K.B. RECYCLING INDUSTRIES LTD.

INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2020

U.S. DOLLARS IN THOUSANDS

INDEX

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of

K.B. RECYCLING INDUSTRIES LTD.

Opinion

We have audited the financial statements of K.B. Recycling Industries Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

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

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 that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other information included in the Company's 2020 Management Discussion and Analysis

Other information consists of the information included in the 2020 Management Discussion and Analysis, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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.

The partner in charge of the audit resulting in this independent auditor's report is Batel Dadon.

Kost Forer Gabbay & Kasierer

Tel-Aviv, Israel
April 30, 2021

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2020	December 31, 2019
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	1,617	55
Restricted deposits		-	36
Trade receivables	5	401	508
Other accounts receivable	6	191	55
Inventories		127	144
		2,336	798
NON-CURRENT ASSETS:			
Right of use assets	7	1,046	1,127
Long-term deposits		71	66
Property, plant and equipment, net	8	1,869	1,786
Other assets		237	-
		3,223	2,979
		5,559	3,777
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	9	94	148
Current maturities of lease liabilities	7	117	131
Trade payables	10	379	586
Other payables	11	719	524
		1,309	1,389
NON-CURRENT LIABILITIES:			
Lease liabilities	7	1,065	1,071
Other liabilities	12	161	168
Convertible Note	13	4,152	-
Warrant	13	414	-
		5,792	1,239
EQUITY:			
Share capital and share premium	16	35,697	34,376
Adjustments arising from translating financial statements from functional currency to presentation currency		(10)	76
Reserve from share-based payment transactions		548	14
Accumulated deficit		(37,777)	(33,317)
		(1,542)	1,149
		5,559	3,777

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

April 30, 2021	(s) "Yoav Horowitz"	(s) "Shmuel Porre"	(s) "Danny Haklai"
Date of approval of the financial statements	Yoav Horowitz Chairman of the Board	Shmuel Porre Chief Executive Officer	Danny Haklai Chief Financial Officer

STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31, 2020	Year ended December 31, 2019
		U.S. dollars in thousands (except loss per share)	
Revenues from sales	20	955	1,510
Cost of sales	18a	1,974	2,828
Gross loss		(1,019)	(1,318)
Development expenses (net of government grants)	18b	68	20
Selling and marketing expenses	18c	196	366
General and administrative expenses	18d	1,446	552
Other expenses, net		14	-
Operating loss		(2,743)	(2,256)
Finance expenses	18e	(1,717)	(154)
Loss		(4,460)	(2,410)
Other comprehensive income (loss):			
Amounts that will not be reclassified subsequently to profit or loss:			
Adjustments arising from translating financial statements from functional currency to presentation currency		(86)	85
Total comprehensive loss		(4,546)	(2,325)
Basic and diluted loss per share (in U.S. dollars)	19	*) (0.07)	*) (0.04)

*) Adjusted to reflect the split of the Company's shares – see Note 22(2).

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

STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium	Shareholders' loans	Reserve from share-based payment transactions	Foreign currency translation reserve	Accumulated deficit	Total equity
	U.S. dollars in thousands					
Balance at January 1, 2019	31,000	906	4	(9)	(30,907)	994
Loss	-	-	-	-	(2,410)	(2,410)
Total other comprehensive income	-	-	-	85	-	85
Total comprehensive loss	-	-	-	85	(2,410)	(2,325)
Cost of share-based payment	-	-	10	-	-	10
Conversion of shareholders' loan into equity	906	(906)	-	-	-	-
Equity investments	2,470	-	-	-	-	2,470
Balance at December 31, 2019	34,376	-	14	76	(33,317)	1,149
Loss	-	-	-	-	(4,460)	(4,460)
Total other comprehensive loss	-	-	-	(86)	-	(86)
Total comprehensive loss	-	-	-	(86)	(4,460)	(4,546)
Cost of share-based payment	-	-	534	-	-	534
Equity investments	1,321	-	-	-	-	1,321
Balance at December 31, 2020	35,697	-	548	(10)	(37,777)	(1,542)

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Cash flows from operating activities:		
Loss	(4,460)	(2,410)
Adjustments to reconcile loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation of property, plant and equipment	204	186
Gain from sales of property, plant and equipment	(3)	-
Depreciation of right-of-use assets	167	162
Valuation loss of Convertible Note and Warrants	1,463	-
Finance expenses	151	141
Cost of share-based payment	534	10
	2,516	499
Changes in asset and liability items:		
Decrease in trade receivables	135	190
Decrease (increase) in other accounts receivable	(108)	87
Decrease in inventories	26	5
Decrease in trade payables	(233)	(392)
Increase (decrease) in other payables	151	(135)
	(29)	(245)
Cash paid during the period for:		
Interest paid	(119)	(117)
Net cash used in operating activities	(2,092)	(2,273)

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(175)	(109)
Proceeds from sale of property, plant and equipment	17	-
Withdrawal of restricted deposits	36	-
Net cash used in investing activities	(122)	(109)
Cash flows from financing activities:		
Receipt of grants from the IIA	-	86
Repayment of grants received from the IIA	(59)	(17)
Repayment of long-term loans from banks and shareholders	-	(13)
Credit from banks, net	(61)	(7)
Repayment of lease liabilities	(114)	(129)
Proceeds from the issuance of Convertible Note and Warrants	3,000	-
Deferred issuance costs	(237)	-
Equity investments	1,321	2,470
Net cash provided by financing activities	3,850	2,390
Exchange rate differences on balances of cash and cash equivalents	(74)	7
Increase in cash and cash equivalents	1,562	15
Cash and cash equivalents at the beginning of the year	55	40
Cash and cash equivalents at the end of the year	1,617	55
Significant non-cash transaction:		
Right-of-use asset recognized with corresponding lease liabilities	38	35
Conversion of shareholders' loans into equity (see Note 16(b)(5))	-	906

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

NOTE 1:- GENERAL

a. K.B. Recycling Industries Ltd. (the "Company") was incorporated under the laws of Israel as a private company. The Company's registered address is 3 Ha'avoda St., Beit Shean, Israel. The Company began its operations in April 2008 and operates in the plastic recycling market. In April 2021, the Company completed an initial public offering and commenced trading on the TSX Venture Exchange, see Note 22(4).

The Company recycles post consumed household waste plastic bags and sheets combined with post consumed agricultural plastic sheets and manufactures polyurethane sheets and geomembranes utilized mainly by the building and infrastructure industry. The sheets are used for underground water and gas sealing systems, surfaces and floor protection, and sub terrain barriers against roots. The Company's manufacturing process was developed over the course of a number of years. The Company's process involves the processing of the waste and its direct conversion of the waste into a finished product. The Company recycles nylon plastic bags that are generally not recycled and are usually incinerated or stored.

b. Company's financial position:

In the year ended December 31, 2020, the Company incurred a loss totaling $ 4,460 thousand and had negative cash flows from operating activities totaling $ 2,092 thousand. As described in Note 22(4), subsequent to the reporting period, the Company received aggregate net proceeds of CAD 11.4 ($ 9) million from its initial public offering and private placement of securities.

Based on the cash available to the Company as of the date of the approval of the financial statements, the Company's management and Board of Directors estimate that the Company has sufficient funds to continue its operations and meet its financial obligations at least for 12 months from the date of approval of the financial statements.

c. The implications of COVID-19:

In December 2019, an outbreak of the Coronavirus (COVID-19) ("COVID-19") occurred in China and it spread around the world, including in Israel. The spread of COVID-19 is a large-scale event, dynamic and emerging which is characterized by uncertainty and frequent and rapid changes in Israel and in many countries around the world. Following this "ongoing event", declared by the World Health Organization as a global pandemic, many countries, including Israel, have taken significant steps in an effort to prevent the spread of COVID-19, such as restrictions on citizen mobility, gatherings, travel and trade, border closures, and restrictions on the transportation of goods.

The Company obtained an approval to characterize its plant as an "exempted industry" and the Company has acted in accordance with the related instructions for maintaining employees' good health while preparing for various scenarios and taking various steps to ensure its business continuity.

NOTE 1:- GENERAL (Cont.)

In the meantime, in March 2020, as a result of the effects of Covid-19 pandemic, and in order to allow the Company to sustain its activity and to extend its runway, the Company implemented a material restructuring plan, according to which management significantly reduced the Company's work force and other operating expenses to the minimum required to allow the continuous of its operations and R&D efforts.

Since the end of May 2020, when most of the COVID-19 restrictions were removed at that time, the Company's production lines have been operating adjusted for changes in sales volume, in accordance with the guidelines of the Israeli regulated "purple badge" for businesses.

During August 2020, Israel experienced a second wave of COVID-19 infections and varying restrictions were imposed on mobility, gatherings and activity in the public sphere, which had an adverse effect on the scope and nature of activities in the public and private business sectors.

The outbreak of COVID-19 and the restrictions imposed in an effort to prevent the spread of COVID-19, mainly the "lockdown restrictions" introduced in Israel from mid-March until the end of May 2020 and since September 2020 until the end of 2020 had a material adverse impact on the Company's operations and have caused a decrease in the Company's revenues during the twelve months ended December 31, 2020.

In addition, due to the restrictions on movement of passengers and border closures around the world the Company delayed its plans to explore new markets mainly in Europe and most of its marketing efforts were put on hold from April 2020. As a result, the Company's managements estimate that this will cause a delay in the Company's export plans.

Since the end of 2020, a substantial number of Israeli residents have received vaccinations through a countrywide vaccination project, which has been credited with a reduction in the spread of COVID and infection rates in Israel. In parallel, the Israeli government has lifted many of the lockdown restrictions and has allowed for the opening of various sectors of the Israeli economy, subject to certain restrictions.

d. Definitions:

In these financial statements:

The Company	- K.B. Recycling Industries Ltd.
Related parties	- as defined in IAS 24.
ILS	- New Israeli Shekel.
USD or $	- United States Dollar.
CAD	- Canadian Dollar.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. *Basis of presentation:*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's financial statements have been prepared on a cost basis, except for financial instruments which are presented at fair value through profit or loss.

The Company has elected to present the profit or loss items using the function of expense method.

b. Functional currency, presentation currency and foreign currency:

The functional currency of the Company is ILS.
The financial statements are presented in USD, the presentation currency, since the Company believes that financial statements in USD provide more relevant information to the investors and users of the financial statements who are located outside of Israel.

Assets and liabilities are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at each reporting date according to the terms of the agreement.

d. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

e. 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.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

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.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

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 directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Cost of inventories is determined as follows:

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

Finished goods - cost of materials, labor and manufacturing costs, including indirect manufacturing costs.

g. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, and accumulated impairment losses.

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

	%	Mainly %
Facilities and equipment	5 - 20	10
Office furniture and equipment	13 – 25	13
Computers	33	33
Motor vehicles	11 - 25	17
Leasehold improvements	9 - 10	9.7

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Company and exercised during 2019) and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

h. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

i. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

Revenue from the sale of goods:

Revenue from sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

Variable consideration:

The Company determines the transaction price separately for each contract with a customer. When exercising this judgment, the Company evaluates the effect of each variable amount in the contract, taking into consideration discounts. In determining the effect of the variable consideration, the Company normally uses the "most likely amount" method described in IFRS 15. Pursuant to this method, the amount of the consideration is determined as the single most likely amount in the range of possible consideration amounts in the contract. According to IFRS 15, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

j. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

Government grants received from the Israel Innovation Authority (the "IIA") are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing sales.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

On each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Amounts paid as royalties are recognized as settlement of the liability.

k. Leases:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term. Land and buildings - 10 years; Motor vehicles - between 2.5 to 3 years.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

Variable lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.
In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

l. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective expenditure asset during its development.

In respect of its development projects the Company has not met all of the abovementioned criteria for capitalization, and accordingly, all development expenditures have been recognized in profit or loss as incurred.

m. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2. Impairment of financial assets:

The Company has short-term financial assets, trade receivables, in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance.

3. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or

- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

a) Financial liabilities measured at amortized cost:

Financial liabilities, such as payables, loans and borrowings, are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.
After initial recognition, the Company measures these financial liabilities at amortized cost using the effective interest rate method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b) Financial liabilities measured at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, such as derivatives, and financial liabilities meeting certain criteria that are designated upon initial recognition as at fair value through profit or loss. At initial recognition, the Company measures these financial liabilities at fair value. Transaction costs are recognized in profit or loss.

At initial recognition, the Company may designate a financial liability in respect of a hybrid contract that contains an embedded derivative as measured at fair value through profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss, except for changes in fair value of liabilities designated at initial recognition that can be attributed to changes in the financial liability's credit risk, which are recorded in other comprehensive income.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.

If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

7. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Fair value is then determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

Warrants for which the exercise price is denominated in foreign currency are initially recognized as a financial derivative at fair value. For convertible debt that is denominated in foreign currency, the conversion component is initially recognized as a financial derivative at fair value.

n. Employee benefit liabilities:

The Company has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and pension funds and classified as defined contribution plans.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company has defined contribution plans pursuant to section 14 of the Israeli Severance Pay Law under which the Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

o. Share-based payment transactions:

The Company's employees and the chairman of the board of directors are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

If a grant of an equity instrument is canceled, it is accounted for as if it had vested on the cancelation date and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are accounted for as a modification of the original grant, as described above.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

q. Loss per share:

Loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares are included in the computation of diluted loss per share when their conversion decreases loss per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted loss per share only until the conversion date and from that date in basic loss per share.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

In view of the global Covid-19 crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases" ("the Amendment"). The objective of the Amendment is to allow a lessee to apply a practical expedient according to which Covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies solely to lessees.

The Amendment applies only to Covid-19 related rent concessions and only if all of the following conditions are met:

- The revised future lease payments are substantially the same or less than the original lease payments immediately preceding the change;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

The Amendment is to be applied retrospectively effective for annual periods beginning on or after June 1, 2020, with earlier application permitted.

The IFRS 16 Lease Amendment had no material impact on the financial statements since no material COVID -19 related rent concessions have occurred or are expected to occur.

s. Disclosure of new standards in the period prior to their adoption:

1. Amendments to IAS 1: Presentation of Financial Statements:

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on its existing loan agreements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Interest Rate Benchmark Reform – Phase 2:

In August 2020 the IASB issued amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4, and IFRS 16 (the "Amendments"). The Amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR").

The Amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest, without adjusting the carrying amount. The use of this practical expedient is subject to the requirement that the transition from the IBOR to RFR takes place on an economically equivalent basis.

The Amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

The Amendments require additional disclosures regarding how the transition to RFRs is being managed and the risks arising from financial instruments to which the Company is exposed due to IBOR reform.

The amendments are to be applied retrospectively, without a requirement to restate prior periods, for annual reporting periods beginning on or after January 1, 2021, Early application is permitted.

The Company is currently assessing the impact the Amendments may have on its financial statements during the transition from IBOR to RFR.

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Company has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Discount rate for a lease liability:

  When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. That rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates, assessments and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

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

- Grants from the Israel Innovation Authority (the "IIA"):

  Government grants received from the IIA at the Ministry of Industry, Trade and Labor are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows used to measure the amount of the liability.

- Impairment of property, plant and equipment:

  The Company evaluates the need to record an impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount is not recoverable. This requires management to estimate the recoverable amount.

NOTE 3:- SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

The recoverable amount of the property, plant and equipment is their fair value less costs of sale based on a valuation of an appraiser. The valuation takes into consideration the mechanical condition of the assets, their level of maintenance, hours of operation and year of manufacture. The valuation measures fair value using a market approach based on current prices and other relevant information generated from recent market transactions involving comparable assets. This information is subject to change due to possible future changes in market conditions that are uncertain and difficult to estimate. These changes could have a material impact on the fair value of these assets.

- Lease extension options:

  In evaluating whether it is reasonably certain that the Company will exercise an option to extend a lease, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Company's operation and whether it is a specialized asset, the Company's past experience with similar leases, etc.

  After the commencement date, the Company reassesses the term of the lease upon the occurrence of a significant event or a significant change in circumstances that affects whether the Company is reasonably certain to exercise an option or not exercise an option previously included in the determination of the lease term, such as significant leasehold improvements that had not been anticipated on the lease commencement date, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

- Determining the fair value of an unquoted financial liability:

  The fair value of unquoted Convertible Note and warrant in Level 3 of the fair value hierarchy is determined using a hybrid model combining the Option Pricing Model and an IPO scenario. Changes in key assumption are liable to affect the fair value of the Convertible Note, see Note 13 (6).

NOTE 4:- CASH AND CASH EQUIVALENTS

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Cash for immediate withdrawal- in ILS	142	54
Cash for immediate withdrawal- in U.S. dollars	1,415	1
Short-term deposits- in ILS	60	-
	1,617	55

NOTE 5:- TRADE RECEIVABLES

a. Trade receivables, net:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Open accounts	1,340	1,382
Less – allowance for doubtful accounts	(939)	(874)
Trade receivables, net	401	508

Impaired debts are accounted for through recording an allowance for doubtful accounts.

b. Movement in allowance for doubtful accounts:

	U.S. dollars in thousands
Balance as of January 1, 2019	817
Provision for the year	(12)
Adjustments arising from translating financial statements from functional currency to presentation currency	69
Balance as of December 31, 2019	874
Adjustments arising from translating financial statements from functional currency to presentation currency	65
Balance as of December 31, 2020	939

The Company grants its customers interest-free credit for periods of up to 90-120 days.

c. Following is information about the credit risk exposure of the Company's trade receivables:

December 31, 2020:

		Past due trade receivables		
	Not past due	< 60 days	> 60 days	Total
	U.S. dollars in thousands			
Gross carrying amount	429	-	911	1,340
Allowance for doubtful accounts	28	-	911	939

December 31, 2019:

		Past due trade receivables		
	Not past due	< 60 days	> 60 days	Total
	U.S. dollars in thousands			
Gross carrying amount	538	2	842	1,382
Allowance for doubtful accounts	32	-	842	874

NOTE 6:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Advances to suppliers	19	34
Government authorities	77	19
Prepaid expenses	81	2
Other receivable	14	-
	191	55

NOTE 7:- LEASES

Disclosures for leases in which the Company acts as lessee:

The Company has entered into leases of land and building and motor vehicles which are used for the Company's operations.

Leases of land and building have lease original terms of 10 years and two extension options of additional 5 years each, whereas leases of motor vehicles have lease terms of between 2.5 and 3 years.

a. Information on leases:

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Interest expense on lease liabilities	118	113
Total cash outflow for leases	232	225

b. Lease extension options:

The Company's land and building lease include extension options. These options provide flexibility in managing the leased assets and align with the Company's business needs.

The Company exercises significant judgement in deciding whether it is reasonably certain that the extension options will be exercised.

NOTE 7:- LEASES (Cont.)

c. Disclosures in respect of right-of-use assets:

December 31, 2020

	Land and buildings	Motor vehicles	Total
	U.S. dollars in thousands		
Cost:			
Balance as of January 1, 2020	1,278	169	1,447
Additions during the year:			
New leases	-	38	38
Adjustments for indexation	(7)	-	(7)
Disposals during the year:			
Termination of leases	-	(106)	(106)
Adjustments arising from translating financial statements from functional currency to presentation currency	95	7	102
Balance as of December 31, 2020	1,366	108	1,474
Accumulated depreciation:			
Balance as of January 1, 2020	228	92	320
Additions during the year:			
Depreciation and amortization	115	52	167
Disposals during the year:			
Termination of leases	-	(86)	(86)
Adjustments arising from translating financial statements from functional currency to presentation currency	25	2	27
Balance as of December 31, 2020	368	60	428
Depreciated cost at December 31, 2020	998	48	1,046

December 31, 2019

	Land and buildings	Motor vehicles	Total
	U.S. dollars in thousands		
Cost:			
Balance as of January 1, 2019	1,176	126	1,302
Additions during the year:			
New leases	-	30	30
Adjustments for indexation	4	1	5
Adjustments arising from translating financial statements from functional currency to presentation currency	98	12	110
Balance as of December 31, 2019	1,278	169	1,447
Accumulated depreciation:			
Balance as of January 1, 2019	105	35	140
Additions during the year:			
Depreciation and amortization	110	52	162
Adjustments arising from translating financial statements from functional currency to presentation currency	13	5	18
Balance as of December 31, 2019	228	92	320
Depreciated cost at December 31, 2019	1,050	77	1,127

d. For an analysis of maturity dates of lease liabilities, see Note 13.

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

December 31, 2020

	Facilities and equipment	Office furniture and equipment	Computers	Motor vehicles	Leasehold improvements	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2020	4,742	48	81	351	316	5,538
Additions during the year:						
Purchases	33	4	5	132	1	175
Adjustments arising from translating financial statements from functional currency to presentation currency	357	3	7	31	23	421
Disposals during the period	-	-	-	(24)	-	(24)
Balance at December 31, 2020	5,132	55	93	490	340	6,110
Accumulated depreciation:						
Balance at January 1, 2020	3,079	47	67	332	227	3,752
Additions during the year:						
Depreciation	168	1	6	19	10	204
Adjustments arising from translating financial statements from functional currency to presentation currency	242	4	6	25	18	295
Disposals during the period	-	-	-	(10)	-	(10)
Balance at December 31, 2020	3,489	52	79	366	255	4,241
Depreciated cost at December 31, 2020	1,643	3	14	124	85	1,869

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

December 31, 2019

	Facilities and equipment	Office furniture and equipment	Computers	Motor vehicles	Leasehold improvements	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2019	4,291	44	65	324	278	5,002
Additions during the year:						
Purchases	85	-	11	-	13	109
Adjustments arising from translating financial statements from functional currency to presentation currency	366	4	5	27	25	427
Balance at December 31, 2019	4,742	48	81	351	316	5,538
Accumulated depreciation:						
Balance at January 1, 2019	2,687	41	61	293	201	3,283
Additions during the year:						
Depreciation	160	1	2	14	9	186
Adjustments arising from translating financial statements from functional currency to presentation currency	232	5	4	25	17	283
Balance at December 31, 2019	3,079	47	67	332	227	3,752
Depreciated cost at December 31, 2019	1,663	1	14	19	89	1,786

b. Provision for impairment of property, plant and equipment:

As of December 31, 2020 and 2019, the depreciated cost of property, plant and equipment is net of accumulated impairment loss in the amount of approximately $ 2,768 thousand and $ 3,028 thousand, respectively.

NOTE 9:- CREDIT FROM BANKS

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Credit from banks	94	148
	94	148

NOTE 10:- TRADE PAYABLES

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Accounts payable	176	211
Checks payable	203	375
	379	586

NOTE 11:- OTHER PAYABLES

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Employees and payroll accruals	129	171
Accrued expenses	275	52
Advanced from customers	1	-
Current liability for grants received from the IIA	53	63
Other payables -see Note 14a	261	238
	719	524

NOTE 12:- OTHER LIABILITIES

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Liability for grants received from the IIA	214	231
Less – current maturities	(53)	(63)
	161	168

The Company is obligated to pay royalties to the Government of Israel of 1.3%-3% from the sale of products developed with the support of Government grants from the IIA.

During 2019, the Company received additional payments as part of the grant for program No. 60745 "Development of Finished Products - Sheets" and for program No. 63143 "Second Generation Product Development" in the amounts of approximately $ 27 thousand and $ 148 thousand, respectively.

As of December 31, 2020, and 2019, gross royalty-bearing grants from the IIA less royalties paid amounted to approximately $ 328 thousand and $ 382 thousand, respectively, and the aggregate discounted liability to the IIA in respect of these royalties amounted to approximately $ 214 thousand and $ 231 thousand, respectively.

NOTE 13:- FINANCIAL INSTRUMENTS

a. Financial and lease liabilities at amortized cost:

	December 31,	
	2020	2019
	U.S. dollars in thousands	
Current liabilities:		
Credit from banks	94	148
Current liability for grants received from the IIA	53	63
Current maturities of lease liabilities	117	131
Total current liabilities	264	342
Non-current liabilities:		
Liability for grants received from the IIA	161	168
Lease liabilities	1,065	1,071
Total non-current liabilities	1,226	1,239
Total financial and lease liabilities	1,490	1,581

b. Financial risk management objectives and policies:

The Company's principal financial liabilities are comprised of loans, convertible loans and borrowings and payables. The main purpose of these financial liabilities is to finance the Company's operations to support its operations. The Company's principal financial assets include receivables and cash that derive directly from its operations.

The Company is exposed to credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The management provides assurance to the senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and objectives. The Board reviews and approves the policies for each of the risks summarized below.

1. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to the Company's cash in foreign currency, see Note 4.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

2. Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations as a customer leading to a loss to the Company. The Company is exposed to credit risk from its operating activity (primarily trade receivables) and from its financing activity, including deposits with banks and other financial institutions, foreign currency transactions and other financial instruments.
Credit risk may arise from the exposure of holding several financial instruments with a single entity or from entering into transactions with several groups of debtors with similar economic characteristics whose ability to discharge their obligations will be similarly affected by changes in economic or other conditions. Factors that have the potential of creating concentrations of risks consist of the nature of the debtors' activities, such as their business sector, the geographical area of their operations and financial strength.

The Company maintains cash and cash equivalents, short-term deposit and other financial instruments in various financial institutions in Israel. According to the Company's policy, the relative credit stability of the various financial institutions is evaluated on a regular basis.

3. Trade receivables:

The Company sells to its customers in cash or credit of current plus up to 120-day term. The Company regularly monitors the credit extended to its customers and the general financial condition of their environment.

Customer credit risk is managed by the Company subject to the Company's policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit analysis and rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. As of December 31, 2020, the Company had two customers (2019: five customers) with balances greater than $ 45 thousand (representing about 58% (2019: 86%) of all the receivables outstanding).

4. Liquidity risk:

The Company monitors the risk to a shortage of funds. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans.
The table below presents the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2020:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	U.S. dollars in thousands						
Credit from banks	94	-	-	-	-	-	94
Trade payables	379	-	-	-	-	-	379
Other accounts payable	666	-	-	-	-	-	666
Convertible Note	4,152	-	-	-	-	-	4,152
Lease liabilities	217	205	186	198	200	632	1,638
Other liabilities	67	82	75	38	38	28	328
	5,575	287	261	236	238	660	7,257

December 31, 2019:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	U.S. dollars in thousands						
Credit from banks	148	-	-	-	-	-	148
Trade payables	586	-	-	-	-	-	586
Other accounts payable	461	-	-	-	-	-	461
Lease liabilities	206	183	173	173	185	773	1,693
Other liabilities	22	42	70	114	65	69	382
	1,423	225	243	287	250	842	3,270

5. Fair value:

The table below is a comparison between the carrying amount and fair value of the Company's financial instruments that are presented in the financial statements not at fair value (other than those whose amortized cost is a reasonable approximation of fair values):

	Carrying amount		Fair value	
	December 31,		December 31,	
	2020	2019	2020	2019
	U.S. dollars in thousands			
Financial liabilities:				
Liability for grants received from the IIA	214	231	211	241

The carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other payables and short-term credit from banks approximate their fair value due to their short-term maturities.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

6. Fair value hierarchy:

The table below is an analysis of financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- 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 (unobservable inputs)

December 31, 2020:

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial liabilities:				
Convertible Note	-	-	4,152	4,152
Warrant	-	-	414	414

In August 2020, the Company entered into a Convertible Note Purchase Agreement with an Israeli fund (the "Purchaser") for the issuance of (i) a Convertible Note with a principal amount of $ 3,000 thousand and (ii) a Warrant to purchase Ordinary shares, for cash consideration of $ 1,500 thousand. The Convertible Note includes the following terms: (i) the principal amount of the Convertible Note will be automatically converted into Ordinary shares immediately prior to an initial public offering of the Company's Ordinary shares (the "Closing") at a conversion price obtained by dividing (A) $ 10,000 thousand by (B) the Company's fully diluted share capital immediately prior to such conversion (the "Conversion Price"), and (ii) in the event that the Closing will not take place within 12 months from the date of the Convertible Note Purchase Agreement (i.e., by August 19, 2021 – the "Long Stop Date"), the Purchaser may elect to (i) convert the principal amount underlying the Convertible Note into Ordinary shares at the Conversion Price, or (ii) to receive full repayment of the principal, together with interest calculated at a rate of 5% per annum.

The Warrant entitles the holder to purchase Ordinary shares equivalent to (a) $1,500 thousand divided by (b) the Conversion Price multiplied by 1.75 at an exercise price equal to (b).
The Warrant may be exercised, in whole or part, at any time for a period of five years from the Closing.

In November 2020, the Convertible Note Purchase Agreement was amended such that the Long Stop Date has been extended to August 19, 2022, and the Company's fully diluted share capital as described in (B) above is the fully diluted share capital of the Company as of the date of the amendment.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

The conversion component of the Convertible Note is accounted for as an embedded derivative liability. Upon initial recognition, the Company designated the entire Convertible Note as a financial liability to be measured at fair value through profit or loss. The Warrant is initially recognized as a derivative liability which is accounted for at fair value.

Upon initial recognition of the Convertible Note and the Warrant, the Company allocated the proceeds received of $ 3,000 thousand between the Convertible Note and the Warrant based on their fair value of $ 2,873 thousand and $ 127 thousand, respectively. As of December 31, 2020, the fair value of the Convertible Note and the Warrant is $ 4,152 thousand and $ 414 thousand, respectively. The change in fair value amounting to $ 1,463 thousand is recorded in finance expense.

The fair value of the Convertible Note and Warrant have been measured using a hybrid model combining the Option Pricing Model and an IPO scenario. The key assumptions used in the valuation include the probability of an IPO realization, the IPO price, the cost of capital, and the expected volatility of the Company's equity.

Description of significant unobservable inputs to valuation as of December 31, 2020:

	Significant unobservable inputs	Input used	Sensitivity of the input to fair value (U.S. dollars in thousands)
Financial liabilities:			
Convertible Note			
	IPO scenario probability	90%	5% increase or (decrease) in the IPO scenario probability would result in increase or (decrease) in fair value by 80.1.
	IPO price	0.23	5% increase or (decrease) in the IPO price would result in increase or (decrease) in fair value by 194.1.
	Cost of capital	22%	1% increase or (decrease) in the cost of capital would result in increase or (decrease) in fair value by (7.9) or 8, respectively
	Equity expected volatility	44%	10% increase or (decrease) in the equity expected volatility would result in increase or (decrease) in fair value by 9.9.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

	Significant unobservable inputs	Input used	Sensitivity of the input to fair value (U.S. dollars in thousands)
Financial liabilities:			
Warrant			
	IPO scenario probability	90%	5% increase or (decrease) in the IPO scenario probability would result in increase or (decrease) in fair value by 23.
	IPO price	0.23	5% increase or (decrease) in the IPO price would result in increase or (decrease) in fair value by 37.2 or (36.3), respectively
	Cost of capital	22%	1% increase or (decrease) in the cost of capital would result in increase or (decrease) in fair value by (0.8) or 0.9, respectively
	Equity expected volatility	47%	10% increase or (decrease) in the equity expected volatility would result in increase or (decrease) in fair value by 87.8 or (93), respectively

Subsequent to the reporting period, in April 2021, due to the closing of the initial public offering of the Company's shares (see Note 22(4)), the Convertible Note was converted into 19,735,200 Ordinary Shares.

7. Changes in liabilities arising from financing activities:

	Credit from banks	Long-term loans	Liability for grants received from the IIA	Lease liabilities	Convertible note and warrant	Total liabilities arising from financing activities
	U.S. dollars in thousands					
Balance as of January 1, 2019	144	13	132	1,200	-	1,489
Cash flows	(7)	(13)	69	(129)	-	(80)
Adjustments arising from translating financial statements from functional currency to presentation currency	11	-	30	101	-	142
New finance lease obligation recognized	-	-	-	30	-	30
Balance as of December 31, 2019	148	-	231	1,202	-	1,581
Cash flows	(61)	-	(33)	(114)	3,000	2,741
Adjustments arising from translating financial statements from functional currency to presentation currency	7	-	16	56	103	180
Effect changes in fair value	-	-	-	-	1,463	1,463
New finance lease obligation recognized	-	-	-	38	-	38
Balance as of December 31, 2020	94	-	214	1,182	4,566	6,003

NOTE 14:- TAXES ON INCOME

a. Tax laws applicable to the Company:

The Law for the Encouragement of Capital Investments, 1959 (the "Law"):

Grants track:

The Company's investment program of approximately ILS 10 million ($ 2.9 million) was granted the status of an "approved enterprise", in accordance with the Law. Accordingly, the Company was entitled to government grants from the "Encouragement of Investments for Industrial Companies" plan at the rate of 20%, according to the development area in which the plant is located: national priority area A.

In the framework of this program, the Company invested an aggregate amount of approximately ILS 10 million ($ 2.9 million). Receipt of the grant of approximately ILS 2 million ($ 580 thousand) was conditional upon the fulfillment of all the conditions of the Law and the terms of the letter of approval and the implementation of the investment plan.

In 2014, the Company received governmental grants in the aggregate amount of approximately ILS 660 thousand ($ 190 thousand) that was deducted from the cost of property, plant and equipment. According to this plan the Company had to meet certain condition, including, inter alia, export thresholds. As the Company did not meet the thresholds set under the plan, the Company hasn't received all of the amounts approved under the plan. At present, the Company is negotiating with the authorities whether it has to repay the amounts received (including interest and linkage differences). The Company cannot asses how and when the abovementioned negotiations will conclude. The Company's financial statements as of December 31, 2020 and 2019 include in other payables a full provision for the aforesaid matter in the total amount of approximately $ 261 thousand and $ 238 thousand, respectively.

The Law for the Encouragement of Industry (Taxation), 1969:

The Company has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Law. The Company is also entitled to amortize a patent or rights to use a patent or intellectual property that are used in the enterprise's development or advancement, to deduct issuance expenses for shares listed for trading, and to file a consolidated income tax report under certain conditions.

b. Tax rates applicable to the Company:

The Israeli corporate income tax rate was 23% in 2019 and 2020.

c. Tax assessments:

The Company's tax assessments are deemed final through the tax year 2014.

NOTE 14:- TAXES ON INCOME (Cont.)

d. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Company total approximately ILS 114 million ($ 35.5 million) as of December 31, 2020.

Deferred tax assets relating to carryforward operating losses and other temporary differences were not recognized because their utilization in the foreseeable future is not probable.

e. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Loss before taxes on income	(4,460)	(2,410)
Statutory tax rate	23%	23%
Tax benefit computed at the statutory tax rate	(1,026)	(554)
Increase (decrease) in taxes on income resulting from the following:		
Non-deductible expenses for tax purposes	8	12
Increase in unrecognized tax losses and other temporary differences in the year	1,018	542
Taxes on income	-	-

NOTE 15:- CONTINGENT LIABILITIES AND CHARGES

a. Contingent liabilities:

1. A lawsuit was filed against the Company regarding the rights of an employee who previously worked for the Company in the total amount of ILS 1 million ($ 281 thousand). On April 18, 2019, the parties reached an agreement, which was validated by a court decree according to which the Company would pay the former employee ILS 212 thousand ($ 59 thousand) in several installments

2. On October 27, 2019, the Company received a letter of approval for a Gateway to International Marketing program of the Ministry of Economy according to which the Company is entitled to participation of 50% of the expenses as in the approved budget; a total of up to ILS 151 thousand ($ 42 thousand) for a period of two years. This program is liable for royalty payments to the Government of Israel. Under this program, during 2020 and 2019, the Company received grants of approximately ILS 65 thousand ($ 19 thousand) and ILS 32 thousand ($ 9 thousand), respectively. which were included as a deduction from selling expenses, since the Company presently estimates that there is no reasonable assurance that royalties will be paid in respect of this program.

2. On March 29, 2020, the Company entered into a service agreement, supplemented and amended on January 10, 2021 and as of February 11, 2021 (the "A-Labs Agreement") with A-Labs Finance and Advisory Ltd. ("A-Labs"), pursuant to which A-Labs will provide the Company with investment banking services. Pursuant to the A-Labs Agreement, the Company shall pay A-Labs a consulting monthly retainer fee of $ 15 thousand. Furthermore, upon the closing of an investment round, private placement or a public offering of the Company's shares or an M&A transaction (a "Transaction"), A-Labs shall be entitled to: (a) a cash consideration equal to 5% of all amounts actually received by the Company or its shareholders in such Transaction (the "Cash Consideration"); and (b) shares of the Company equal to 5% of the total funds received by Company in the Transaction, calculated on the basis of the fully diluted share capital of the Company only upon and subject to the conversion of any convertible notes or other convertible instrument issued or sold by the Company (including pursuant to the Convertible Note Purchase Agreement – see Note 13(6)) into Ordinary shares upon a public offering of the Company's shares ((the "Shares Consideration");.

NOTE 15:- CONTINGENT LIABILITIES AND CHARGES (Cont.)

Following an amendment to the A-Labs Agreement signed on January 10, 2021, the Company and A-Labs agreed that the monthly retainer fee the Company shall pay A-Labs will be $ 10 thousand for the period commencing on July 2020 until the date of the public offering of the Company.

Pursuant to the second amendment to the A-Labs Agreement, entered into effect as of February 11, 2021, the Cash Consideration and Shares Consideration payable to A-Labs was amended and replaced. Following the second amendment, A-Labs is entitled to a total cash consideration of $ 560 thousand, out of which an amount of $ 150 thousand was already paid as of the date of the second amendment (instead of the Cash Consideration described above). In addition, at the closing of such offering the Company shall issue and grant A-Labs a warrant exercisable for a period of 24 months following such closing which shall entitle A-Labs to purchase 3,263,886 Ordinary Shares of the Company at an exercise price of $ 0.152 per share (instead of the Shares Consideration described above).

b. Charges and guarantees:

1. To secure its liabilities to banks, the Company pledged its plant and all its assets and rights.

2. To secure its commitment to meet its vehicle lease payments, the Company pledged the leased vehicle.

3. To secure its commitment to the IIA, the Company pledged its plant and all its assets and rights.

4. The Company provided its landlord with a bank guarantee in the amount of approximately ILS 128 ($ 39) thousand in favor of the landlord and two promissory notes in the aggregate amount of ILS 598 thousand ($ 186).

5. To secure its contractual commitments to T.M.I.R. - Manufacturers Recycling Corporation in Israel Ltd., the Company issued a guarantee in the total amount of $ 14 thousand and deposited a restricted amount of $36 thousand. These commitments expired at the end of December 2019.

NOTE 16:- EQUITY

a. Composition of share capital:

	December 31, 2020 and 2019	December 31,	
		2020	2019
	Authorized	Issued and outstanding	
	Number of shares		
Ordinary shares of ILS 1 par value each	2,000,000	628,900	628,900

b. Changes in share capital and shareholders' loans conversion:

1. Shareholders' loans are loans received from the Company's' shareholders that, according to the terms of the loan agreements, will be repayable (principal and interest) only by a resolution of the Company's board of directors or shareholders. Accordingly, these loans are classified as equity.

2. In 2020 and 2019, the Company's shareholders made equity investments (with no issuance of Ordinary shares) in the aggregate amounts of $ 1,321 thousand and $ 2,470 thousand, respectively.

3. On March 26, 2018, a settlement agreement was signed between a supplier of the Company (a company held by a former shareholder of the Company), Shai Ki Metals Trading (2001) Ltd. (In Liquidation) (the "former shareholder"), through a liquidator, and the other shareholders in the Company. According to the settlement agreement, the Company will pay to the former shareholder's liquidation account an aggregate amount of ILS 350 thousand ($ 98 thousand) to settle an outstanding trade payable amounting to approximately $ 229 thousand, for final waiver of mutual claims and for the conversion into Ordinary shares (to be purchased by the other shareholders) of the balance of the Shareholder's loans amounting to $906 thousand. On July 16, 2019, the competent court to hear bankruptcy proceedings approved the settlement agreement. Accordingly, the Shareholders' loans in the amount of $ 906 thousand were converted to Ordinary shares and an amount of $ 131 thousand (representing the difference between the carrying amount of the trade payable and the settlement amount paid) was recorded as a deduction from cost of sales.

NOTE 17:- SHARE-BASED PAYMENT

a. Expenses recognized in the financial statements:

The expense recognized in the financial statements for employee services received is shown in the following table:

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Equity-settled share-based payment plans	534	10

1. In August 2018, the Company entered into a services agreement with the former Chairman of the Board of Directors (which has since left his position and will be referred herein as the "Former Chairman"), pursuant to which the Company granted the Former Chairman 3% of its Ordinary shares that shall vest over a period of three (3) years, in three (3) equal portions of 1% per year.

   The fair value of the shares was determined at $ 19 thousand at the grant date.
   At the end of January 2020, the services agreement with the Former Chairman was terminated and 2% of the 3% of the shares were forfeited.

   After the reporting period, on March 24, 2021, the company issued to the Former Chairman 585,000 Ordinary shares (following the spilt, see Note 22(2)).

2. In February 2020, the Company signed an employment and services agreements with the Company’s CEO (the "CEO"), and the current Chairman of the Board (the "Chairman"), pursuant to which the Company granted each of them options to purchase 17,400 Ordinary shares for an exercise price of NIS 20 ($ 6.2) each. The options shall vest over a period of three years, in three equal portions of 5,800 options. The CEO's options shall expire at the third anniversary of the relevant vesting date and the Chairman's options shall expire at the seventh anniversary from the date of grant.

   In November 2020 the Company signed an amendment agreement with the CEO and the Chairman, under these amendment agreements;
   1) The Company undertook to grant each of them options to purchase 19,735 Ordinary shares of the Company (instead of 17,400 options), the options shall vest over a period of three years, in three equal portions of 6,577 options.
   2) The above undertakings to grant options are subject to (i) the approval of the Board of such grants, and (ii) the adoption by the Company of a share incentive plan and the receipt of the approval of the Israel Tax Authority to such plan, pursuant to Section 102 of the Israeli Tax Ordinance [New Version], 5721-1961.
   3) The Chairman is also entitled to immediate accelerations of all options in the event that the Company will have a net profit.

NOTE 17:- SHARE-BASED PAYMENT (Cont.)

3. In October 2020, the Company signed an employment and service agreement with the Company's former CEO (the agreement was supplemented in January 2021) to serve as a founder in charge of innovation. Pursuant to the agreement the Company undertook to grant the founder in charge of innovation options to purchase 32,892 Ordinary shares, of which 13,158 options will vest on the grant date with an exercise price equal to the par value of the shares, and 19,734 options shall vest over a period of three years commencing March 2021, in three equal portions of 6,578 options with an exercise price per share of NIS 20 ($ 6.2).
   The above undertaking to grant options is subject to (i) the approval of the Board of Directors of such grants, and (ii) the adoption by the Company of a share incentive plan and the receipt of the approval of the Israel Tax Authority to such plan, pursuant to Section 102 of the Israeli Tax Ordinance [New Version], 5721-1961.

   In addition, to the options described above, the Company undertook to provide the founder in charge of innovation with additional compensation in the form of options to acquire 1.5% of the Company's Ordinary shares (on a fully diluted basis), subject to, among other things, the establishment of two new plants outside of Israel. The grant of such options and the determination of their applicable exercise price shall be subject to the approval of the Board of Directors and the TSXV requirements and can be made no earlier than 90 days following the IPO Closing (see Note 22(4)).

On January 7, 2021 Board the of Directors resolved to adopt a Global Incentive Plan and upon the lapse of 30 days following the filing of the Plan with Israel Tax Authority to grant the options to the CEO, the Chairman and the founder in charge of innovation as described above. The Global Incentive Plan was filed with Israel Tax Authority on January 17, 2021. The Board of Directors further resolved to submit the amendment agreement with the CEO and the Chairman to the approval of the shareholders of the Company. The agreements with the CEO and the Chairman were approved by the general meeting of the Shareholders of the Company on March 22, 2021.

b. Movement during the year:

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

	2020	
	Number of options	**Weighted average exercise price**
		U.S. dollars
Share options outstanding at beginning of year	-	-
Share options granted during the year	72,362	4.8
Share options outstanding at end of year	72,362	4.8
Share options exercisable at end of year	-	-

NOTE 17:- SHARE-BASED PAYMENT (Cont.)

c. The weighted average remaining contractual life for the share options outstanding as of December 31, 2020 was 1.25 years.

d. The range of exercise prices for share options outstanding as of December 31, 2020 was $ 0.3 - $ 6.2.

e. Measurement of the fair value of equity-settled share options:

Options to the company's CEO, chairman of the board and the founder in charge of innovation

The Company uses the binomial model when estimating the fair value of equity-settled share options. The measurement was made at December 31, 2020, based on the estimated fair value of the options at the grant date, for the purposes of recognizing the services received during the period between service commencement date and grant date of these options since as December 31, 2020, the options had not yet been approved by the Board of Directors.

The following table lists the inputs to the binomial model used for the fair value measurement of equity-settled share options for the above plan:

Dividend yield (%)	-
Expected volatility of the share price (%)	44-64
Risk-free interest rate (%)	0.04-1.4
Share price (NIS)	0.6
Expected life (years)	4-5

Based on the above inputs, the aggregate fair value of the options was determined at NIS 3,460 thousand ($ 1,076 thousand) at December 31, 2020.

The expected life of the share options is based on comparable companies and is not necessarily indicative of the exercise patterns of share options that may occur in the future.

The expected volatility of the share price reflects the assumption that the volatility of the share price of comparable companies is reasonably indicative of expected future trends.

NOTE 18:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS ITEMS

		Year ended December 31,	
		2020	2019
		U.S. dollars in thousands	
a.	Cost of sales:		
	Salaries and related expenses	688	1,031
	Materials	169	290
	Municipal taxes and other expenses	354	490
	Utilities	258	364
	Depreciation	320	303
	Shipping	73	171
	Insurance	58	87
	Maintenance of vehicles	29	34
	Other	25	58
		1,974	2,828
b.	Development expenses:		
	Materials	1	30
	Salaries and related expenses	67	77
	Subcontracted work	-	2
	Less – Government grants	-	(89)
		68	20
c.	Selling expenses:		
	Salaries and related expenses	94	176
	Advertisement and marketing	71	59
	Travelling expenses	6	75
	Shipping	39	48
	Professional services	-	4
	Depreciation	5	13
	Less – Government grants	(19)	(9)
		196	366

NOTE 18:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS ITEMS (Cont.)

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
d. General and administrative expenses:		
Salaries and related expenses	854	258
Management fees	69	96
Professional services	390	58
Maintenance of offices and communication	37	48
Maintenance of vehicles	50	52
Allowance for doubtful accounts	-	(12)
Depreciation	32	32
Other	14	20
	1,446	552
e. Finance expenses:		
Bank commissions	12	13
Interest expense in respect of leases	104	113
Other interest expenses	43	24
Net loss from change in exchange rates	91	-
Net change in fair value of financial liabilities designated at fair value through profit or loss	1,463	-
Other	4	4
	1,717	154
f. Defined contribution plans expenses:		
Expenses in respect of defined contribution plans	48	56

NOTE 19:- LOSS PER SHARE

Details of the number of shares and loss used in the computation of loss per share:

	Year ended December 31,			
	2020		2019	
	Weighted number of shares	Loss attributable to equity holders of the Company	Weighted number of shares	Loss attributable to equity holders of the Company
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
Number of shares and loss used in the computation of basic and diluted loss per share	*) 62,890	(4,460)	*) 60,198	(2,410)

*) Adjusted to reflect the split of the Company's shares - see Note 21(2).

NOTE 20:- OPERATING SEGMENTS

a. General:

The Company operates in one principal business segments - recycled plastic industrial products.
All revenues are generated from customers in Israel and all non-current assets are located in Israel.

b. Additional information about revenues:

Revenues from major customers which each account for 10% or more of total revenues reported in the financial statements:

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Customer A -	267	425
Customer B -	-	334
Customer C -	219	295
Customer D -	-	227
Customer E -	219	185
	705	1,466

Revenues reported in the financial statements for a group of similar products or services:

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Revenues from sales of Polypropylene	66	289
Revenues from sales of Sheets	889	1,221

NOTE 21:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties:

December 31, 2020:

	For details see below	Shareholders	Affiliated companies	Key management personnel
		U.S. dollars in thousands		
Receivables:				
Other account receivable	a	14	-	-
Payables:				
Other payables	b	-	-	15

December 31, 2019:

	For details see below	Shareholders	Affiliated companies	Key management personnel
		U.S. dollars in thousands		
Receivables:				
Trade receivables	a	-	14	-
Payables:				
Other payables	b	-	-	15

Additional information:

(a) A current balance bears no interest.

(b) Current balance for management fees for the former Chairman of the Board of Directors and the former CEO.

NOTE 21:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

b. Transactions with related parties:

Year ended December 31, 2020:

	For details see below	Shareholders	Affiliated companies	Key management personnel
		U.S. dollars in thousands		
Sales	a	-	5	-

Year ended December 31, 2019:

	For details see below	Shareholders	Affiliated companies	Key management personnel
		U.S. dollars in thousands		
Sales	a	-	20	-

(a) Sales of the Company's products in the ordinary course of business.

c. Commitments from related parties:

On January 7, 2019, each of the Company's shareholders, Tedea Technological Development and Automation Ltd. ("Tedea") and Sullam Holdings L.R Ltd. ("Sullam" and together with Tedea, the "Shareholders"), provided separate guarantees in favor of Bank Leumi LeIsrael B.M. ("Bank Leumi"), for the Company's debts and obligations to Bank Leumi. As of December 31, 2020, the bank credit line amounted to $ 94 thousand. In August 2020, the Shareholders entered into a shareholders agreement, pursuant to which they agreed to split any required payments of the guaranteed amount to Bank Leumi between them in equal portions, The shareholders agreement was terminated on the closing date of the initial public offering of the Company in April 2021.

d. Compensation and benefits to key management personnel:

The Company's key management personnel are the directors and senior executives.

	Year ended December 31,	
	2020	2019
	U.S. dollars in thousands	
Short-term benefits	171	165
Share-based payment benefits	233	10

(1) In August 2018, the Company signed a service agreement with its former Chairman of the Board of Directors, pursuant to which the Company paid the former Chairman monthly management fee of $ 5 thousand. The former Chairman of the Board of Directors was also entitled to share based payment compensation, see Note 17 for further details.

NOTE 21:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

(2) In May 2012 the Company signed a service agreement with its former CEO, pursuant to which the Company paid the former CEO monthly fees of $ 8 thousand. The former CEO resigned his position as CEO in May 2020 but continues to provide services to the Company as a founder in charge of innovation for the same compensation. In October 2020, the Company signed an employment agreement and service agreement with the founder in charge of innovation (see Note 17 (a)).

NOTE 22: - EVENTS AFTER THE REPORTING PERIOD

1. On January 14, 2021, the board of directors of the Company approved and recommended that the Shareholders of the Company approve the issuance to each of Tedea and Sullam warrants to purchase an aggregate additional amount of Ordinary Shares that shall constitute 13% of the Company's share capital on a fully diluted basis as of immediately after the closing of the public offering of the Company's shares (the "Founders Warrants"). The issuance of the Founders Warrants was approved by the general meeting of the Shareholders of the Company on March 22, 2021. The exercise price of the Founders Warrants is equal to the par value of the Ordinary Shares. The Founders Warrants may be exercised in accordance with the following terms and as further detailed therein:
   a) Each of Sullam and Tedea shall have the right to purchase at a price per share equal to the par value of each Ordinary Share, 2.5% of the Company's share capital on a fully diluted basis as of immediately after the closing of the public offering upon the cumulative occurrence of: (A) the public offering of the Company's shares; and (B) establishment of an operational manufacturing site outside of Israel for the production of the Company's products, whether through the purchase of an existing site, construction of a new factory, or following a joint venture, partnership or entering into a sub-contracting agreement with any third party for the production of the Company's products in a pre-existing factory (a "Manufacturing Site") within 2 years as of the closing of the public offering.
   b) Each of Sullam and Tedea shall have the right to purchase at a price per share equal to the par value of each Ordinary Share, an additional 2.5% of the Company’s share capital on a fully diluted basis as of immediately after the closing of the public offering upon the cumulative occurrence of : (A) the public offering of the Company's shares, and (B) establishment of an additional Manufacturing Site within 2 years as of the closing of the public offering.
   c) Each of Sullam and Tedea shall have the right to purchase, at a price per share equal to the par value of each ordinary Share, an additional 1.5% of the Company’s share capital on a fully diluted basis as of immediately after the Closing upon the cumulative occurrence of: (A) the public offering of the Company's shares, and (B) the Company’s annual revenues, based on the Company's annual audited financial statements, together with the Company's proportional share in the annual revenues of a Manufacturing Site the financial results of which are not fully consolidated into the Company's audited financial statements for any of the calendar years 2021, 2022, or 2023 exceeds $ 8,000 thousand.

NOTE 22: - EVENTS AFTER THE REPORTING PERIOD (Cont.)

2. On February 23, 2021 the authorized share capital of the Company was increased by 1,000,0000 Ordinary shares, with par value of ILS 1 each, following such increase the authorized share capital of the Company was ILS 3 ($ 2.4) million divided into 3,000,000 ordinary shares with ILS 1 par value. Following the increase of the authorized share capital the Company approved a share split whereby each 1 Ordinary share, ILS 1 par value, was divided into 100 Ordinary shares of ILS 0.01 par value, resulting in authorized share capital of 300 million Ordinary shares.

3. On March 14, 2021, the Company granted a member of its board of directors, options to purchase 100 Ordinary Shares (following the spilt, see Note 22(2)) with an exercise price (as determined on April 21, 2021) of CAD 0.2175 ($ 0.173) per Ordinary Share. Subject to the director's continued engagement with the Company, the options shall vest as follows: (i) 34 options shall vest March 14, 2022; and (ii) the remaining options shall vest on March 14, 2023 and March 14, 2024, in two equal portions.

4. On April 21, 2021 (the "IPO Closing") the Company consummated an initial public offering (the "Offering") of 6,282,984 units of the Company (the "Offering Units") at a price of CAD 0.29 ($ 0.23) per Unit, for total gross proceeds of approximately CAD 1.8 ($ 1.4) million, including the exercise in full of the Underwriters' over-allotment option.
Each Offering Unit was comprised of one Ordinary Share and one-half of one warrant to purchase an Ordinary Share (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Ordinary Share at a price of CAD 0.51 ($ 0.4) per Ordinary Share for 24 months following the closing date of the Offering.

   Concurrently with the Offering, the Company issued 14,358,545 Class A units (the "Class A Units") at a price of CAD 0.58 ($ 0.46) per Class A Unit for aggregate gross proceeds of approximately CAD 8.3 ($ 6.6) million to specified investors resident in Israel by way of private placement (the "Private Placement of Class A Units"). Each Class A Unit consists of two Ordinary Shares and one Ordinary Share purchase warrant with the same terms as the Warrant described above.

   Furthermore, on February 25, 2021, the Company completed a private placement of 4,334,862 Subscription Receipts (the "Subscription Receipts") pursuant to prospectus and registration exemptions at a price of CAD 0.29 ($ 0.23) per Subscription Receipt for aggregate gross proceeds of CAD 1.26 ($ 1) million (the "Private Placement of Subscription Receipts"). Upon the closing of the initial public offering of the Company's shares each Subscription Receipt was converted into one Subscription Receipt Unit comprised of one (1) Ordinary Share and one-half of one (0.5) Warrant, issuable on the deemed exercise of each Subscription Receipt.

   In total, the Company raised an aggregate of approximately CAD 11.4 ($ 9) million from the Offering, the Private Placement of Class A Units and the Private Placement of Subscription Receipts.

   Following the Offering, the Private Placement of Subscription Receipts, the Private Placement of Class A Units and the exercise of the Over-Allotment Option, there are 117,545,136 Ordinary Shares and 19,667,468 Warrants of the Company issued and outstanding.

NOTE 22: - EVENTS AFTER THE REPORTING PERIOD (Cont.)

The TSX Venture Exchange ("TSXV") has approved the listing of the Ordinary Shares and Warrants and the Ordinary Shares and Warrants began trading on the TSXV on April 28, 2021 under the symbols "AKMY" and "AKMY.WT", respectively**.**

5. On April 12, 2021, the Company's board of directors resolved to appoint two external directors and approved the entering by the Company into a Director Services Agreement with each of the two external directors (the "Director Services Agreements"), all subject to the Company's shareholders approving their appointment as external directors of the Company. Under the Director Services Agreements, the Company undertook to grant the external directors options to purchase 566,551 Ordinary Shares (following the spilt, see Note 22(2)). Following and subject to the approval of the shareholders and the directors' continued engagement with the Company, the options shall vest as follows: (i) 188,851 options will vest at the first anniversary of the date of grant, and (ii) the remainder of the options will vest in two equal portions of 188,850 on the second and third anniversaries of the date of grant. The grant of such options shall be subject to the TSXV requirements and can be made no earlier than 90 days following the IPO Closing (see Note 22(4)).

6. On April 21, 2021 and April 30, 2021, the Company's board of directors resolved to authorize and approve the private placement (the "Post IPO Private Placement") and the issuance by the Company of an additional 2,168,964 Class A Units to certain investors resident in Israel at a price of CAD 0.58 per unit (an aggregate gross proceeds of approximately CAD 1,258 thousand ($ 1,015 thousand).

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