**-**

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 operates in two business segments.

a) Nutraceuticals - Research, development, manufacturing, marketing and sale 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.

Nutraceuticals - Super fruits (Polyphenol Anti-Oxidant) products

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

Pharmaceuticals- Red grape cells (RGC)

The Company's Botanical Synthesis platform technology may be used in the pharmaceutical industry to produce pharmaceutical active ingredient cells in a process that is controlled, consistent, aseptic, non-GMO, pesticide-free and chemical-free.

The Botanical Synthesis platform technology developed by the Company is protected by 14 granted patents.

Subsequent to December 31, 2023, the Company initiated a change in its operating structure, such that the company will have two primary operating segments, being a Product Development segment and a Service Provision segment. The Company’s Nutraceuticals and Pharmaceuticals segments detailed above will comprise the Product Development segment and the Company’s activities in Contract Development and Manufacturing Operation (CDMO) will comprise the Services Provision Segment.

NOTE 1- General (continued):

B. Going concern:

The Company has incurred losses from operations since its inception. As of December 31, 2023, the Company has an accumulated deficit of $83,505. The Company generated negative cash flows from operating activities of $8,522 and a loss in the amount of $12,564 for the year ended December 31, 2023. As of the date of the issuance of these financial statements, the Company has not yet commenced generating sufficient sales to fund its operations, and therefore depends on fundraising from new and existing investors to finance its activities. These factors raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's plans to fund near term anticipated activities based on proceeds from capital fund raising and future revenues.

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

C. On October 7, 2023 an attack was launched against Israel by Hamas (a terror organization) which thrust Israel into a state of war (hereinafter: "The state of war") in Israel and in the Gaza strip. The company is continuing with its operations both in Israel and globally, as the state of war had no material impact on its operations or business results.

NOTE 2 - 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, share-based compensation and the convertible loans that are measured at fair value through profit or loss.

The financial statements were approved and signed on March 28, 2024.

b. New standards, interpretations and amendments adopted from 1 January 2023:

The following amendments are effective for the period beginning January 1, 2023:

a) Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements); These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Company but affect the disclosure of accounting policies of the Company.

b) Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors); These amendments had no material effect on the consolidated financial statements of the Company.

c) IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. These amendments had no material effect on the consolidated financial statements of the Company.

NOTE 2 - Accounting policies (continued):

c. 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, 2023, that the Company has decided not to adopt early. The Company is currently assessing the impact of these new standards, interpretations and amendments. The Company does not believe that the standards, interpretations and amendments will have a material impact on the financial statements once adopted.

d. 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 that the change in estimate occurs.

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.

e. 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.

f. Foreign currency transactions:

Transactions denominated in 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.

g. Basis of consolidation:

The Group controls an investee if the Group has:

a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
b) Exposure, or rights, to variable returns from its involvement with the investee, and
c) 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

NOTE 2 - Accounting policies (continued):

g. Basis of consolidation (continued):

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.

h. Cash equivalents:

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

i. Inventories:

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

Cost of inventories is determined as follows:

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

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

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

j. Deferred taxes:

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.

NOTE 2 - Accounting policies (continued):

k. 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 class 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, 2023 and 2022 no impairment charges of non-financial assets were recognized.

l. 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.

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).

NOTE 2 - Accounting policies (continued):

m. 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, which are 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.

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

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.

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.

NOTE 2 - Accounting policies (continued):

m. Financial instruments (continued):

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, 2023 and 2022, there was no evidence of impairment.

n. 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.

o. 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.

NOTE 2 - Accounting policies (continued):

p. 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 2023 and 2022 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.

q. Liability to Agricultural Research Organization:

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

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

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

r. 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.

NOTE 2 - Accounting policies (continued):

r. Property, plant and equipment (continued):

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.

s. 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.

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.

NOTE 2 - Accounting policies (continued):

s. Revenue recognition (continued):

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).

t. 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.

u. 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 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.

NOTE 2 - Accounting policies (continued):

u. Leases (continued):

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.

v. 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.

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. Liability to Agricultural Research Organization

Each reporting period, the Company measures the Liability to Agricultural Research Organization, based on discounted cash flows derived from Company's future anticipated revenues.

b. 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.

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

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

b. Determining the transaction price and amounts allocated to the performance obligations (continued):

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

NOTE 4- Other accounts receivable:

	December 31,	
	2023	**2022**
Prepaid expenses	**274**	486
Amounts receivables from government Institutions	**149**	177
Total	**423**	663

NOTE 5 - Inventory:

	December 31,	
	2023	**2022**
Raw materials	**424**	144
Work in progress	**1,626**	1,183
Finished goods	**416**	51
Total	**2,466**	1,378

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

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, 2022	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
Additions	14	4	-	7	229	1,449	1,703
Disposals	-	-	-	-	26	-	26
As of December 31, 2023	**832**	**106**	**571**	**112**	**3,324**	**4,136**	**9,081**
Accumulated depreciation:							
As of January 1, 2022	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
Additions	29	9	27	11	450	314	840
Disposals	-	-	-	-	26	-	26
As of December 31, 2023	**716**	**69**	**286**	**99**	**1,618**	**522**	**3,310**
Net Book Value:							
As of December 31, 2023	**116**	**37**	**285**	**13**	**1,706**	**3,614**	**5,771**
As of December 31, 2022	131	42	312	17	1,927	2,479	4,908

NOTE 7 – Leases:

a) In December 2020, the Company signed a lease agreement for a property at Rehovot, which ends May 2024. According to the terms of this agreement, the Company has an extension option for 3 additional years for all of the Company's space at this location. The annual lease commitment is approximately $294. The incremental borrowing rate is 6.50%.

b) The Company's leases several cars. The lease period is for 3 years. The annual lease commitment is approximately $57.

c) In October 2020, the Company entered into a lease 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 $130. The incremental borrowing rate is 6.08%.

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

NOTE 7 – Leases (continued):

Lease liabilities	Year ended December 31	
	2023	**2022**
Interest expense	**116**	141
Total cash outflow for leases	**480**	500
Additions to right-of-use assets	**-**	-

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, 2021	**19,340,521**	**0.47**
Exercised (Note 10)	(164,000)	0.45
Expired	(19,176,521)	0.46
Balance, December 31, 2022	-	-
Exercised	**-**	**-**
Issuance of Warrants (Note 12b)	18,136,072	0.22
Balance, December 31, 2023	**18,136,072**	**0.22**

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, 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	**18,136,072**	
	At Issuance Date October 30, 2023	**December 31, 2023**
Expected life of warrants	2 years	1.83 years
Expected volatility	50%	50%
Expected dividend yield	0%	0%
Risk-free interest rate	4.74%	4.17%
Market price of Common share	CAD 0.17	CAD 0.215
Exercise price	CAD 0.3	CAD 0.3

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

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

NOTE 8 - Derivative liability – Warrants (continued):

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, 2023, the Company recorded a loss of $291 as a result of issuance of warrants (see note 12b) and additional loss of $235 in the statement of comprehensive loss as a result of the change in the fair value of the warrant liability. The total expense recorded for the year ended December 31, 2023 was $526 (December 31, 2022, loss of $630).

NOTE 9 – Other accounts payable:

	December 31,	
	2023	**2022**
Government institutions	**448**	306
Lease liability	**383**	339
Liability to Agricultural Research Organization	**545**	-
Employees	**958**	698
Deferred revenue	**718**	394
Others	**120**	3
	3,172	1,740

NOTE 10 - Share Capital:

	Number of shares	
	December 31, 2023 Issued and outstanding	**December 31, 2022 Issued and outstanding**
Ordinary shares with no par value	**478,688,168**	460,716,275

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, 2022	**453,630,137**
Exercise of options and warrants by employees and consultants (see 10b)	6,922,138
Warrant exercise (see 10c)	164,000
Balance as of December 31, 2022	**460,716,275**
Share issuance in Lieu of cash fees (see 10d)	**100,000**
Exercise of options (see 10e)	**3,619,639**
Conversion on Convertible loans (see 10f)	**14,252,254**
Balance as of December 31, 2023	**478,688,168**

NOTE 10 - Share Capital (continued):

a. The Company is authorized to issue an unlimited number of common shares.
b. 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.
c. 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.
d. On July 14, 2023 the Company issued 100,000 common shares to consultants in lieu of cash fees. The increase in share capital and premium as a result of this transaction is $16.
e. During 2023 the Company issued 3,619,639 common shares as a result of the exercise of options having an exercise price of CAD 0.15 ($0.11). The increase in share capital and premium as a result of this transaction is $403.
f. During 2023 the Company issued 14,252,254 common shares as a result of the conversion of convertible loans. The increase in share capital and premium as a result of this transaction is $2,557.

NOTE 11 - Share based compensation:

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

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

c. 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).

d. 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).

e. 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).

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

g. 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).

NOTE 11 - Share based compensation (continued):

h. 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).

i. 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).

j. 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).

k. On February 3, 2023, the Company granted employees and consultants 395,000 options to purchase shares of the Company at CAD 0.29 ($0.22) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 370,000 options will vest quarterly over a 3-year period, 25,000 options will vest over a 3-month period. The total value of the options granted is CAD 57 ($43).

l. On March 13, 2023, the Company granted employees and consultants 350,000 options to purchase the Company's shares at CAD 0.22 ($0.16) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 2-year period. The total value of the options granted is CAD 39 ($28).

m. On April 21, 2023, the Company granted employees and consultants 1,850,000 options to purchase the Company's shares at CAD 0.26 ($0.20) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 850,000 options will vest quarterly over a 2-year period. 194,444 options will vest at once after 6 months period. 250,000 options will start vesting after 6 months from the grant date, quarterly over 1.5-year period. 555,556 options will start vesting after 6 months from the grant date, quarterly over 2.5-year period. The total value of the options granted is CAD 238 ($176).

n. On June 2, 2023, the Company granted employees and consultants 600,000 options to purchase the Company's shares at CAD 0.21 ($0.16) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 3-year period. The total value of the options granted is CAD 64 ($48).

o. On August 18, 2023, the Company granted employees and consultants 300,000 options to purchase the Company's shares at CAD 0.17 ($0.13) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 3-year period. The total value of the options granted is CAD 26 ($19).

p. On December 8, 2023, the Company granted employees and consultants 2,962,500 options to purchase the Company's shares at CAD 0.20 ($0.15) per share under the Company's share option plan. The options will be exercisable for a 10-year period. 2,262,500 options will vest quarterly over a 3-year period. 575,000 options will vest quarterly over a 2-year period. 100,000 options will vest quarterly over a 1-year period. 25,000 options will vest over a 3-month period. The total value of the options granted is CAD 300 ($220).

q. On December 15, 2023, the Company granted consultants 300,000 options to purchase the Company's shares at CAD 0.21 ($0.16) per share under the Company's share option plan. The options will be exercisable for a 10-year period. The options will vest quarterly over a 3-year period. The total value of the options granted is CAD 32 ($24).

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

NOTE 11 - Share based compensation (continued):

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

Expected volatility	50%
Expected dividend yield	0%

s. 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, 2023		December 31, 2022	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Options outstanding as beginning of year	62,421,307	0.19	63,958,113	0.19
Changes during the period:				
Options granted (See k-q)	6,757,500	0.17	8,160,800	0.23
Options cancelled	-	-	(4,993,800)	0.35
Options exercised (See note 10e)	(3,619,639)	0.11	(4,022,138)	0.11
Options forfeited *	(2,198,333)	0.21	(681,668)	0.18
Options outstanding at end of the period (**)	63,360,835	0.19	62,421,307	0.19
Options exercisable at period end	55,234,580		48,710,096	

(*) During the year ended December 31, 2023, 2,198,333 options were forfeited due to termination of employment.

(*) The options outstanding on December 31, 2023, had a weighted-average contractual life of 7.24 years (December 31, 2022, 7.95 years).

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

NOTE 11 - Share based compensation (continued):

The following table summarizes information about the options outstanding as at December 31, 2023:

Options Outstanding			Options Exercisable
Number Outstanding at December 31, 2023	**Exercise Price**	**Expiry Date**	**at December 31, 2023**
18,098,196	$0.10 (CAD 0.14)	June 9, 2030	18,098,196
3,769,639	$0.11 (CAD 0.15)	June 10, 2030	3,769,639
12,410,000	$0.11 (CAD 0.15)	July 29, 2030	12,410,000
700,000	$0.11 (CAD 0.15)	September 10, 2030	700,000
950,000	$0.10 (CAD 0.14)	November 9, 2030	950,000
2,858,750	$0.14 (CAD 0.19)	December 23, 2030	2,858,750
665,000	$0.27 (CAD 0.36)	January 12, 2031	609,583
160,000	$0.32 (CAD 0.43)	January 29, 2031	159,167
366,000	$0.37 (CAD 0.50)	February 8, 2031	246,000
6,000,000	$0.49 (CAD 0.66)	February 25, 2031	6,000,000
880,000	$0.38 (CAD 0.51)	March 22, 2031	817,500
243,000	$0.33 (CAD 0.45)	July 9, 2031	193,000
700,000	$0.25 (CAD 0.34)	October 8, 2031	480,000
400,000	$0.25 (CAD 0.34)	October 21, 2031	266,667
63,200	$0.30 (CAD 0.40)	October 29, 2031	46,533
850,000	$0.28 (CAD 0.38)	November 29, 2031	583,333
482,000	$0.26 (CAD 0.35)	March 22, 2032	382,000
300,000	$0.25 (CAD 0.34)	May 6, 2032	150,000
1,360,000	$0.18 (CAD 0.24)	July 4, 2032	642,635
30,000	$0.17 (CAD 0.23)	July 8, 2032	30,000
5,282,550	$0.24 (CAD 0.32)	September 9, 2032	4,775,050
145,000	$0.21 (CAD 0.28)	October 21, 2032	138,333
100,000	$0.21 (CAD 0.28)	November 4, 2032	100,000
385,000	$0.22 (CAD 0.29)	February 3,2033	115,000
350,000	$0.16 (CAD 0.22)	March 10,2033	131,250
1,850,000	$0.20 (CAD 0.26)	April 20,2033	406,944
400,000	$0.16 (CAD 0.21)	June 1,2033	150,000
300,000	$0.13 (CAD 0.17)	August 17,2033	25,000
2,962,500	$0.15 (CAD 0.20)	December 7,2033	-
300,000	$0.16 (CAD 0.21)	December 14,2033	-
63,360,835			**55,234,580**

NOTE 11 - Share based compensation (continued):

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

Warrants

t. On October 25, 2023 the Company granted a consultant 2,274,500 warrants to purchase the Company's shares at CAD 0.30 ($0.22) per share. The warrants will be exercisable for 2 years. The total value of the warrants granted is CAD 50 ($37).

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

Expected volatility	50%
Expected dividend yield	0%

v. The following table summarizes information about the warrants outstanding as of December 31, 2023:

Warrants Outstanding		
Number Outstanding on December 31, 2023	**Exercise Price**	**Expiry Date**
2,274,500	$0.22 (CAD 0.30)	October 25, 2025
2,274,500		

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

	December 31, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding as beginning of year	50,000	0.27	3,147,467	0.13
Changes during the period:				
Issuance of warrants	2,274,500	0.22	-	-
Exercised			(2,900,000)	0.10
Expired	(50,000)	0.27	(197,467)	0.35
Warrants outstanding at end of period	**2,274,500**	**0.22**	**50,000**	**0.27**

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

	2023	2022	2021
Equity settled compensations	**664**	1,569	3,027
Cash settled compensations	**(101)**	(217)	340
	563	**1,352**	**3,367**

NOTE 12 – Convertible loans:

a. Convertible loan A:

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

(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 repaid on the Maturity Date.

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

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.

NOTE 12 - Convertible loans (Continued):

a. Convertible loan A (Continued):

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

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

- CAD 0.65, if the date of the receipt of such Conversion Notice by the Company occurs between and including the Anniversary and the date that is 90 days following the Anniversary.
- CAD 0.75, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 91 days following the Anniversary and 180 days following the Anniversary.
- (j) CAD 0.85, if the date of the receipt of such Conversion Notice by the Company occurs between and including the dates that are 181 days following the Anniversary and 270 days following the Anniversary: or
- (k) CAD 0.95, if the date of the receipt of such Conversion Notice by the Company occurs between and including the date that is 271 days following the Anniversary and the date that is one day prior to the Maturity Date.

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

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

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

	December 31, 2023
Risk-free interest rate	4.66%
Expected volatility	50%

	Convertible loan A
Balance as of January 1, 2023	8,549
Income recognized in Profit or loss	(1,489)
Conversion of convertible loans (See note 10f)	(2,557)
Balance as of December 31, 2023	**4,503**

NOTE 12 - Convertible loans (Continued):

b. Convertible loan B:

In March 2023, the Company signed an agreement ("the Agreement") with certain lenders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders a convertible loan (the "Convertible Loan") with aggregate principal amounts of up to $10,000 ("Principal Loan Amount"). The Principal Loan Amount, to the extent and for the period of time that such Principal Amount is unconverted, shall bear interest at a rate of 12% per annum from the closing date (the "Closing Date") up to and including the date that is 24 months following the Closing Date (the "Second Anniversary"). The Company will pay the Lenders, to the extent such interest is unconverted:

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

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

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

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

- 80% of the closing price of the Shares, on the principal exchange on which the Shares are listed (the “Exchange”), on the date of receipt of the Conversion Notice by the Company (the “Closing Price”).
- In the event that the Discounted Conversion Price is less than CAD 0.24 per Share (the “Floor Price”), the Conversion Price will be equal to the Floor Price.
- In the event that the Discounted Conversion Price is greater than CAD 0.75 per Share (the “Ceiling Price”), the Conversion Price will be equal to the Ceiling Price.

An investor who invests a minimum amount of CAD 2,700,000 will also receive upon closing an additional warrant (the "Major Investment Warrant") for each CAD 0.30 invested. Each Major Investment Warrant will be exercisable for a period of 24 months from the Closing Date of the convertible loan to purchase a common share of the Company at CAD 0.30 per share. On October 30, 2023, the Company issued 18,136,072 Major Investment Warrants. These Warrants are classified as Derivative liability (see note 2m and note 8).

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

The Company paid finder's fees of $148 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.

NOTE 12 - Convertible loans (Continued):

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

b. Convertible loan B (Continued):

Therefore, the convertible loan is a hybrid instrument that includes a debt host contract and an embedded derivative liability.

As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the company's own credit risk is recognized in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. There was no change in the company company's own credit risk since the issuance of the convertible notes.

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

	December 31, 2023
Risk-free interest rate	4.17%
Expected volatility	50%

	Convertible loan B
Balance as of January 1, 2023	-
Issuance of Convertible loan	10,077
Loss recognized in Profit or loss	1,650
Balance as of December 31, 2023	**11,727**

c. Convertible loan C:

In April 2023, the Company signed an agreement ("the Agreement") with certain lenders (the "Lenders"), according to which the Company authorized the sale and issuance to the Lenders a convertible loan (the "Convertible Loan") with aggregate principal amounts of up to $8,000 ("Principal Loan Amount"). The Principal Loan Amount, to the extent and for the period of time that such Principal Amount is unconverted, shall bear interest at a rate of 9% per annum from the closing date (the "Anniversary"). The Company will pay the Lenders, to the extent such interest is unconverted any interest accrued up to and including the date that is twelve months following the Closing Date on the Anniversary.

The Convertible Loan shall mature on the date that is twelve months following the Closing Date (the "Maturity Date"). Any unconverted portion of the Principal Loan Amount will be paid on the Maturity Date.

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

The conversion price is CAD 0.20 per share (the "Conversion Price").

The Company paid finder's fees of $31 in connection with the transaction.

NOTE 12 - Convertible loans (Continued):

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

c. Convertible loan C (Continued):

The Convertible Loans are denominated in Canadian dollars and convertible into common shares based on the principal and interest balance. Therefore, the convertible loan is a hybrid instrument that includes a debt host contract and an embedded derivative liability.

As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the company's own credit risk is recognized in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. There was no change in the company company's own credit risk since the issuance of the convertible notes.

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

	December 31, 2023
Risk-free interest rate	4.66%
Expected volatility	50%

	Convertible loan C
Balance as of January 1, 2023	-
Issuance of Convertible loan	3,440
Loss recognized in Profit or loss	863
Balance as of December 31, 2023	**4,303**

NOTE 13 - Income tax:

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

a. Tax rates:

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

ii) The corporate tax rate in Israel is 23% for 2023 and 2022.

b. Net operating losses carry forward:

As of December 31, 2023, the Company has estimated carry forward tax losses of approximately $33,915, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax assets on the Company's losses was not recognized since it is not probable that taxable profit will be available in the foreseeable 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,	**2023**	**2022**
Loss before income tax	**(12,564)**	(11,236)
Combined statutory tax rate- 20.92%	**(2,629)**	(2,522)
losses for which no deferred tax asset was recognized	**2,629**	2,522
Total income tax expense	**-**	**-**

NOTE 14 - Financial instruments and risk management:

The Company holds the following financial instruments:

Financial assets	**2023**	**2022**
Financial assets at amortized cost		
Cash and cash equivalents	5,355	1,736
Restricted cash	179	163
Trade accounts receivables	808	545
Other accounts receivables	423	663
	6,765	**3,107**

Financial liabilities	**2023**	**2022**
Financial liabilities at amortized cost		
Other accounts payable	1,551	1,099
Trade accounts payable and accrued liabilities	2,236	1,230
Liability to Agricultural Research Organization	2,508	2,010
Lease liability	1,807	2,009
	8,102	**6,348**
Financial liabilities at fair value		
Convertible loan	20,533	8,549
Derivative liability - Warrants	526	-
	21,059	**8,549**

NOTE 14 - Financial instruments and risk management (continued):

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

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:

	As of December 31, 2023				
Assets	**US dollar**	**EURO**	**CAD**	**NIS**	**Total**
Cash And cash equivalents	4,961	4	109	281	**5,355**
Restricted cash	59	-	-	120	**179**
Trade receivables	334	-	-	474	**808**
Other accounts receivables	65	-	91	267	**423**
	5,419	**4**	**200**	**1,142**	**6,765**
Liabilities					
Trade accounts payable and accrued liabilities	1,107	-	79	1,050	**2,236**
Other accounts payable	1,363	-	30	158	**1,551**
Convertible loans	20,533	-	-	-	**20,533**
Lease liability	1,807	-	-	-	**1,807**
warrant liability	526	-	-	-	**526**
Liability to Agricultural Research Organization	2,508	-	-	-	**2,508**
	27,844	**-**	**109**	**1,208**	**29,161**

	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**

NOTE 14 - Financial instruments and risk management (continued):

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

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, 2023	December 31, 2022
Linked to CAD	**91**	18
	5%	5%
	5	1
Linked to EURO	**4**	1
	5%	5%
	-	-
Linked to NIS	**(67)**	65
	5%	5%
	(3)	3

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, 2023	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	(2,508)	(1,345)	(998)	(165)	(-)	(-)	(2,508)
Lease Liability	(1,807)	(483)	(475)	(458)	(266)	(419)	(2,101)
Other accounts payable	(2,244)	(2,244)	-	-	-	-	(2,244)
Trade accounts payable and accrued liabilities	(2,236)	(2,236)	-	-	-	-	(2,236)
Total	**(8,795)**	**(6,308)**	**(1,473)**	**(623)**	**(266)**	**(419)**	**(9,089)**

NOTE 14 - Financial instruments and risk management (continued):

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

b. Liquidity risks (continued):

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)**

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, 2023

Item	**Fair value**	**Valuation technique**	**Fair value hierarchy level**	**Significant unobservable inputs**
Convertible loan	20,533	Bionomial model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $34 of the fair value

December 31, 2023

Item	**Fair value**	**Valuation technique**	**Fair value hierarchy level**	**Significant unobservable inputs**
Derivative liability - Warrants	526	Black-Scholes model	level 3	Volatility of firm's assets returns*

* A change in the volatility measure by 5% results in a change of +/- $80 of the fair value

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

c. Fair value of financial assets and liabilities (continued):

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

Derivative liability - Warrants	2023	2022
Balance as of January 1	-	636
Issuance of Warrants*	**291**	-
Exercise of Warrants	-	(6)
Loss (income) recognized in Profit or loss	**235**	(630)
Balance as of December 31	**526**	-

Convertible loan	2023	2022
Balance as of January 1	**8,549**	-
Issuance of Convertible loan	**13,517**	7,658
Conversion of convertible loans	**(2,557)**	-
Loss recognized in Profit or loss	**1,024**	891
Balance as of December 31	**20,533**	8,549

*Recognized in profit and loss

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, 2023 and December 31, 2022 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, 2023 of $5,355 (as of December 31, 2022 of $1,736). 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 and future revenues.

NOTE 15 - Related Parties Transactions:

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

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

Related party transactions:

For the year and period ended December,	2023	2022
Compensation of key management personnel of the Company:		
CEO Management fees	**468**	511
Chairman Management fees	**962**	235
CFO Management fees	**30**	30
Share base payment to CEO	**11**	113
Share base payment to Chairman	**198**	503
Other related party transactions:		
Share base payments	**11**	98

Balance with related parties:

For the year and period ended December,	2023	2022
Due to the CEO	**29**	184

Bonus plan

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

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,	
	2023	2022
Wage and salaries	**1,701**	1,227
Materials	**812**	884
Subcontractors	**3,833**	1,605
Depreciation	**427**	419
Office maintenance, communication and Travel	**54**	72
Recruitment expenses	**17**	-
Share based compensation	**52**	-
Exporting and shipping	**143**	72
	7,039	4,279

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

NOTE 18 – Research and development expenses:

	For the year ended December 31,	
	2023	**2022**
Wage and salaries	**2,166**	1,512
Share base compensation	**13**	159
Professional fees	**287**	238
Patents	**79**	63
Depreciation	**259**	122
Office maintenance, communication and Travel	**318**	129
Materials	**200**	79
Recruitment expenses	**11**	-
Others	**36**	6
	3,369	2,308

NOTE 19 – Sales and Marketing expenses:

	For the year ended December 31,	
	2023	**2022**
Wage and salaries	**1,199**	871
Marketing expenses	**6,264**	4,211
Depreciation	**104**	48
Office maintenance, communication and Travel	**132**	91
Share based compensation	**49**	-
	7,748	5,221

NOTE 20- General and administrative expenses:

	For the year ended December 31,	
	2023	**2022**
Wages and salaries	**1,815**	1,438
Professional and legal fees	**918**	701
Office maintenance, communication and Travel	**609**	439
Re-assessment Liability to Agricultural Research Organization (Note 2o)	**96**	(129)
Rent	**26**	39
Share based compensation	**449**	1,193
Depreciation	**52**	123
Finder fees (Note 12b)	**269**	160
Investor Relation	**126**	217
Recruitment expenses	**5**	-
Other	**117**	121
	4,482	4,302

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

NOTE 21 - Financial expenses:

	For the year ended December 31,	
	2023	**2022**
Expense recognized from Derivative liability - Warrants	**236**	-
Issuance of Derivative liability - Warrants	**291**	-
Fair value adjustments of convertible loans	**1,025**	891
Interest paid on convertible loans	**416**	-
Interest on liability for Agricultural Research Organization	**402**	360
Bank commission	**136**	86
Interest and others	**118**	148
	2,624	1,485

NOTE 22 - Financial Income:

	For the year ended December 31,	
	2023	**2022**
Income recognized from Derivative liability - Warrants	-	631
Exchange rate differences	**26**	230
	26	861

NOTE 23 - Commitments and Contingencies:

In March 2007, the Company entered into a Research and Exclusive License Agreement with the Agricultural Research Organization - Volcany Center (ARO). According to the agreement, the Company received the right to develop, market and sell the product "Vinia®". ARO 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, ARO 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 – Research, development, manufacturing, marketing and sale of science based therapeutic solutions for the nutraceutical industry.
- Pharmaceuticals - Research and development of plant cell-based Active Pharmaceutical Ingredients that can assist in the treatment of specific medical indications.

The Company's chief operational decision maker reviews the Company's internal reports for performance evaluation and resource allocations. The Company's management determined the operational segments based on these reports. The chief operational decision maker examines the performance of the operating segments based on the measurement of operating profit.
No information was presented on the assets and liabilities of the segments because these items are not analyzed by the main operational decision maker in segmentation.

1) Segment information:

	For the year ended December 31, 2023		
	Nutraceuticals	**Pharmaceuticals**	**Total**
Revenues	12,672	-	**12,672**
Segment loss	8,919	1,047	**9,966**
Finance expense, net			**2,598**
Tax expenses			-
Loss			**12,564**

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

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

NOTE 24 - Operating segments (continued):

2) Entity wide disclosures:

	External revenue by location of customers	
	2023	**2022**
Israel	**1,813**	1,875
USA	**10,859**	3,623
	12,672	5,498

3) Additional information concerning revenues:

There is no single customer from which revenues amount to 10% or more of total revenues reported in the financial statements for the years ended December 31, 2023 and 2022.

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, 2023	**2,009**	**8,549**	-	**2,010**
Changes from financing cash flows:				
Payments of lease liabilities	(364)	-	-	-
Receipts of convertible loans	-	13,517	-	-
Payment of Royalties to ARO	-	-	-	-
Repayment of long-term loans from banks	-	-	-	-
Total changes from financing cash flows	**1,645**	**22,066**	-	**2,010**
New Leases entered during the period	-	-	-	-
Changes in fair value	-	1,024	235	96
Exercise of Warrants	-	-	-	-
Issuance of Warrants	-	-	291	-
Interest expense	532	-	-	402
Interest paid	(532)	-	-	-
Conversion of Convertible loan	-	(2,557)	-	-
Effects of foreign exchange	(67)	-	-	-
As at December 31, 2023	**1,578**	**20,533**	**526**	**2,508**

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

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

	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	(630)	(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**

NOTE 26 - Subsequent events:

1) On February 20, 2024, the Company granted employees and consultants 576,000 options to purchase shares of the Company at CAD 0.225 ($0.17) per share under the Company's share option plan.
2) On March 22, 2024, the Company granted employees and consultants 2,450,000 options to purchase shares of the Company at CAD 0.285 ($0.21) per share under the Company's share option plan.
3) In March 2024, 95,000 options to purchase shares of the Company at CAD 0.19 ($0.14) per share under the Company's share option plan were exercised by employees.
4) On March 28, 2024, the Company issued 73,268,708 shares as a result of conversion of $12,341 (principal and accrued interest) and 39,775,554 Early Conversion Warrants to purchase shares of the Company at USD 0.222 (CAD 0.30) per share as part of convertible loan B. 34,563,008 warrants will expire on October 30, 2025, and 5,212,546 warrants will expire on December 22, 2025 (see note 12b).
5) On March 28, 2024 the Company changed the currency of the exercise price of the Early Conversion warrants (see note 12b) from CAD 0.3 to the equivalent in USD which is USD 0.222.
6) On April 18, 2024, the Company issued 22,826,132 shares as a result of conversion of $4,124 (principal and accrued interest) and 3,090,284 Early Conversion Warrants to purchase shares of the Company at USD 0.222 per share as part of convertible loan B. 2,917,987 warrants will expire on October 30, 2025, and 172,297 warrants will expire on December 22, 2025 (see note 12b).
7) On April 1, 2024, the Company entered into a new lease agreement for a new facility located in Yavne, Israel and will be leased for a period of 6.5 years. The new facility houses clean rooms, laboratory space, offices and additional space capable of supporting a new manufacturing facility. In parallel, the Company signed an equipment purchase agreement for 12 clean rooms located at the same facility at a cost of $3,500. All equipment for the clean rooms has been installed and is ready for immediate operational use.
8) On April 26, the Company granted 300,000 warrants to consultant to purchase shares of the Company at CAD 0.26 ($0.19) per share. The warrants are exercisable for 24 months.

NOTE 26 - Subsequent events (continued):

9) On April 26, the Company granted 700,000 restricted share units to a consultant pursuant to its Equity Incentive Compensation Plan.