INNOCAN PHARMA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

INNOCAN PHARMA CORPORATION

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
INNOCAN PHARMA CORPORATION

Opinion

We have audited the consolidated financial statements of Innocan Pharma Corporation (the "Company") and its subsidiary - Innocan Pharma Ltd. (collectively the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the two years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the two years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.4 in the consolidated financial statements, which indicated that the Group incurred a net loss of USD 9,953 thousand during the year ended December 31, 2020. As stated in Note 1.4, these events or conditions, along with other matters as set forth in Note 1.4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Tel-Aviv, Israel

March 30, 2021

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2020	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		2,338	1,973
Trade receivables		2	-
Other accounts receivable	4	1,508	514
Inventory	5	430	-
Total current assets		4,278	2,487
NON-CURRENT ASSETS:			
Property, plant and equipment, net		5	9
Right-of-use asset, net		51	86
Total non-current assets		56	95
TOTAL ASSETS		4,334	2,582

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(US Dollar in thousands)

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

	Note	December 31, 2020	December 31, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade accounts payable		527	27
Other accounts payable	6	421	443
Warrants	7	6,992	661
Total current liabilities		7,940	1,131
NON-CURRENT LIABILITIES:			
Long term lease liability		1	38
Total non-current liabilities		1	38
SHAREHOLDERS' EQUITY:	8		
Share capital		-	-
Additional share capital		10,956	6,023
Accumulated deficit	1.9	(14,563)	(4,610)
Total shareholders' equity		(3,607)	1,413
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,334	2,582

"Iris Bincovich"	*"Yoram Drucker"*	March 30, 2021
Iris Bincovich Chief Executive Officer	Yoram Drucker Audit Committee Chair	Date of approval of the Financial statements

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(US Dollar in thousands except loss per share)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenues		8	-
Cost of revenues		5	-
Gross profit		3	-
Selling and marketing expenses	9	914	695
Research and development expenses	10	1,744	368
General and administrative expenses	11	2,070	1,938
Operating loss		4,725	3,001
Financial expense, net		5,228	334
Loss before income taxes		9,953	3,335
Tax expenses	12	-	-
Total comprehensive loss		9,953	3,335
Basic and diluted loss per share	15	$ (0.06)	* $ (0.03)
Weighted average number of common shares		162,021,651	* 120,644,432

* After giving effect to the Share Exchange (see also Note 1.4).

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollar in thousands, except for number of shares)

	Ordinary share capital amount	Additional paid in capital	Accumulated deficit	Total
Balance at December 31, 2018	*	1,402	(1,275)	127
Changes during 2019:				
Issuance of common shares, net	*	141	-	141
Issuance of common shares and warrants to Tamar InnoVest	*	1,802	-	1,802
Share issuance – Tamar InnoVest pre IPO	*	1,000	-	1,000
Share issuance – February CLA conversion	*	304	-	304
Issuance of shares - IPO	(*)	693	-	693
Issuance of shares – post IPO	-	242		242
SPA Warrants exercise	-	13	-	13
Share based compensation	-	426	-	426
Total comprehensive loss for the period	-	-	(3,335)	(3,335)
Balance at December 31, 2019	-	6,023	(4,610)	1,413
Changes during 2020:				
Issuance of common shares, net	-	3,677	-	3,677
Exercise of warrants	-	729	-	729
Share based compensation	-	527	-	527
Total comprehensive loss for the period	-	-	(9,953)	(9,953)
Balance at December 31, 2020	-	10,956	(14,563)	(3,607)

***** Represent an amount lower than USD 1 thousand.

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(US Dollar in thousands)

	The year ended December 31, 2020	The year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net comprehensive loss for the period	(9,953)	(3,335)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	40	23
Share based compensation	527	426
Change in fair value of a warrants	5,249	294
Interest charged on lease liabilities	4	4
Increase in trade receivables	(2)	-
Decrease (increase) in other accounts receivable	430	(63)
Increase in inventory	(430)	-
Decrease in research liability	-	(257)
Increase in trade accounts payable	500	27
Increase (decrease) in other accounts payable	(24)	166
Financial expenses, net	(28)	-
Net cash used in operating activities	(3,687)	(2,715)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	(9)
Net cash used in investing activities	-	(9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common shares and warrants	3,624	4,492
Exercise of warrants	439	-
Principal paid on lease liabilities	(39)	(38)
Net cash provided by financing activities	4,024	4,454
Effects of exchange rate changes on cash and cash equivalents	28	29
Net Increase in cash and cash equivalents	365	1,759
Cash and cash equivalents at the beginning of the period	1,973	214
Cash and cash equivalents at the end of the period	2,338	1,973

***** Represent an amount lower than USD 1 thousand.

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

NOTE 1 - GENERAL:

1. Innocan Pharma Corporation (the "Company") was incorporated as a corporation in Canada and commenced its activity in May 2018. The Company's registered office is in Calgary, Canada.
2. The Company, a publicly listed company on the Canadian Securities Exchange (the "CSE") trading under the symbol INNO, is the parent company of Innocan Pharma Ltd. ("InnoCan") (together: the "Group") that was incorporated in Israel in October 2017 and commenced its activity in November 2017. InnoCan is a pharmaceutical company which specializes in integrating cannabinoids with existing proven drugs to enhance their capabilities by harnessing the cannabinoids healing properties and interaction with the human body's endocannabinoid system. InnoCan is at a pre-clinical stage (see also Note 1.9). On October 2019, InnoCan announced its plans to enter the CBD beauty market and to manufacture cannabidiol (CBD) cosmetic products, and during 2020, InnoCan began selling its cannabidiol (CBD) cosmetic products in European markets. InnoCan is expected to be selling its cannabidiol (CBD) cosmetic products mainly in the US, Canadian and European markets.
3. The world Health Organization declared coronavirus and COVID-19 a global health emergency on January 30, 2020. Since then, the Group has experienced significant disruption to its operations in the following aspects:
   - Disruption and delay in the supply of inventory from major suppliers;
   - Significant uncertainty concerning the ability of the Group to raise additional funds, either privately or in the public markets in the future.
   - Significant uncertainty concerning the demand for certain products as a consequence of social distancing requirements and recommendations and the closure of retail stores in many countries due to local governments mandating that shopping centers and other 'non-essential' businesses cease normal operations; and
   - Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group products.

   The significant events and transactions that have occurred in relation to the effects of the global pandemic on the Group annual consolidated financial statements for the year ended December 31, 2020, are summarized as follows.

The COVID-19 had no material effect on the Group's financial position, however the effects on its activity were as follow:

NOTE 1 - GENERAL (CONT.):

A. Completed an offering in June 2020 (see Note 1.6) and a private placement in December 2020 (see Note 1.7), to ensure it has sufficient funds for its activity.

B. Shift in focus from retail sales to online sales.

C. Developed a strategic alliance to develop an online sales platform.

4. <u>Going concern</u>

   Since inception, the Group has not generated revenue and expects to continue to finance itself through raising adequate funds in the foreseeable future. The Group incurred a net loss of USD 9,953 thousand for the year ended December 31, 2020 and generated USD 14,563 thousand of accumulated deficit since inception. These events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material.

5. On August 26, 2018, InnoCan entered into a research and option agreement (the "Option Agreement") with the Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. ("Yissum"). The Option Agreement allowed InnoCan to receive the research results of Yissum (the "Research") and granted InnoCan an exclusive option to enter into an agreement to license, on a worldwide basis, the results of the Research (the "Option").

   Under the Option Agreement, InnoCan paid an aggregate amount of USD 418 thousand to finance the research over a period of 18 months in exchange for the Option. All rights in the Research, including any patent applications in connection with the Research that may be filed, shall be owned by Yissum unless an employee of InnoCan is properly considered an inventor of any patent application so filed, in which event such patent application shall be owned jointly by Yissum and InnoCan. As of December 31, 2019, the research was completed and on January 21, 2020, InnoCan exercised the Option and entered into a research and license agreement (the "Research & License Agreement") with Yissum.

   As part of the Research & License Agreement, InnoCan agreed to finance additional research in a total amount of approximately USD 1.4 million, over a period of 18 months, in six installments. During the year 2020, InnoCan paid the first two installments, and part of the third installment, in total amount of USD 607 thousand. The total expense incurred during the year 2020 amounted to approximately USD 880 thousand.

   The Research & License Agreement grants InnoCan an exclusive license to make commercial use, in order to develop, manufacture, market, distribute or sell, on a worldwide basis, the results of the Research, for a period of twenty years, unless terminated earlier. As part of the Research & License Agreement, InnoCan has

NOTE 1 - GENERAL (CONT.):

also agreed to pay Yissum royalties of 3-5% on future sales of products sold under the Research & License Agreement and an annual license fee of USD 35 thousand.

6. On September 3, 2018, the Company's shareholders approved a share exchange agreement (the "Share Exchange Transaction") between the Company and InnoCan, according to which the Company will purchase InnoCan by way of issuance of common shares at a ratio of 735 common shares of the Company for each share of InnoCan, to the shareholders of InnoCan. Following the Share Exchange Transaction on September 25, 2019, the Company completed the initial public offering (the "IPO") of 6,111,112 units of the Company at a price of CAD 0.18 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "September 2019 Unit Warrant"). Each September 2019 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 0.30 for a period of 24 months following September 25, 2019. If in the period following the closing of the IPO until the end of the 24 months follows, the closing price of the common shares of the Company, is equal to or greater than CAD 0.35 for any 20 consecutive trading days, the Company may, upon providing written notice to the holders of the September 2019 Unit Warrants, accelerate the expiry date of the warrants to the date which is 30 days following the date of such written notice. By December 31, 2020, the Company did not reach the target share price. The September 2019 Unit Warrants are transferable but are not listed or quoted on any stock exchange or market. Concurrently with the closing of the transaction, the Company received gross proceeds of CAD 1,100 thousand (approximately USD 829 thousand).
7. On April 17, 2020, InnoCan entered into a sponsored research agreement (the "Ramot Research Agreement") with Ramot at Tel Aviv University Ltd ("Ramot"). The Ramot Research Agreement allows InnoCan to receive the research results of Ramot in respect of the development of Cannabidiol loaded exosomes (the "CLX Research") and grants InnoCan an exclusive option to enter into an agreement to license, on a worldwide basis, the results of the CLX Research (the "Option"). Under the Ramot Research Agreement, InnoCan will provide financing for the CLX Research in the amount of USD 446 thousand over a period of 18 months in exchange for the Option. InnoCan may exercise the Option at any time during the Research until the date that is thirty days from InnoCan's receipt of the final report in respect of the CLX Research (which is due during the fourth quarter of 2021) by notifying Ramot in writing ("Option Exercise Notice"). Upon the Option Exercise Notice, InnoCan will negotiate with Ramot the terms and conditions of a license agreement. During the year 2020, InnoCan paid an amount of USD 261 thousand to Ramot. The total expense incurred during the year 2020 amounted to approximately USD 372 thousand.

NOTE 1 - GENERAL (CONT.):

8. On May 11, 2020, the Company filed a preliminary short form prospectus in Canada, in connection with a marketed public offering (the "Offering"). On June 10, 2020, the Company closed the Offering, pursuant to which the Company issued 28,423,943 units of the Company (the "Units") at a price of CAD 0.18 per Unit for gross proceeds of CAD 5,116,310 (approximately USD 3,822 thousand). Out of the total 28,423,943 Units issued, 3,888,889 Units were issued to Tamar InnoVest Limited. Each Unit is comprised of one common share and one warrant (the "June 2020 Unit Warrant"). Each June 2020 Unit Warrant is exercisable into one common share at an exercise price of CAD 0.25 until June 10, 2023. If in the period commencing June 10, 2021, the closing daily volume weighted average trading price ("VWAP") of the common shares of the Company, is equal to or greater than CAD 0.50 for any 20 consecutive trading days, the Company may, upon providing written notice to the holders of the June 2020 Unit Warrants, accelerate the expiry date of the warrants to the date which is 30 days following the date of such written notice (see also Note 8).
9. On December 30, 2020, the Company completed a non-brokered private placement (the "December 2020 Private Placement"), pursuant to which the Company issued 10,294,800 units of the Company (the "December 2020 Private Placement Units") at a price of CAD 0.23 per unit for gross proceeds of CAD 2,367,804 (approximately USD 1,857 thousand). Each December 2020 Private Placement Unit is comprised of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "December 2020 Unit Warrant"). Each December 2020 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 0.35 until December 30, 2023. If following the date of issuance of the December 2020 Unit Warrants, the closing daily volume weighted average trading price of the common shares of the Company is equal or greater than CAD 0.70 for any 30 consecutive trading days, the Company may, upon providing written notice to the holders of the warrants, accelerate the expiry date of the warrants to the date which is 30 days following the date of such written notice (see also Note 8).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention. The Group has elected to present the statement of comprehensive loss using the function of expense method.

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year which they are identified. Actual results could differ from those estimates. See also Note 3.

Principal of consolidation

The consolidated financial statements include the accounts of Innocan Pharma Corporation and its subsidiary Innocan Pharma Ltd. All intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

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

Inventories

Inventories are recognized at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Group measures cost of raw materials on First In First Out ("FIFO") basis and finished goods according to costs based on direct costs of materials and labor.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition

Revenue is recognized by the Company in accordance with IFRS 15, "Revenue from Contracts with Customers". Through application of this standard, the Company recognizes revenue to depict the transfer of promised goods to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to the customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Share based compensation

The Group measures the share-based expense and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. This approach is based on the Black Scholes (1973) and Merton (1974) models ("Black Scholes Merton", or "BSM"), which takes into account the terms and conditions upon which the instruments were granted.

Foreign currency

The financial statements are prepared in US Dollars which is the functional currency of the Group due to the fact that most of the Group's costs are dominated in USD. Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities **-** at the rate of exchange applicable at the statements of financial position date.
- Exchange gains and losses from the aforementioned conversion are recognized in the statement of comprehensive loss.
- Expense items **-** at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange at the time of the transaction.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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:

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

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

Classification of financial instruments by fair value hierarchy

Assets and liabilities 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 that use inputs that are not based on observable market data).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments

1. Financial assets

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

   Amortized cost: These assets arise principally from the provision of goods to customers (e.g. trade 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 (excluding trade receivables which are initially recognized at transaction costs) and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in the consolidated statement of comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Financial Liabilities

   The Group classifies its financial liabilities based on the purpose for which the liability was acquired. The Group's accounting policy is as follows:

   Fair value through profit or loss: The Group measures its warrant financial liabilities at fair value through profit or loss.

   Amortized cost: other accounts payable are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

3. De-recognition
   - Financial assets - The Group 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 - The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

4. Impairment of financial assets

   The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset as follows:

   Financial assets carried at amortized cost: there is objective evidence of impairment of other accounts receivable if one or more events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loss per share

Basic earnings or loss per share are calculated as net profit or loss attributed to the Group, divided by the weighted average number of outstanding ordinary shares, during the period.

New standards, interpretations and amendments not yet effective

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

IAS 1 - Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New standards, interpretations and amendments not yet effective (cont.):

instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

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

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's financial position are the share-based compensation expenses and the fair value valuation of warrants.

Share based compensation

The Group has a share-based plan for its employees and service providers. The estimated fair value of share options is determined using the Black Scholes Merton model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see also Note 8).

Fair value valuation of warrants

The Group measures the fair value of the warrants using the Black-Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the warrants (see also Note 7).

NOTE 4 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2020	December 31, 2019
	USD in thousands	
December 2020 Private Placement receivables [(1)]	1,017	-
Prepaid expenses	309	426
Tax authorities	74	50
Restricted deposits	72	31
Others	36	7
Total	1,508	514

(1) Out of the total gross proceeds of CAD 2,367,804 (approximately USD 1,857 thousand), an amount of approximately USD 840 thousand was deposited at the company bank account as at December 31, 2020, and is included in cash and cash equivalents as at December 31, 2020. An additional amount of approximately USD 1,017 thousand was not deposited by December 31, 2020 due to the fact that by the balance sheet date it was in transit. During January 2021, this amount was received by the Company.

NOTE 5 - INVENTORY:

	December 31, 2020	December 31, 2019
	USD in thousands	
Finished goods	227	-
Packaging materials	203	-
	430	-

NOTE 6 - OTHER ACCOUNTS PAYABLE:

	December 31, 2020	December 31, 2019
	USD in thousands	
Accrued expenses	244	314

(US Dollars)

Payroll and related liabilities	140	95
Short term lease liability	37	34
	421	443

NOTE 7 - WARRANTS:

The Company accounts for warrants issued to investors under IFRS 9. Warrants issued to service providers are accounted for under IFRS 2 and are treated as equity.

1. Tamar InnoVest A Warrants

   During April 2019, the Company issued 13,981,916 warrants (after giving effect to the Share Exchange, see also Note 1.6) to Tamar InnoVest Limited (formerly Solsken Limited) (the "Tamar InnoVest A Warrants"). Each Tamar InnoVest A Warrant is exercisable at a price of USD 0.125 (based on a 1:735 share exchange agreement ratio between InnoCan and the Company). During August 2020, the Company and Tamar InnoVest Limited extended the Tamar InnoVest A Warrants expiry date from April 15, 2021 to April 15, 2023, subject to acceleration in certain cases. The Company recorded a derivative financial liability which represents the fair value of the Tamar InnoVest A Warrants. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as of inception amounted to USD 181 thousand. In December 31, 2020 it amounted to USD 1,848 thousand, and as at December 31, 2019 amounted to USD 488 thousand. The amount was recorded according to its fair value according to valuation performed by an independent third party appraiser with respect to the traded price share.

2. Tamar InnoVest B Warrants

   During April 2019, the Company also issued 2,000,000 warrants (after giving effect to the Share Exchange, see also Note 1.4) to Tamar InnoVest Limited (formerly Solsken Limited) (the "Tamar InnoVest B Warrants"). Each Tamar InnoVest B Warrant is exercisable at a price of USD 0.175 (based on a 1:735 share exchange agreement ratio between InnoCan and the Company). During August 2020, the Company and Tamar InnoVest Limited extended the Tamar InnoVest B Warrants expiry date from August 15, 2021 to August 15, 2023, subject to acceleration in certain cases. The Company recorded a derivative financial liability which represents the fair value of the Tamar InnoVest B Warrants. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as of inception amounted to USD 17 thousand. In December 31, 2020 it amounted to USD 200 thousand, and as at December 31, 2019 amounted to USD 48 thousand. The amount was recorded according to its fair value according to valuation performed by an independent third party appraiser with respect to the traded price share.

NOTE 7 – WARRANTS (CONT.):

3. September 2019 Unit Warrants

   As part of the IPO, the Company issued September 2019 Unit Warrants (see also Note 1.6). Each September 2019 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 0.30 for a period of 24 months following September 25, 2019 subject to acceleration in certain cases.

   By December 31, 2020, the Company did not reach the target share price. The warrants are transferable but are not be listed or quoted on any stock exchange or market. The Company recorded the September 2019 Unit Warrants as a derivative financial liability which represents the fair value of the warrants on the transaction date due to the fact that they do not meet the criteria for a fixed number of equity instruments in exchange for a fixed amount of cash since the exercise price is stated in CAD while the Company's functional currency is the USD. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as of inception amounted to USD 115 thousand. In December 31, 2020 it amounted to USD 222 thousand, and as at December 31, 2019 amounted to USD 125 thousand. The amount was recorded according to its fair value according to valuation performed by an independent third party appraiser.

4. June 2020 Unit Warrants

   In connection with the June 10, 2020 Offering (see also Note 1.8), the Company issued 28,423,943 warrants to investors. Each June 2020 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 0.25 for a period of 36 months following June 10, 2020, subject to acceleration in certain cases.

   By December 31, 2020, the Company did not reach the target share price. The warrants are transferable but are not be listed or quoted on any stock exchange or market. The Company recorded the June 2020 Unit Warrants as a derivative financial liability which represents the fair value of the warrants on the transaction date due to the fact that they do not meet the criteria for a fixed number of equity instruments in exchange for a fixed amount of cash since the exercise price is stated in CAD while the Company's functional currency is the USD. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as of inception amounted to USD 863 thousand. In December 31, 2020 it amounted to USD 4,156 thousand. The amount was recorded according to its fair value according to valuation performed by an independent third party appraiser.

NOTE 7 – WARRANTS (CONT.):

5. December 2020 Unit Warrants

   In connection with the December 30, 2020 Private Placement (see also Note 1.9), the Company issued 5,147,400 warrants to investors. Each December 2020 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 0.35 for a period of 36 months following December 30, 2020, subject to acceleration in certain cases.

   By December 31, 2020, the Company did not reach the target share price. The warrants are transferable but are not be listed or quoted on any stock exchange or market. The Company recorded the December 2020 Unit Warrants as a derivative financial liability which represents the fair value of the warrants on the transaction date due to the fact that they do not meet the criteria for a fixed number of equity instruments in exchange for a fixed amount of cash since the exercise price is stated in CAD while the Company's functional currency is the USD. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as of inception amounted to USD 509 thousand. In December 31, 2020 it amounted to USD 566 thousands. The amount was recorded according to its fair value according to valuation performed by an independent third party appraiser.

The fair value measurement of the warrants as of December 31, 2020 in the table below was measured using the Black-Scholes model. The key inputs that were used in measuring the fair value of the warrants were: risk free interest rate – 0.17%, expected volatility - 75%, year and Expected dividend yield - 0.

	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
As of December 31, 2020				
Derivative liability – warrants	-	-	(6,992)	(6,992)

The key inputs that were used in measuring the fair value of the warrants as of December 31, 2019 below were: risk free interest rate – 1.7%, expected volatility - 66%, year and Expected dividend yield - 0.

	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
As of December 31, 2019				

Derivative liability – warrants	-	-	(661)	(661)

NOTE 7 – WARRANTS (CONT.):

The derivative financial liabilities as at December 31, 2020 and 2019 are as follows:

	Fair Value of warrants
	US Dollars in thousands
Balance at January 1, 2019	60
Changes during 2019:	
Additions	
Tamar InnoVest A and B Warrants (formerly Solsken A and B Warrants)	198
September 2019 Unit Warrants	115
Convertible notes options	18
Changes in FV	
Tamar InnoVest A and B Warrants	338
September 2019 Unit Warrants	10
Convertible notes options	69
SPA Warrants	12
Exercise	
Convertible notes options	(87)
SPA Warrants	(6)
Expirations	
SPA Warrants	(66)
Balance at December 31, 2019	661
Changes during 2020:	
Additions	
June 2020 Unit Warrants	863
December 2020 Unit Warrants	509
Changes in FV	
Tamar InnoVest A and B Warrants	1,512
September 2019 Unit Warrants	97
June 2020 Unit Warrants	3,583
December 2020 Unit Warrants	57
Exercise	

(US Dollars)

June 2020 Unit Warrants	(290)
Balance at December 31, 2020	6,992

* All amounts were recorded according to their fair value, according to a third party appraisal.

NOTE 7 – WARRANTS (CONT.):

Warrants treated under IFRS 2 as at December 31, 2020 and 2019 are as follows:

	The year ended December 31, 2020	
	Number of warrants	Weighted average exercise price (CAD)
Outstanding at end of period	4,094,435	0.21
Exercisable warrants	4,094,435	0.21

	The year ended December 31, 2019	
	Number of warrants	Weighted average exercise price (CAD)
Outstanding at end of period	611,111	0.18
Exercisable warrants	611,111	0.18

NOTE 8 - SHAREHOLDERS' EQUITY:

Composition:

	Number of shares as of December 31, 2020	
	Authorized	Issued and outstanding
Common shares without nominal par value	Unlimited	188,321,292

	Number of shares as of December 31, 2019	
	Authorized	Issued and outstanding
Common shares without nominal par value	Unlimited	143,866,169

(US Dollars)

NOTE 8 - SHAREHOLDERS' EQUITY (CONT.):

Movement in number of shares:

	Number of shares
Balance as at January 1, 2019	4,250,000
Issuance of shares in InnoCan (i)	22,726,935
Issuance of shares to InnoCan's shareholders upon Share Exchange (See also Note 1.6, and footnote 1 hereunder)	98,161,455
Issuance of shares to Tamar InnoVest	9,299,417
Issuance of shares	3,317,250
Share based compensation	-
Issuance of shares - IPO	6,111,112
SPA Warrants exercise (ii)	-
Closing balance at December 31, 2019	143,866,169
Issuance of shares – June 2020 Offering (See also footnote 2 hereunder)	31,250,492
Issuance of shares – service providers (See also footnote 3 and footnote 4 hereunder)	435,570
Issuance of shares – December 2020 Private Placement (See also footnote 5 hereunder)	10,294,800
Exercise of warrants and agent warrants (See also footnote 6 hereunder)	2,474,261
Closing balance at December 31, 2020	188,321,292

(i) For transactions prior to the IPO, the number of shares and unit price are adjusted to the number of shares received in the Company in consideration for the shares in InnoCan.

(ii) Due to technical reasons, the issuance of shares did not occur by December 31, 2019 due to the fact that the exercise price cash consideration was in transit at the balance sheet date.

1. Following the IPO, several shareholders invested in the Company an additional amount of USD 280 thousand due to a demand from the Canadian securities administrators for completion of the price per share to CAD 0.5.
2. On June 10, 2020, as part of the Offering, the Company issued 28,423,943 common shares (See also Note 1.8). The Company issued to the agents and advisers that facilitated the Offering an additional 2,826,549

shares of the Company, 1,691,121 warrants and 1,848,003 options to purchase Units. Total issuance expenses incurred amounted to approximately CAD 1,901 thousand (approximately USD 1,409 thousand), that included cash payments and issuance of shares, warrants and options to purchases Units. Issuance expenses of approximately CAD 1,235 (approximately USD 916 thousand) were paid in cash.

3. On July 2, 2020, the Company issued 335,570 common shares to a service provider. The fair value of granted common shares was CAD 50 thousand (approximately USD 37 thousand).
4. On December 29, 2020, the Company issued 100,000 common shares to a service provider. The fair value of granted common shares was CAD 30 thousand (approximately USD 23 thousand).
5. On December 30, 2020, as part of the Private Placement, the Company issued 10,294,800 common shares (see also Note 1.9).
6. During 2020, a total of 2,474,261 warrants and agent warrants were exercised to common shares, in consideration for approximately USD 439 thousand.

Share based compensation

1. On January 25, 2020, the Company granted 100,000 options to a service provider of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.14 per share. The options are fully vested at the grant date, and will expire 2 years following the grant date.
2. On April 19, 2020, the Company granted 400,000 options to a director of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.16 per share. The options are fully vested at the grant date and will expire 5 years following the grant date.
3. On June 11, 2020, the Company granted an aggregated amount of 1,520,000 options to several directors and consultants of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.16 per share. The options are fully vested at the grant date and will expire 5 years following the grant date.
4. On July 2, 2020, the Company granted an aggregated amount of 825,000 options to several directors, employees and consultants of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.16 per share. 725,000 options are fully vested at the grant date and will expire 5 years

(US Dollars)

following the grant date. 100,000 options will vest in 12 equal installments of 8,333 options every quarter during three years from October 1, 2020.

5. On August 27, 2020, the Company granted 150,000 options to a service provider of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.22 per share. A third of the options is vested at the grant date, an additional third of the options is vested three months from the grant date,

NOTE 8 - SHAREHOLDERS' EQUITY (CONT.):

Share based compensation (cont.)

and an additional third of the options will vest six months from the grant date. The options will expire 2 years following the vesting date of each installment.

The fair value of all options from sections 1-5 above was obtained using the Black Scholes (1973) on the date of the grant based on certain unobservable inputs, including:

– The expected volatility of the existing business is 75%

– The dividend growth rate is 0%

6. On July 2, 2020, the Company issued 335,570 common shares to a service provider. The fair value of granted common shares was CAD 50 thousand (approximately USD 37 thousand).
7. On December 29, 2020, the Company issued 100,000 common shares to a service provider. The fair value of granted common shares was CAD 30 thousand (approximately USD 23 thousand).

During the year ended December 31, 2020, the Group recorded share based compensation expense of USD 527 thousand, which is included in selling and marketing expenses, research and development expenses, or general and administrative expenses, based on the grantee.

	The year ended December 31, 2020	
	Number of options	**Weighted average exercise price (CAD)**
Options to employees and service providers outstanding at beginning of period	12,106,477	0.18
Granted – exercise price CAD 0.14	100,000	0.14
Granted – exercise price CAD 0.16	2,745,000	0.16

Granted – exercise price CAD 0.22	150,000	0.22
Expired – exercise price CAD 0.30	(100,000)	0.30
Expired – exercise price CAD 0.18	(1,558,769)	0.18
Options outstanding at end of period	13,442,708	0.18
Exercisable options	12,751,042	0.18

NOTE 8 - SHAREHOLDERS' EQUITY (CONT.):

	The year ended December 31, 2019	
	Number of options	**Weighted average exercise price (CAD)**
Outstanding at beginning of period	-	-
Granted - exercise price CAD 0.30	300,000	0.30
Granted - exercise price CAD 0.32	80,000	0.32
Granted - exercise price CAD 0.18	11,926,477	0.18
Forfeited	(200,000)	-
Outstanding at end of period	12,106,477	0.18
Exercisable options	3,865,492	0.18

NOTE 9 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2020	**Year ended December 31, 2019**
	USD in thousands	
Salary and related expenses	456	380
Service providers	238	187
Share based compensation	121	121
Others	99	7
	914	695

NOTE 10 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2020	**Year ended December 31, 2019**
	USD in thousands	

Research development by Yissum and Ramot	1,365	-
Salary and related expenses	188	147
Share based compensation	64	57
Materials	-	117
Others	127	47
	1,744	368

NOTE 11 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2020	Year ended December 31, 2019
	USD in thousands	
Professional services	514	311
Salary and related expenses	376	359
Share based compensation	343	248
Issuance expenses	321	555
Legal fees	223	232
Others	293	233
	2,070	1,938

NOTE 12 - TAXES ON INCOME:

A. Tax rate applicable to income in Canada

Canadian federal and provincial statutory tax rate was 24% in 2020 and 27% in 2019. The Company has not received a final tax assessment since inception.

B. Tax rate applicable to income in Israel

Israeli corporate tax rates are 23% in 2020 and 2019.

InnoCan has not received a final tax assessment since inception.

C. Net operating losses carry forwards

As of December 31, 2020, the Group has estimated carry forward tax losses of approximately USD 6,683 thousand, which may be carried forward and offset against taxable income for an indefinite period in the future. The Group did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

D. Reconciliation of statutory rate income tax to the Group's effective tax rate

	Year ended December 31, 2020	Year ended December 31, 2019
	USD in thousands	
Loss before income tax	(9,953)	(3,335)
Theoretical tax at applicable statutory tax rate (24% and 27%)	(2,389)	(900)
Deferred tax asset that cannot be recognized due to uncertainty	2,389	900
Income tax expenses	-	-

NOTE 13 - RELATED PARTIES:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Group has transactions with key management personnel and directors.

Key management personnel compensation

Key management personnel compensation and directors fee comprised the following:

Transaction - expense	Year ended December 31, 2020 (USD in thousands)	Year ended December 31, 2019 (USD in thousands)
Salary and related expenses	638	693
Share based compensation	236	332

Assets related to related party

Name	Nature of transaction	December 31, 2020 (USD in thousands)	December 31, 2019 (USD in thousands)
Other accounts receivable	Current assets	14	-

Liabilities to related party

Name	Nature of transaction	December 31, 2020 (USD in thousands)	December 31, 2019 (USD in thousands)
Other accounts payable	Short term employee benefits	140	12
Warrants	Tamar InnoVest A and B Warrants	2,048	536

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES:

1. As part of the Board of Directors ongoing regulatory compliance process, the Board of Directors continues to monitor legal and regulatory developments and their potential impact on the Group.
2. As of the approval date of the reports, there were no claims that were outstanding against the Group.

NOTE 15 - LOSS PER SHARE:

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial period, the weighted average number of equity shares in issue and loss for the period as follows:

	Year ended December 31, 2020	**Year ended December 31, 2019**
Loss for the year attributed to shareholders (USD in thousand)	(9,953)	(3,335)
Weighted average number of ordinary shares	162,021,651	*120,644,432
Basic and diluted loss per share	$ (0.06)	* $ (0.03)

(*) After giving effect to the Share Exchange.

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Group is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash, other accounts receivable, warrants, lease liability and trade and other accounts payable. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group 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 Group's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Group to manage these risks are discussed below.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property, which enables it to ensure the prompt collection of customer's balances. The Group's main financial assets are cash and cash equivalents and represent the Group's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Group holds cash with major financial institutions in Israel.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	December 31, 2020	December 31, 2019
	(USD in thousands)	
Cash and cash equivalents	1,931	1,973
Trade receivables	2	-
Other accounts receivable	72	31
Total	2,005	2,004

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel ("NIS") and the Canadian Dollar ("CAD"). The Group's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	December 31, 2020		
	Assets	Liabilities	Total
	(USD in thousands)		
NIS	1,291	(260)	1,031
CAD	531	(7,005)	(6,474)
EURO	12	(29)	(17)

	December 31, 2019		
	Assets	**Liabilities**	**Total**
	(USD in thousands)		
NIS	132	(399)	(267)
CAD	678	(661)	17
EURO	6	-	6

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Sensitivity analysis

A 10% strengthening of the United States Dollar 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 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	December 31, 2020 (USD in thousands)
Linked to NIS	103
Linked to CAD	(647)
Linked to EURO	(2)

	December 31, 2019 (USD in thousands)
Linked to NIS	(27)
Linked to CAD	68
Linked to EURO	1

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 Group 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 following tables detail the Group'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 earliest date on which the Company can be required to pay.

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	December 31, 2020	**December 31, 2019**
	(USD in thousands)	
Trade accounts payable	908	27
Other accounts payable	281	347
Total	1,189	375

Capital management

The Group considers its capital to be comprised of shareholders' equity. The Group's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Group's capital requirements, the Group has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Group prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Group's approach to capital management during the year ended December 31, 2020. There are no externally imposed restrictions on the Group's capital.

NOTE 17 - SUBSEQUENT EVENTS:

1. On January 6, 2021, the Company granted an aggregated amount of 1,420,000 options to several employees of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.35 per share. The options will expire 5 years following grant date.

2. On January 12, 2021, the Company granted an amount of 150,000 options to a consultant of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.35 per share. The options will expire 3 years following grant date.
3. On January 24, 2021, and January 26, 2021, the Company issued a notice of early exercise to the holders of Tamar InnoVest A and B Warrants, respectively, as a result of the warrants meeting its terms for early exercise, of the Company's share price volume weighted average exceeding CAD 0.25 and CAD 0.335, respectively, for 30 consecutive trading days. As a result of the notice of early exercises, all of the Tamar InnoVest A and B Warrants were exercised to shares.
4. On February 18, 2021, the Company issued a notice of early exercise to September 2019 Unit Warrant holders, as a result of the warrants meeting its terms for early exercise, of the Company's share price CAD 0.35 for 20 consecutive trading days. As a result of the notice of early exercise, a total of 671,500 September 2019 Unit Warrants were exercised to shares, while the remaining warrants expired as of March 16, 2021.

NOTE 17 - SUBSEQUENT EVENTS (CONT.):

5. On March 15, 2021, the Company granted an aggregated amount of 1,580,000 options to several employees, directors and consultants of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.41 per share. The options will expire 5 years following grant date.