INNOCAN PHARMA CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

INNOCAN PHARMA CORPORATION

TABLE OF CONTENTS

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"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 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 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 2022 and its financial performance and its cash flows for the two years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 1.6 in the consolidated financial statements, which indicated that the Company incurred a net loss of $4,248 thousand during the year ended December 31, 2023. As stated in Note 1.6, these events and conditions, along with other matters as set forth in Note 1.6, 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no more key audit matters to be communicated in our report.

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.

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 Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 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.

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

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

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

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

Tel-Aviv, Israel

March 28, 2024

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	3,885	4,947
Trade accounts receivable		17	15
Other accounts receivable	5	1,155	785
Inventories, net	6	1,747	1,131
Total current assets		6,804	6,878
NON-CURRENT ASSETS:			
Property, plant and equipment, net		92	58
Right-of-use asset, net		44	40
Total non-current assets		136	98
TOTAL ASSETS		6,940	6,976

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2023	December 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade accounts payable		112	95
Other accounts payable	7	485	332
Warrants	8	1,946	304
Total current liabilities		2,543	731
NON-CURRENT LIABILITIES:			
Long term lease liability		11	20
Total non-current liabilities		11	20
SHAREHOLDERS' EQUITY:	9		
Share capital		-	-
Additional paid in capital		37,177	34,768
Accumulated deficit		(33,074)	(28,374)
Equity attributable to owners of the parent		4,103	6,394
Non-controlling interest		283	(169)
Total shareholders' equity		4,386	6,225
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,940	6,976

(s) "Nelson Halpern"	(s) "Iris Bincovich"	(s) "Peter Bloch"	March 28, 2024
Mr. Nelson Halpern Chief Financial Officer	Iris Bincovich Chief Executive Officer	Peter Bloch 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 STATEMENTS OF COMPREHENSIVE LOSS

(US Dollar in thousands, except for share and per share amounts)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Revenues	10	13,657	2,559
Cost of revenues	11	1,679	452
Gross profit		11,978	2,107
Selling, marketing and distribution expenses	12	10,907	3,492
Research and development expenses	13	1,796	1,526
General and administrative expenses	14	3,078	3,355
Operating loss		3,803	6,266
Financial income	15	(31)	(2,795)
Financial expenses	16	262	417
Financial expenses (income), net		231	(2,378)
Loss before income taxes		4,034	3,888
Tax expenses	17	214	1
Total comprehensive loss		4,248	3,889
Total comprehensive profit (loss) for the year attributed to:			
Owners of the parent		(4,700)	(3,764)
Non-controlling interest		452	(125)
		(4,248)	(3,889)
Basic and diluted loss per share	20	$(0.017)	$(0.016)
Weighted average number of common shares		257,003,775	248,953,220

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollar in thousands)

	Owners of the parent				
	Share capital	**Additional paid in capital**	**Accumulated deficit**	**Non-controlling interest**	**Total**
Balance at December 31, 2021	-	33,665	(24,610)	(44)	9,011
Changes during 2022:					
Exercise of warrants and options	-	136	-	-	136
Share based compensation	-	967	-	-	967
Total comprehensive loss for the period	-	-	(3,764)	(125)	(3,889)
Balance at December 31, 2022	-	34,768	(28,374)	(169)	6,225
Changes during 2023:					
Issuance of common shares, net	-	1,555	-	-	1,555
Share based compensation	-	854	-	-	854
Total comprehensive loss for the period	-	-	(4,700)	452	(4,248)
Balance at December 31, 2023	-	37,177	(33,074)	283	4,386

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

INNOCAN PHARMA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

	Year ended December 31, 2023	Year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net comprehensive loss for the period	(4,248)	(3,889)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	33	35
Share based compensation	854	967
Change in fair value of a warrants	258	(2,774)
Interest charged on lease liabilities	2	2
Increase in trade accounts receivable	(2)	(15)
Decrease (increase) in other accounts receivable	(336)	178
Increase in inventories	(616)	(621)
Increase in trade accounts payable	17	42
Increase (decrease) in other accounts payable	144	(115)
Financial expenses (income), net	(10)	123
Net cash used in operating activities	(3,904)	(6,067)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(46)	(26)
Deposit for new lease agreement	(7)	(5)
Change in restricted deposits	(31)	-
Net cash used in investing activities	(84)	(31)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common shares, net	1,555	-
Issuance of warrants	1,384	-
Exercise of warrants and options	-	136
Principal paid on lease liabilities	(22)	(11)
Net cash provided by financing activities	2,917	125
Effects of exchange rate changes on cash and cash equivalents	9	(128)
Net decrease in cash and cash equivalents	(1,062)	(6,101)
Cash and cash equivalents at the beginning of the period	4,947	11,048
Cash and cash equivalents at the end of the period	3,885	4,947

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 operations in May 2018. The Company's registered office is in Calgary, Canada.

2. The Company is a publicly listed company on the Canadian Securities Exchange (the "CSE") trading under the symbol INNO and is the parent company of Innocan Pharma Ltd. ("Innocan") that was incorporated in Israel in October 2017 and commenced its operations 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 and is expected to conduct activities mainly in the US, Canadian and European markets. Innocan also operates in the CBD beauty market and develop, manufacture and sells cannabidiol (CBD) cosmetic products mainly in the European market.
   On May 26, 2021, Innocan entered into a founder's agreement with Brandzon Co Ltd. ("Brandzon"), to establish a joint company, B.I. Sky Global Ltd. ("Sky Global") which engages in development, manufacture and marketing of cosmetic products. Innocan holds 60% of Sky Global's shares, while Brandzon holds the remaining 40% of Sky Global's shares. Sky Global was incorporated in Israel on June 6, 2021. The Company consolidates Sky Global in the financial statements commencing on the date of establishment.

3. On May 5, 2021, Innocan Pharma UK Ltd. ("Innocan UK") was established, as a management and financial services supplier of Innocan in the European market, regarding the sales of its cannabidiol (CBD) cosmetic products. Innocan holds 100% of Innocan UK's shares. The Company consolidates Innocan UK in the financial statements commencing on the date of establishment.

4. The Company, Innocan, Innocan UK and Sky Global are referred in the financial statements as the Group.

5. 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 Gaza strip. The Group is continuing with its operations both in Israel and globally, as the state of war had no substantial impact on its operations or business results. The Group continues to assess the effects of the state of war on its financial statements and business.

NOTE 1 - GENERAL (CONT.):

6. Going concern

   Since inception, the Group has generated revenues that increased during the year ended December 31, 2023, but despite this, the Group expects to continue to finance itself through raising adequate funds in the foreseeable future. During the year ended December 31, 2023, the Group had a net loss of $4,248 thousand, negative cash flow from operation of $3,904 thousand, and generated $33,074 thousand of accumulated deficit since inception. These factors raise material uncertainties may cast significant doubt upon the Group's ability to continue as a going concern. In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve-month period following December 31, 2023.

   The Company's plans to fund near term anticipated activities based on proceeds from capital fund raising and future revenues.

7. Between February to December, 2023, Innocan entered the fourth, fifth and sixth amendments (the "Fourth Amendment", "Fifth Amendment" and "Sixth Amendment", respectively) to the research and license agreement with Yissum. As part of the Fourth. Fifth and Sixth Amendments Innocan agreed to finance additional research with the aim of meeting the FDA guidance on Liposome drug-products in a total amount of approximately $750 thousand, by December 2023.

   The total expense due to research activity by Yissum incurred during the year 2023 amounted to $843 thousand. Yissum grants to Innocan an exclusive, worldwide, royalty-bearing license, under Yissum's rights to make, use, offer to sell, sell and import products in the field of this research. There is an ongoing negotiation with Yissum regarding the examination of the next step.

8. On February 16, 2023 the Company closed a non-brokered private placement (the "February 2023 Private Placement") of 1,982,000 units of the Company (the "February 2023 Private Placement Units") at a price of CAD 0.25 per unit for aggregate gross proceeds of CAD 496 thousand (approximately $368 thousand). (See also note 8.2).

9. On August 3, 2023 the Company closed a non-brokered private placement (the "August 2023 Private Placement") of 8,409,735 units of the Company (the "August 2023 Private Placement Units") at a price of CAD 0.23 per unit for aggregate gross proceeds of CAD 1,934 thousand (approximately $ 1,459 thousand). (See also note 8.3).

NOTE 1 - GENERAL (CONT.):

10. On October 12, 2023 the Company closed the first of two tranches (the "First Tranche") of its private placement offering (the "Offering") of units of the Company (the "October 2023 Units"), pursuant to which the Company issued 1,420,200 October 2023 Units at a price of CAD 0.30 per October 2023 Unit for aggregate gross proceeds of CAD 426 thousand (approximately $311 thousand). Each October 2023 Unit is comprised of one common share of the Company and one purchase warrant of the Company (a "October 2023 Warrant"). Each October 2023 Warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of CAD 0.36 for a period of 36 months from the closing of the First Tranche. The Offering was led by Research Capital Corporation as sole agent and sole bookrunner (the "Agent"). In connection with the First Tranche, the Agent received an aggregate cash fee of CAD 34 thousand (approximately $25 thousand). In addition, the Company issued to the Agent 113,616 non-transferable broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to purchase one Unit at an exercise price equal to the Offering Price for a period of 36 months following the closing date of the First Tranche.
    On October 20, 2023 the Company closed the second and final tranche (the "Second Tranche") of its Offering of October 2023 Units, pursuant to which the Company issued 4,005,408 October 2023 Units at the Offering Price for aggregate gross proceeds of CAD 1,202 thousand (approximately $876 thousand). In total, the Company issued an aggregate of 5,425,108 October 2023 Units for aggregate gross proceeds of CAD 1,628 thousand (approximately $1,187 thousand). In connection with the Second Tranche, the Agent received an additional cash fee equal to CAD 18 thousand (approximately $13 thousand). In addition, the Company issued to the Agent, 153,430 non-transferable broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to purchase one October 2023 Unit at an exercise price equal to the Offering Price for a period of 36 months following the closing date of the Second Tranche. The Company also paid the Agent a corporate finance advisory fee consisting of 122,500 units and CAD 28 thousand (approximately $20 thousand) in cash. (See also note 8.4).

NOTE 2 - MATERIAL 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") as issued by the International Accounting Standards Board (IASB). 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. These consolidated financial statements were authorized by the board of directors on March 28, 2024.

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 subsidiaries Innocan Pharma Ltd, B.I. Sky Global Ltd. and Innocan Pharma UK Ltd.. All intercompany balances and transactions have been eliminated upon consolidation.

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 Group in accordance with IFRS 15, "Revenue from Contracts with Customers". Through application of this standard, the Group 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 Group 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).

The Group derives its revenue mainly from sales of cosmetic products and partially from the sale of cannabidiol (CBD) cosmetic products. The Group sells its products directly to consumers through online retail channels. For these arrangements, the Group considers customer order confirmations to be a contract with the customer. Customer confirmations are executed at the time an order is placed through third-party online channels. The Group only recognizes revenue when collection is reasonably assured, which is the same point of time of shipment to the customers. The Group does not offer trade or volume discounts.

For product sales, the Group has elected to treat shipping and handling as fulfillment activities, and not a separate performance obligation. Accordingly, the Group recognizes revenue for its single performance obligation related to product sales at the time control of the merchandise passes to the customer, which is generally at the time of shipment.

The Group evaluated principal versus agent considerations to determine whether it is appropriate to record platform fees paid to Amazon as an expense or as a reduction of revenue. Platform fees are recorded as sales and distribution expenses and are not recorded as a reduction of revenue because it owns and controls all the goods before they are transferred to the customer. The Group is subject to credit risk, establishes prices of its products, can determine who fulfills the goods to the customer (Amazon or the Group) and can limit quantities or stop selling the goods at any time. Based on these considerations, the Group is the principal in this arrangement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses consist of online advertising costs, marketing and promotional costs, sales and e-commerce platform commissions, fulfillment costs by the Group or fulfillment by merchant ("FBM"), including shipping and handling, and warehouse costs (i.e. sales and distribution variable expenses). Further, sales and distribution expenses also include employees and service provider compensation and benefits and other related costs. Costs associated with the Group's advertising and sales promotion are expensed as incurred.

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 revenues and 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 accounts 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.

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.

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:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 common shares, during the period.

Segment reporting

An operating segment is a component of the Group 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 Group's CEO decision maker to make decisions about allocated resources to the segment and assess its performance.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New standards, interpretations and amendments adopted from January 1, 2023

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

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates ,unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the consolidated financial statements of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New standards, interpretations and amendments not yet effective

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

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 9).

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 8).

NOTE 4 – CASH AND CASH EQUIVALENTS:

	December 31, 2023	December 31, 2022
	USD in thousands	
USD:		
Banks	2,937	2,124
Foreign currency:		
Banks	806	1,314
Deposits	142	1,509
Total	3,885	4,947

NOTE 5 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2023	December 31, 2022
	USD in thousands	
Tax authorities	417	145
Prepaid expenses	340	453
Amazon receivables	232	47
Restricted deposits	138	104
Others	28	36
Total	1,155	785

NOTE 6 – INVENTORIES, NET:

	December 31, 2023	December 31, 2022
	USD in thousands	
Finished goods	1,533	907
Packaging materials	214	224
	1,747	1,131

NOTE 7 - OTHER ACCOUNTS PAYABLE:

	December 31, 2023	December 31, 2022
	USD in thousands	
Accrued expenses	285	228
Payroll and related liabilities	178	90
Short term lease liability	22	14
	485	332

NOTE 8 - WARRANTS:

The Company accounts for warrants issued to investors under IFRS 9 and IAS 32. Warrants issued to service providers are accounted for under IFRS 2 and are treated as equity.

1. October 2021 Unit Warrants

In connection with the October 13, 2021 Private Placement (see also Note 9), the Company issued 9,679,000 warrants to investors. Each October 2021 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 1.10 for a period of 60 months following October 13, 2021.

The warrants are transferable but are not listed or quoted on any stock exchange or market. The Company recorded the October 2021 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 issuance date amounted to $3,427 thousand. In December 31, 2023 and 2022 it amounted to $331 thousand and $304 thousand, respectively.

The amount was recorded according to its fair value according to valuation performed by management with the assistance of an independent third-party appraisal.

2. February 2023 Unit Warrants

In connection with the private placement (see also note 1(8)), closed on February 16, 2023, the Company issued 1,982,000 warrants to investors. Each February 2023 Unit consists of one-half of one (1) Class A common share purchase warrant (each whole Class A common share purchase warrant, a “February 2023 Class A Warrant”); and one-half of one (1) Class B common share purchase warrant (each whole Class B common share purchase warrant, a “February 2023 Class B Warrant”) (collectively each whole February 2023 Class A Warrant and each whole February 2023 Class B Warrant, a “February 2023 Warrant”). Each February 2023 Class A Warrant will entitle the holder thereof to purchase one Common Share at a price of CAD 0.31 for a period of two (2) years from the date of issuance. Each February 2023 Class B Warrant will entitle the holder thereof to purchase one Common Share at a price of CAD 0.44 for a period of three (3) years from the date of issuance. Following the date of issuance of the February 2023 Warrants, if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange for any period of 20 consecutive trading days equals or exceeds CAD 0.62 in the case of a February 2023 Class A Warrant or CAD 1.32 in the case of a February 2023

NOTE 8 – WARRANTS (CONT.):

Class B Warrant, the Company may, upon providing written notice to the holders of the February 2023 Warrants (the "Acceleration Notice"), accelerate the expiry date of the February 2023 Warrants to the date that is 30 days following the date of the Acceleration Notice. The Company recorded the February 2023 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 issuance date amounted to $154 thousand. On December 31, 2023 it amounted to $140 thousand. The amount was recorded according to its fair value according to valuation performed by management with the assistance of an independent third-party appraisal.

3. August 2023 Unit Warrants

In connection with the private placement (see also note 1(9)), closed on August 3, 2023, the Company issued 8,409,735 units to investors. Each August 2023 Unit consists of: (i) one (1) common share in the capital of the Company (each a "Common Share"); (ii) one-half of one (1) Class A common share purchase warrant (each whole Class A common share purchase warrant, a "August 2023 Class A Warrant"); and (iii) one-half of one (1) Class B common share purchase warrant (each whole Class B common share purchase warrant, a "August 2023 Class B Warrant") (collectively each whole August 2023 Class A Warrant and each whole August 2023 Class B Warrant, a "August 2023 Warrant"). Each August 2023 Class A Warrant will entitle the holder thereof to purchase one Common Share at a price of CAD 0.29 for a period of three (3) years from the date of issuance. Each August 2023 Class B Warrant will entitle the holder thereof to purchase one Common Share at a price of CAD 0.40 for a period of five (5) years from the date of issuance. The Company recorded the August 2023 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 issuance date amounted to $692 thousand. On December 31, 2023 it amounted to $954 thousand. The amount was recorded according to its fair value according to valuation performed by management with the assistance of an independent third-party appraisal.

NOTE 8 – WARRANTS (CONT.):

4. October 2023 Unit Warrants

In connection with October 12, 2023, and October 20,2023 Offerings (see note 1(10)), the Company issued 5,425,108 warrants (the "October 2023 Unit Warrants") to investors. Each October Unit Warrant entitled the holder therefore to acquire one common share at an exercise price of CAD 0.36 for a period of 36 months from the date of the closing. The Company recorded the August 2023 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 issuance date amounted to $538 thousand. On December 31, 2023 it amounted to $521 thousand. The amount was recorded according to its fair value according to valuation performed by management with the assistance of an independent third-party appraisal.

The fair value measurement of the warrants as of December 31, 2023 in the table below was measured using:

1. For the non-forced exercise warrants the Black-Scholes model.
2. Forced exercised warrants was estimated using a binomial lattice, under the assumption that once the price per share, exceeds the defined forced exercise threshold, the warrants get exercised immediately.

The key inputs that were used in measuring the fair value of the warrants were: risk free interest rate – 3.2144%, expected volatility - 70%, year and Expected dividend yield - 0.

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
As of December 31, 2023				
Derivative liability – warrants	-	(1,946)	-	(1,946)

The fair value measurement of the warrants as of December 31, 2022 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 – 3.4111%, expected volatility - 76%, and expected dividend yield – 0.

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
Derivative liability – warrants	-	(304)	-	(304)

NOTE 8 – WARRANTS (CONT.):

The derivative financial liabilities as at December 31, 2023 and 2022 are as follows:

	Fair Value of warrants
	US Dollars in thousands
Balance at January 1, 2022	3,078
Changes during 2022:	
Changes in FV	
October 2021 Unit Warrants	(2,774)
Balance at December 31, 2022	304
Changes during 2023:	
Additions	
February 2023 Unit Warrants	154
August 2023 Unit Warrants	692
October 2023 Unit Warrants -First trance	131
October 2023 Unit Warrants -Second trance	407
Changes in FV	
October 2021 Unit Warrants	27
February 2023 Unit Warrants	(14)
August 2023 Unit Warrants	262
October 2023 Unit Warrants -First trance	5
October 2023 Unit Warrants -Second trance	(22)
Balance at December 31, 2023	1,946

All amounts were recorded according to their fair value, according to management with the assistance of an independent third-party appraisal.

(US Dollars)

NOTE 8 – WARRANTS (CONT.):

Warrants accounted for under IFRS 2 as at December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023	
	Number of warrants	**Weighted average exercise price (CAD)**
Warrants outstanding at beginning of period	400,793	0.25
Expired – exercise price CAD 0.25	(400,793)	0.25
Granted – exercise price CAD 0.30	267,046	0.30
Granted – exercise price CAD 0.36	122,500	0.36
Warrants outstanding at end of period	389,546	0.319
Exercisable warrants	389,546	0.319

	Year ended December 31, 2022	
	Number of warrants	**Weighted average exercise price (CAD)**
Warrants outstanding at beginning of period	438,099	0.23
Exercised – exercise price CAD 0.18	(68,949)	0.18
Expired – exercise price CAD 0.18	(26,315)	0.18
Granted – exercise price CAD 0.25	68,949	0.25
Exercised – exercise price CAD 0.25	(10,991)	0.25
Warrants outstanding at end of period	400,793	0.25
Exercisable warrants	400,793	0.25

(US Dollars)

NOTE 9 - SHAREHOLDERS' EQUITY:

Composition:

	Number of shares as of December 31, 2023	
	Authorized	**Issued and outstanding**
Common shares without nominal par value	Unlimited	268,001,895

	Number of shares as of December 31, 2022	
	Authorized	**Issued and outstanding**
Common shares without nominal par value	Unlimited	249,728,111

Movement in number of shares:

	Number of Common Shares
Balance as at December 31, 2022	249,728,111
Exercise of options (See also footnote 1 hereunder)	333,941
Issuance of shares – February 2023 Private Placement (See also footnote 2 hereunder)	1,982,000
Issuance of shares – August 2023 Private Placement (See also footnote 3 hereunder)	8,409,735
Issuance of shares- service provider (See also footnote 4 hereunder)	2,000,000
Issuance of shares – October 12, 2023 Private Placement (See also footnote 5 hereunder)	1,420,200
Issuance of shares – October 20, 2023 Private Placement (See also footnote 5 hereunder)	4,127,908
Closing balance at December 31, 2023	268,001,895

1. During the year ended December 31, 2023, a total of 333,941 options were exercised into common shares as a cashless exercise mechanism, calculated according to the terms of the options.
2. On February 16, 2023 the Company closed a non-brokered private placement offering of 1,982,000 units of the Company (the “February 2023 Private Placement Units”) at a price of CAD 0.25 per Unit for aggregate gross proceeds of CAD 496 thousands (approximately $372 thousand) (see also note 1(8)).

(US Dollars)

NOTE 9 - SHAREHOLDERS' EQUITY (CONT.):

3. On August 3, 2023, the Company closed a non-brokered private placement offering of 8,409,735 August 2023 Units at a price of CAD 0.23 per August 2023 Unit for aggregate gross proceeds of CAD 1,934 thousand (approximately $1,459 thousand) (see also note 1(9)).
4. On August 21, 2023, the Company issued 2,000,000 common shares to a service provider. The fair value of granted common shares was CAD 460 thousand (approximately $341 thousand).
5. On October 12 and 20,2023 Offerings (see note 1(10)), the Company issued 5,425,108 units of the Company at a price of CAD 0.3 for aggregate gross proceeds of CAD 1,627 (approximately $1,187 thousand). In addition, the Company paid the Agent a corporate finance advisory fee consisting of 122,500 units.

Share based compensation

Grantee	Date of grant	Exercise price (CAD)	Number of options	Expiry date
Research and development consultant (1)	February 14, 2023	0.28	150,000	February 14, 2026
Business development consultant (1)	February 14, 2023	0.28	138,740	February 14, 2026
Employees of the Company (2)	February 14, 2023	0.28	150,000	February 14, 2028
Employees of the Company (3)	August 11, 2023	0.23	5,000,000	August 11, 2028
Business development consultant (4)	August 11, 2023	0.23	118,576	August 11, 2028
Research and development consultant (5)	September 13, 2023	0.35	300,000	September 13, 2025
Business development consultant (6)	November 6, 2023	0.32	250,000	November 6, 2028

NOTE 9 - SHAREHOLDERS' EQUITY (CONT.):

(1) Each of the options is exercisable for one common share of the Company. Options shall be vested immediately at granting. The options will be exercisable by the consultant at any time during a period of three (3) years from the date of grant. The fair value of the options was obtained using the Black Scholes (1973) model on the date of the grant based on certain unobservable inputs, including:

- The expected volatility of the existing business is 74%
- The dividend growth rate is 0%

(2) Each of the options is exercisable for one common share of the Company. Options shall be vested immediately at granting. The options will be exercisable at any time during a period of five (5) years from the date of grant as long as the employment agreement is valid and for a period of 3 months from the date of grant. The fair value of the options was obtained using the Black Scholes (1973) model on the date of the grant based on certain unobservable inputs, including:

- The expected volatility of the existing business is 74%
- The dividend growth rate is 0%

(3) Each of the options is exercisable for one common share of the Company. Options shall be vested 25% upon the date of grant, 25% shall vest in 8 months from the date of grant, 25% shall vest 16 months from the date of grant and 25% shall vest 24 months from the date of grant. The options will be exercisable at any time during a period of five (5) years from the date of grant as long as the employment agreement is valid and for a period of 3 months from the date of grant. The fair value of the options was obtained using the Black Scholes (1973) model on the date of the grant based on certain unobservable inputs, including:

- The expected volatility of the existing business is 70%
- The dividend growth rate is 0%

(4) Each of the options is exercisable for one common share of the Company. Options shall be vested immediately at granting. The options will be exercisable at any time during a period of five (5) years from the date of grant as long as the employment agreement is valid and for a period of 3 months from the date of grant. The fair value of the options was obtained using the Black Scholes (1973) model on the date of the grant based on certain unobservable inputs, including:

- The expected volatility of the existing business is 70%
- The dividend growth rate is 0%

(5) Each of the options is exercisable for one common share of the Company. 60,000 options shall be vested immediately at granting, additional 60,000 every 6 months for the coming 2 years and as long as consultant is part of the advisory committee. The options will be exercisable at any time during a period of three (3)

NOTE 9 - SHAREHOLDERS' EQUITY (CONT.):

Share based compensation (cont.)

years from the date of grant. The fair value of the options 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 70%
- The dividend growth rate is 0%

(6) Each of the options are exercisable for one common share of the Company. Options shall be vested immediately upon grant. The Options expire after five years from the date of issuance. The fair value of the options 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 70%
- The dividend growth rate is 0%

During the year ended December 31, 2023 and 2022, the Company recorded share-based compensation expenses of $854 and $967 thousand accordingly, which is included in selling and marketing expenses, research and development expenses or general and administrative expenses, based on the grantee.

(US Dollars)

NOTE 9 - SHAREHOLDERS' EQUITY (CONT.):

Share based compensation (cont.)

	Year ended December 31, 2023	
	Number of options	**Weighted average exercise price (CAD)**
Options outstanding at beginning of period	24,284,708	0.33
Granted – exercise price CAD 0.28	438,740	0.28
Granted – exercise price CAD 0.23	5,118,576	0.23
Granted – exercise price CAD 0.35	300,000	0.35
Granted – exercise price CAD 0.32	250,000	0.32
Exercised – exercise price CAD 0.18	(872,458)	0.18
Exercised – exercise price CAD 0.16	(125,000)	0.16
Expired – exercise price CAD 0.16	(300,000)	0.16
Expired – exercise price CAD 0.28	(150,000)	0.28
Expired – exercise price CAD 0.35	(950,000)	0.35
Expired – exercise price CAD 0.41	(116,000)	0.41
Expired – exercise price CAD 0.59	(950,000)	0.59
Expired – exercise price CAD 0.74	(150,000)	0.74
Options outstanding at end of period	26,778,566	0.33
Exercisable options	22,105,240	0.34

	year ended December 31, 2022	
	Number of options	**Weighted average exercise price (CAD)**
Options to employees and service providers outstanding at beginning of period	23,578,708	0.33
Granted – exercise price CAD 0.77	300,000	0.77
Granted – exercise price CAD 0.59	1,200,000	0.59
Exercised – exercise price CAD 0.18	(1,380,000)	0.18
Granted – exercise price CAD 0.48	300,000	0.48
Exercised – exercise price CAD 0.22	(150,000)	0.22
Granted – exercise price CAD 0.3	536,000	0.3
Expired – exercise price CAD 0.74	(100,000)	0.74
Options outstanding at end of period	24,284,708	0.35
Exercisable options	21,139,718	0.33

NOTE 10 - REVENUES

Geographical analysis of revenue

	Year ended December 31, 2023		2022	
	USD in thousands			
	%		%	
United States	99%	13,548	95%	2,417
UK	-	-	3%	83
Rest of the world	1%	109	2%	59
	100%	13,657	100%	2,559

NOTE 11– COST OF REVENUES

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Inventory (Beginning)	1,131	510
Purchased Inventory	1,822	899
Shipping expanses	454	163
Quality tests	17	7
Purchased samples	2	4
Inventory (Ending)	(1,747)	(1,131)
	1,679	452

NOTE 12 – SELLING, MARKETING AND DISTRIBUTION EXPENSES:

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Amazon services and advertising costs	9,698	1,827
Marketing service providers	745	956
Salary and related expenses	342	405
Share based compensation	96	223
Others	26	81
	10,907	3,492

NOTE 13 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Research expenses by Yissum and Ramot	843	598
Service providers	417	353
Salary and related expenses	296	303
Share based compensation	102	120
Others	138	152
	1,796	1,526

NOTE 14 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Professional services	830	731
Share based compensation	656	624
Salary and related expenses	554	569
Legal and fees	276	428
Insurance	145	208
Issuance expenses	140	-
Accounting services	129	126
Office rent & maintenance	112	198
Directors' fee	20	28
Others	216	443
	3,078	3,355

NOTE 15 – FINANCE INCOME:

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Currency exchange income	8	-
Changes in fair value of warrants	-	2,774
Others	23	21
	31	2,795

NOTE 16 – FINANCE EXPENSES:

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Changes in fair value of warrants	258	-
Currency exchange expenses	4	415
Others	-	2
	262	417

NOTE 17 - TAXES ON INCOME:

A. Tax rate applicable to income in Canada

Canadian federal and provincial statutory tax rate was 23% in 2023 and 2022.

As of the year 2023, the Federal corporation notice of assessment reports NIL taxes.

B. Tax rate applicable to income in Israel

Israeli corporate tax rates are 23% in 2023 and 2022.

Innocan has a final tax assessment as of 2018 and Sky Global has not received any final tax assessment since inception.

C. Net operating losses carry forwards

As of December 31, 2023, the Group has estimated carry forward tax losses of approximately $24,169 thousand, which may be carried forward and offset against taxable income for an indefinite period in the future, except for carry-forward losses reported in Canada which expire 20 years from the year which they were incurred. 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.

NOTE 17 - TAXES ON INCOME (CONT.):

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

	Year ended December 31, 2023	Year ended December 31, 2022
	USD in thousands	
Loss before income tax	(4,034)	(3,888)
Theoretical tax at applicable statutory tax rate (23%)	(928)	(894)
Deferred tax asset that cannot be recognized due to uncertainty	928	894
Income tax expenses	-	-

NOTE 18 - 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, 2023 (USD in thousands)	Year ended December 31, 2022 (USD in thousands)
Salary and related expenses	618	613
Share based compensation	226	262
Services fees	55	246

Assets related to related party

Name	Nature of transaction	December 31, 2023 (USD in thousands)	December 31, 2022 (USD in thousands)
Other accounts receivable	Current assets	-	5

Liabilities to related party

Name	Nature of transaction	December 31, 2023 (USD in thousands)	December 31, 2022 (USD in thousands)
Other accounts payable	Short term employee benefits	98	47
Warrants	August 2023 Private Placement	128	-

NOTE 19 - COMMITMENTS AND CONTINGENT LIABILITIES:

1. As of the approval date of the financial statements, there were no claims that were outstanding against the Group.
2. As part of the Ramot License & Research Agreement, Innocan has also agreed to pay Ramot royalties of 3.5% on future sales of products sold under the Ramot License & Research Agreement.
3. As part of the Research & License Agreement (see also note 1.7), Innocan has 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 $35 thousand.

NOTE 20 - 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, 2023	Year ended December 31, 2022
Loss for the year attributed to shareholders (USD in thousand)	(4,248)	(3,889)
Weighted average number of common shares	257,003,775	248,953,220
Basic and diluted loss per share	$(0.017)	$(0.016)

NOTE 21 - 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:

	December 31, 2023	December 31, 2022
	(USD in thousands)	
Cash and cash equivalents	3,885	4,947
Trade accounts receivable	17	15
Other accounts receivable	138	104
Total	4,040	5,066

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.

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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

	December 31, 2023		
	Assets	Liabilities	Total
	(USD in thousands)		
NIS	453	(261)	192
CAD	550	(1,980)	(1,430)
others	70	-	70

	December 31, 2022		
	Assets	Liabilities	Total
	(USD in thousands)		
NIS	593	(298)	295
CAD	2,169	(355)	1,814
Others	150	(1)	149

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, 2023 (USD in thousands)
Linked to NIS	19
Linked to CAD	(143)
Linked to others	7

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	December 31, 2022 (USD in thousands)
Linked to NIS	29
Linked to CAD	181
Linked to others	15

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.

	December 31, 2023	December 31, 2022
	(USD in thousands)	
Trade accounts payable	120	95
Other accounts payable	485	332
Total	605	427

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, 2022. There are no externally imposed restrictions on the Group's capital.

(US Dollars)

NOTE 22 - OPERATING SEGMENTS:

The Group has two main divisions:

1. Online sales - B.I. Sky Global Ltd. operations, which engages with the development of beauty microbrands for online platforms such as Amazon, and other e-commerce retail sales.
2. Other operations - the development of several drug delivery platforms, combining cannabinoids with other pharmaceutical ingredients as well as the development and sale of CBD-integrated topical products.

Commencing 2023, management has concluded that beauty online sales segment should be reported separately, as operations volume has increased significantly, and it is closely monitored by management as a potential growth business segment.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Company's board of directors and its management team.
Summarized financial information by segment, based on the Group’s internal financial reporting system utilized by the Group’s CEO follows:

For the year ended December 31, 2023:

	online sales	**Other operations**	**Total**
Segment revenue	13,548	109	13,657
Segment operating profit (loss)	1,417	(5,220)	(3,803)
Financial expense, net			231
Loss before income taxes			(4,034)

For the year ended December 31, 2022:

	online sales	**Other operations**	**Total**
Segment revenue	2,424	135	2,559
Segment operating loss	(263)	(6,003)	(6,266)
Financial income, net			(2,378)
Loss before income taxes			(3,888)

NOTE 23 - SUBSEQUENT EVENTS:

1. On March 5, 2024, the Company proposes to sell and issue, on a non-brokered private placement basis, up to 12,000,000 units (each a “March 5, 2024 Unit”) at a price of CAD 0.25 per March 5, 2024 Unit for gross proceeds of up to CAD 3,000 thousand. Each March 5, 2024 Unit will consist of: (i) one (1) common share in the Company (each a “Common Share”); (ii) one (1) common share purchase warrant (each a “March 5, 2024 Warrant”). Each whole March 5, 2024 Warrant entitles the holder to purchase one Common Share at a price of CAD 0.32 for a period of four (4) years from the date of issuance.
2. On March 6, 2024, Innocan entered the seventh amendment (the "Seven Amendment") to the research and license agreement with Yissum. As part of the Amendments Innocan agreed to finance additional research with the aim of meeting the FDA guidance on Liposome drug-products in a total amount of approximately $264 thousand.
3. On March 14, 2024, the Company closed a non-brokered private placement offering of units of the Company (the “March 14, 2024 Units”) for aggregate gross proceeds of CAD 1,989 thousand (approximately 1,475 thousand). Each March 14, 2024 Unit is comprised of one common share of the Company and one common share purchase warrant of the Company (a “March 14, 2024 Warrant”). Each March 14, 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of $0.32 for a period of four (4) years from the date of issuance.
4. On March 14, 2024, the Company granted an aggregate of 7,140,483 restricted share units (each, an “RSU”) to directors and officers. Each RSU entitles the recipient to receive one common share of the Company on vesting. A total of 3,807,150 RSUs vest on March 14, 2024 and 3,333,333 RSUs vest as follows: (i) one-third on March 14, 2024; (ii) one-third on September 14, 2024; and (iii) one-third on March 14, 2025. The RSUs and the underlying Common Shares are subject to a statutory hold period of four months and one day expiring on July 15, 2024.