

Management's Discussion & Analysis Quarterly Highlights

FOR THE YEAR ENDED
DECEMBER 31, 2023
DATED APRIL 30, 2024

OCEANSIX FUTURE PATHS LTD.
(formerly K.B. Recycling Industries Ltd.)

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Oceansix Management's Discussion and Analysis For The Year Ended December 31, 2023.
Dated April 30, 2024

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01

Management's
Discussion and
Analysis of Financial
Condition and Results
of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis (this "**MD&A**") of oceansix future paths Ltd. (formerly K.B. Recycling Industries Ltd.) (the "Company") provides information concerning the financial condition as at December 31, 2023 and 2022 and the results of our operations for the twelve months ended December 31, 2023 and December 31, 2022. It constitutes a management's review of the factors that affected the Company's financial and operating performance for the twelve months period ended as at December 31, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023 and 2022 (the "**Financial Statements**").

This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements.

Any references in this MD&A to the "**Company**", "**us**", "**our**", or "**we**" refer to oceansix future paths Ltd. (formerly K.B. Recycling Industries Ltd.)



Basis of Presentation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and, unless otherwise noted, all dollar amounts in this MD&A are expressed in U.S. dollars, denominated by “\$” or “US\$”, in thousands (other than share and per share amounts). In this MDA, “CAD” or “C\$” refers to Canadian dollars. All references in this MD&A refers to: (i) “Fiscal 2023” are to our fiscal year ended December 31, 2023 (ii) “Fiscal 2022” are to our fiscal year ended December 31, 2022; and (iii) “Fiscal 2021” are to our fiscal year ended December 21, 2021.

This MD&A is presented as of date of signing of the Financial Statements and is current to that date unless otherwise stated.

Foreign Exchange

The Financial Statements are presented in U.S. dollars in thousands. The functional currency of the Company for the majority of the Fiscal 2023 was the New Israeli Shekel (“NIS”).

As a result of the Flome Transaction (as defined below) and the oceansix Transaction (as defined below) the Company's main operations have been in Euro. Following the closing of the Company's facility in Israel during 2023 and continuing its main operations in Europe, for 2024 and going forward, the Company's functional currency is Euros.

The following is a summary of the U.S. dollar exchange rates to the NIS:

US\$1.00 converted to NIS	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Highest rate during the period	4.07	3.58	3.33
Lowest rate during the period	3.36	3.08	3.07
Average rate for the period	3.68	3.35	3.23
Rate at the end of the period	3.60	3.52	3.10

The following is a summary of the U.S. dollar exchange rates to the Euro:

US\$1.00 converted to EUR	For the year ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Highest rate during the period	0.95	1.04	0.89
Lowest rate during the period	0.88	0.87	0.81
Average rate for the period	0.92	0.95	0.84
Rate at the end of the period	0.90	0.93	0.87



Operating Segments

Up until the acquisition of Flome (as defined below) (see **"Corporate History: Highlights"**), we operated in one principal business segment - recycled plastic industrial boards and sheets. Following the closing of the Flome Transaction (as defined below), our operations have expanded into three-dimensional recycled and non-recycled plastic industrial products. In addition, with the closing of the oceansix Transaction (as defined below) (see **"Corporate History: Highlights"**), we have increased our development activity of more innovative and technologically advanced plastic products.

Following the closing of the Company's Israeli facility and cessation of production facilities in Israel, the Company has temporarily suspended its activity with respect to the manufacturing and sales of recycled boards and sheets and is working towards locating a suitable site or identifying other suitable production solutions in Europe or another location, whether by establishing a new production facility, utilizing sub-contractors, making use of third party facilities and/or finding other suppliers for recycled plastic boards and sheets (see **"Business Overview"**).

In Fiscal 2023, most of our revenues were from three-dimensional plastic products, mostly generated from customers in Europe and all related production activities were performed in Spain. All non-current assets in this period were located in Israel and Spain. In November 2022, the Company ceased its production activities in Israel and, in January 2023, the Company relocated certain components of its Israeli production facility to Germany, and the Israeli site was permanently closed. Commencing January 2023, the fixed assets of the Company are located in Spain and Germany. Consequently, in 2023 the majority of the Company's operational assets and liabilities were in Europe.

For more on this matter see the section titled **"Business Overview"**.

Following the closing of the Company's Israeli facility and cessation of production facilities and operations in Israel in December 2022, the activities of the Company in Fiscal 2023, Fiscal 2022 and Fiscal 2021 is represented as discontinued operations. For Fiscal 2023 and Fiscal 2022, the consolidation of the operations of Flome and oceansix GmbH is represented commencing from July 1, 2022.

We have increased
our development activity of more
innovative and technologically
advanced plastic products.



Non-IFRS Financial Measures

This MD&A refers to certain non-IFRS financial measures including Adjusted EBITDA. This measure is not a recognized measure under IFRS. There is no prescribed definition of this measure, and it is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to supplement IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, this measure should neither be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. This non-IFRS financial measure can also provide supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures.

We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses this non-IFRS financial measure in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, we reconcile this non-IFRS financial measure to the most comparable IFRS measure.



Forward-Looking Information

This MD&A contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information.

Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Some of the information contained in this MD&A is forward-looking information. Such information includes, but is not limited to, expansion of Company's market and Company's operational plans. This information is based on management's assumptions and beliefs, which we believe to be reasonable in light of the information currently available to us, and is made as of the date of this MD&A. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated. However, we do not undertake to update any such forward-looking information as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. Actual results and the timing of events may differ materially from those anticipated in this MD&A as a result of various factors.



02 Business Overview



Business Overview

We started as an environmental technology company based in Israel that has developed an industrial process to recycle post-consumed polyethylene (plastic) bags and sheets.

As at March 31, 2021, Tedeia Technological Development and Automation Ltd. ("**Tedeia**") and Sullam Holdings L.R. Ltd. ("**Sullam**") held 99% of our outstanding shares in equal parts. As at December 31, 2023 and as of the date hereof, our main shareholders are Sullam, which holds approximately 19.2% of our outstanding share capital and 11.3% on a fully diluted basis, Tedeia, which holds approximately 19.1% of our outstanding share capital and 11.2% on a fully diluted basis, and RAM.ON GmbH (formerly RAM.ON finance GmbH) ("**RAM.ON**"), which holds approximately 20.2% of our outstanding share capital and 50.2% on a fully diluted basis. RAM.ON, Tedeia and Sullam have entered into a shareholders agreement with respect to the exercise of certain of their rights in the ordinary shares of the Company ("**Ordinary Shares**").

The recycling and production unit initially established in Isarel, integrated the production of finished goods with the recycling process itself. The plant was designed to reduce the cost of plastic raw material and increase the profit margin per metric ton of recycled plastic.

The equipment required to carry out our industrial process can be modified to be installed in other existing facilities. Our process results in the production of a finished product, for use in various applications, including, initially, in the construction industry.

We developed a process and know-how for the recycling of post-consumed plastic bags and sheets which we refer to as the 'waste-to-product' process. We used to produce a variety of recycled plastic products from highly pollutive recycled plastics (polyethylene), which we extract from domestic waste streams (i.e., garbage bags, grocery bags and food wrappings and packaging).

Our one-step process reduces inputs such as energy, labour, machinery use and various other production expenses compared to traditional recycling and production methods. Traditional recycling and production methods typically recycle plastic with low contamination, use a mix of recycled plastic and virgin plastic and involve separate recycling and production processes.



Business Overview

Our 'waste-to-product' process is able to use 100% highly contaminated plastic waste and our products are produced in one step, directly from the contaminated plastic waste. This allows us to benefit from savings on labour, energy, machinery and transportation costs. Our 'waste-to-product' process involves a single melting and cooling of post-consumed plastic waste, all performed in one facility, which results in the final recycled plastic product. Our process does not require separate recycling and production plants.

Prior to the cessation of our Israeli production operations, all of the polyethene used in Israeli site manufacturing of our products were made of 100% recycled plastic from domestic and agricultural waste streams, which were provided to us by, among other sources, waste management companies, recycling corporations and waste traders. We also operated one agricultural waste site in Israel where we received pre-sorted plastic waste from farmers, which we then sorted and compacted into bales for our own production needs.

Commencing on June 13, 2022, the closing date of the Flome Transaction (see "**Corporate History: Highlights**"), our activities also include a thermoforming manufacturing site based in Valencia, Spain.

This manufacturing site transforms plastic boards and sheets into three dimensional plastic industrial products through a process which includes heating and shaping the boards and sheets using prefabricated molds.

Commencing on June 17, 2022, the closing date of the oceansix Transaction (see "**Corporate History: Highlights**"), our activity also includes research and development of special innovative and technologically advanced plastic-based products.

The Company's Israeli site was constructed and developed as the prototype for a manufacturing site that would utilize the Company's 'waste-to-product' process and, to the Company's satisfaction, has demonstrated a real proof of concept for this process and its economic and environmental benefits and advantages. However, in order to expand the Company's business, the Company will need to make capital investments to increase production capacity, product variety and improve quality. With the closing of both the oceansix Transaction and the Flome Transaction and the Company's expansion into the European target market, along with the more conducive economic conditions for such production activity in Europe (such as governmental incentives, lower

production costs, greater availability of post-consumed domestic plastic waste), the Company decided to take steps to move its production activities to Europe. Therefore, in November 2022, the Company ceased its production activities in Israel and, in January 2023, the Company relocated certain components of its Israeli production facility to Germany, and the Israeli site was permanently closed.

At this time, the Company is exploring options in Europe and has temporarily suspended its activity with respect to the manufacturing and sales of recycled boards and sheets and its 'waste-to-product' process, as it focuses on other core activities and is working towards other production solutions in Europe or another location. Other production solutions may include utilizing sub-contractors, making use of third party facilities and/or finding other suppliers.

The Company is
exploring options
in Europe



Corporate History Highlights

2008-2017

The Company was incorporated on January 22, 2008 under the laws of the State of Israel as a private company. By 2012, we had become a recycling company for post-consumed agricultural plastic waste such as greenhouse covering plastic sheets, land covering plastic sheets, irrigation pipes, planting trays, plastic bottles and containers, which were recycled and converted into plastic granules. In early 2017, as a result of lower market prices for plastic and recycled plastic, we changed our strategy to focus on research and development, as well as product development, launching our first prototype production line at the end of 2017.

2019

In September 2019, we decided to close our high density polyethylene (HDPE) resin production to focus on our 'waste-to-product' process. Subsequently, in January 2020, we ceased our recycled HDPE resin production.

2020

In early 2020, we began our marketing and brand penetration efforts outside of Israel. In February 2020, due to the onset of the COVID-19 ("**COVID-19**") pandemic, we encountered challenges to our ability to establish relations with potential business partners due to significant restrictions on international travel. The pandemic caused many enterprises to suspend their expansion efforts and postpone discussions regarding new products and engagements with new suppliers. At the peak of the pandemic, governments imposed lockdowns in Israel and abroad, which significantly reduced our activities and our clients' operations.

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 three times during Fiscal 2020 had a material adverse impact on the Company's operations and caused a decrease in the Company's revenues during Fiscal 2020.

In March 2020, as a result of the effects of the 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 continuation of its operations and R&D efforts.

Furthermore, due to the restrictions on movement of passengers and border closures around the world the Company delayed its plans to explore new markets and most of its marketing efforts were put on hold in April 2020. As a result, the Company's management team anticipated that this would cause delays in the Company's export plans.

In August 2020, the Company entered into a Convertible Note Purchase Agreement (the "Convertible Note Purchase Agreement") with Clover Wolf Capital Limited Partnership, an Israeli fund ("Clover Wolf") for the issuance of a convertible note with a principal amount of US\$ 3,000,000 (the "Convertible Note") and (ii) a warrant to purchase Ordinary Shares, for cash consideration of US\$ 1,500,000. In April 2021, due to the closing of the initial public offering of Ordinary Shares (as described below), the Convertible Note was converted into 19,735,200 Ordinary Shares and a warrant to



Corporate History Highlights

2020

purchase 5,638,629 Ordinary Shares at an exercise price of C\$ 0.152.

In November 2020, we conducted a strategic analysis of our business and the ecosystem within which it operates. Following the analysis, we decided to focus our efforts on three key objectives: (i) initiating joint ventures with local strategic partners outside of Israel; (ii) direct sale of our products to local and international markets; and (iii) adding additional verticals using the injection of slow flow polyethylene and additional sheet based products.

On December 23, 2020, we filed application Ser. No. 280311 with the Israel Patent Office (the "**Patent Office**") seeking a patent for our 'waste-to-product' process. In May 2021, the Patent Office notified us that this application was allowed following a patent search and substantive examination.

On August 31 2021, the application was finally approved, and the patent was registered in the Israeli Patent Office Journal.

2021

On April 21, 2021, we consummated our initial public offering in which raised net proceeds of approximately US\$ 8.4 million (the "IPO"), and on April 28, 2021 our equity securities commenced trading on the TSX Venture Exchange (the "**TSXV**").

On June 4, 2021, we completed a private placement for aggregate gross proceeds of approximately US\$ 1.0 million.

2022

On January 21, 2022, we entered into a share purchase agreement to purchase oceansix GmbH ("**oceansix GmbH**"), a German company focused on developing technologies and products solutions (the "oceansix Transaction").

The oceansix Transaction closed on June 17, 2022. Under the consideration paid for the oceansix Transaction and the achievement of certain related milestones, RAM.ON was issued 20,295,037 Ordinary Shares and received 10,000,000 additional Ordinary Shares upon achievement of an earnout. In the preparation

of the consolidated Financial Statements, the Company performed valuations with respect to the allocation of the purchase price of the different assets and liabilities acquired in the oceansix Transaction. These allocations were made based on the valuation of the assets and liabilities of oceansix GmbH as of the closing of the oceansix Transaction performed by an independent valuation expert.

On April 27, 2022, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Plásticos Flome S.L., a plastics manufacturing company operating in Valencia, Spain (the "Flome Transaction"). The Flome Transaction closed on June 13, 2022.

In November 2022, the Company was approved for trading on the OTCQB and also began trading on the the Borse-Frankfurt Stock Exchange.



Current Manufacturing Capacity and Planned International Expansion

Our business growth plan consists of the following main avenues:

1 developing new products for production utilizing our know-how and expanding our product offerings

2 extending our product sales and offerings

3 developing innovative technological plastic based products

4 establishing additional production solutions for the development of our products



Current Manufacturing Capacity and Planned International Expansion

Until December 2022, our Israeli production site contained one fully-operational production line with an output capacity of approximately 150 metric tons per month (i.e., 1,800 metric tons per year).

Regarding the cessation of the production activities at the Company's Israeli facility and the transferring of the Company's main activities to Europe, see the section titled "**Business Overview**".

Furthermore, Flome's Spanish production site has the capability to process hundreds of thousands of metric tons of boards and sheets into three-dimensional plastic products.

Following the cessation of our production activities in Israel and the closure of the Israeli facility, we suspended our activity with respect to the manufacturing and sales of recycled boards and sheets. Currently, we are focusing on deep innovation development through our R&D operations in oceansix S.L. as well as sales of products through Flome. In addition, we are exploring future solutions for production of newly developed own products, whether by establishing new production facilities or expanding both the output and product development of our current facility in Spain, utilizing

sub-contractors, making use of third party facilities and/or finding other suppliers for recycled plastic materials, boards and sheets.

We have made certain advancements in the development of productions processes and products, including, among others, the development of production processes for expanded polyethylene (EPE) based products and die molding (profile type) based products, thermoforming production trials, anti-slip geo-membranes, the improvement of products' mechanical properties, sheet based products welding techniques and injection molding production based products, which may allow us to expand the range of development processes and the products we may offer in the future if and when future conditions will allow for their commercialization. In addition, as part of our efforts to expand overseas and with the closing of the oceansix Transaction and the Flome Transaction we have also begun focusing on the development and production of additional products and expanding our operations into the European market, as described above.



Competitive Landscape

We operate in the plastic industry, producing recycled and non-recycled plastic-based products. As a result, we compete with companies that mainly produce plastic products.

Plastic product markets are highly competitive and consist of numerous manufacturers, relatively low raw material costs, advanced production processes and multinational production sites with limited barriers to entry.

Certain multinational manufacturers, with relatively larger research and development budgets, are also attempting to anticipate new product demand, and often introduce new products that compete with our existing and prospective products. Key competitive differentiators in our industry include, among other things, innovation, product quality, regulatory compliance, pricing and quality of customer service.





Competitive Landscape

Significant Developments for Year ended December 31, 2023

- 1 In January 2023, the Company relocated certain components of its Israeli production facility to Germany. The remainder of the equipment and machinery was sold to third parties and the Israeli site was permanently closed and returned to its owner.
- 2 In February 2023, following the closing of the Company's facility in Bet She'an, Israel, the Company changed its registered address with the Israeli Registrar of Companies to 11 Derech Menachem Begin, Ramat Gan, Israel.
- 3 On March 29, 2023, following a shareholders resolution to effectuate a name change of the Company, the Israeli Registrar of Companies authorized the Company's new name of oceansix future paths Ltd. The TSXV approved the name change and ticker symbol change to OSIX on May 2, 2023, which became effective on May 4, 2023.
- 4 In Q1 2023, Arnon Eshed, a director of the Company, agreed to reduce his monthly compensation to NIS 10,000.
- 5 In April 2023, the Compensation Committee and the Board of Directors (the "**Board**" or "**Board of Directors**") approved the grant of options to Mr. Máximo Olivas, CEO of Plásticos Flome, to purchase 500,000 Ordinary Shares with an exercise price of C\$ 0.29, which will vest over five (5) years.
- 6 In April 2023, the Compensation Committee and the Board approved the grant of options to Mrs. Enri Pujadas, Marketing Director of the company, to purchase 50,000 Ordinary Shares with an exercise price of C\$ 0.29, which will vest over five (5) years.
- 7 In April 2023, the Company's Compensation Committee and Board approved the engagement between Salvador Cabanas Lopez and oceansix GmbH to serve as its CFO in addition to the Company and its subsidiaries (the "**Company Group**"). In addition to the employment agreement with Mr. Lopez, the Compensation Committee and the Board have approved the grant of options to purchase 750,000 Ordinary Shares with an exercise price of C\$ 0.29, which will vest over five (5) years. Mr. Lopez provides his services from oceansix's office in Valencia, Spain. Mr. Lopez commenced his services as CFO on May 1, 2023.
- 8 In April 2023, the Company's Compensation Committee and Board approved the engagement between Elad Hameiri and oceansix GmbH to serve as its CEO in addition to the Company Group. Mr. Hameiri began his employment on June 1, 2023. In addition to the employment agreement with Mr. Hameiri, the Compensation Committee and the Board approved, subject to the approval of the Company's shareholders (the "**Shareholders**"), the grant of options to purchase 5,000,000 Ordinary Shares with an exercise price of C\$ 0.29, of which 2,000,000 will vest over five (5) years and the remainder will vest following the achievement of certain goals. The grant of options to Mr. Hameiri was approved by the Shareholders at the 2023 Annual and Special Meeting (as defined below).
- 9 In April 2023, the Compensation Committee and the Board approved, subject to the approval of the Shareholders, the grant of options to Mr. Arnon Eshed, a director of the Company, to purchase 500,000 Ordinary Shares with an exercise price of C\$ 0.29, which will vest over five (5) years. The grant of options to Mr. Eshed was approved by the Shareholders at the 2023 Annual and Special Meeting.



Competitive Landscape

Significant Developments for Year ended December 31, 2023

- 10** In April 2023, the Compensation Committee and the Board approved, subject to the approval of the Shareholders, the grant of options to Mr. Maximo Buch, a director of the Company, to purchase 500,000 Ordinary Shares with an exercise price of C\$ 0.29, which will vest over five (5) years. The grant of options to Mr. Buch was approved by the Shareholders at the 2023 Annual and Special Meeting.
- 11** On April 21, 2023, the Company's warrants issued in connection with the IPO reached the two-year expiry date without being exercised.
- 12** On April 30, 2023, the Company's Board appointed Mr. Gat Ramon as a director of the Company and as the Chairman of the Board.
- 13** On April 30, 2023, two of the Company's shareholders undertook to provide the Company with a credit facility in the amount of up to EUR 500 thousand as required over the next 18 months, with each shareholder providing an equal amount of any requested amounts. In the event the Company has a successful capital raise, the credit facility will be reduced by the amount raised in such capital raise in excess of any amounts relating to the September 2022 Facility . (see "**Liquidity and Capital Resources – Overview**").
- 14** In May 2023, Sullam purchased an additional 1,027,000 of the Company's Ordinary Shares on the market.
- 15** In May 2023, Tedeia purchased an additional 934,500 of the Company's Ordinary Shares on the market.
- 16** In May 2023, RAM.ON purchased an additional 1,239,500 of the Company's Ordinary Shares on the market.
- 17** In May 2023, the Compensation Committee and the Board approved the grant of options to Ms. Donatella Aurino, subject to Ms. Aurino's election by the Shareholders as an external director of the Company, to purchase 736,516 Ordinary Shares with an exercise price of C\$ 0.33, which will vest over three (3) years. At the 2023 Annual and Special Meeting, Ms. Aurino was elected as an external director of the Company and the shareholders approved the grant of options.
- 18** On May 28, 2023 and May 29, 2023, the Audit Committee and the Board, respectively, approved a Debt to Equity Conversion Agreement (the "**Debt to Equity Conversion Agreement**"), pursuant to which RAM.ON has the right to convert the funds provided by RAM.ON under the September 2022 Facility and the May 2023 Facility as well as the EUR 560 thousand debt owed to RAM.ON into equity of the Company. The conversion of the facilities will be a price per share which is the higher of (i) the Volume-Weighted Average Price of the Ordinary Shares of the Company for the 30 day period prior to the date of Shareholder approval, (ii) the market price of the Ordinary Shares as of the closing of the markets as of the date of the agreement and (iii) C\$ 0.10. The conversion of the shareholder debt owed to RAM.ON will be at a price per share which is the higher of (i) the Volume-Weighted Average Price of the Ordinary Shares of the Company for the 30 day period prior to the date of Shareholder



Competitive Landscape

Significant Developments for Year ended December 31, 2023

approval, (ii) the market price of the Ordinary Shares as of the closing of the markets as of the date of the agreement and (iii) C\$ 0.10. The conversion of the shareholder debt owed to RAM.ON will be at a price per share which is the higher of (i) the Volume-Weighted Average Price of the Ordinary Shares of the Company for the 30 day period prior to the date of Shareholder approval, (ii) the price of the Ordinary Shares on June 17, 2022 (C\$ 0.16) and (iii) the market price of the Ordinary Shares as of the date of the agreement. The Debt to Equity Conversion Agreement was approved by the Shareholders at the 2023 Annual and Special Meeting and it has also been approved by the TSXV. RAM.ON has 2 years to exercise the debt to equity conversion.

- 19** On July 11, 2023, the Company convened an annual and special meeting of its shareholders, which approved, among other things, the current board of directors, an increase of the pool of Ordinary Shares reserved for issuance under the Company's 2020 Global Equity Incentive Plan (the "**Plan**") as well as an amendment to the Plan, option grants to its CEO and certain directors (as described above) (the "2023 Annual and Special Meeting").
- 20** In July 2023, Mr. Noah Hershcoviz informed the Company that he would not seek re-election as a member of the Board, therefore his options expired.
- 21** In July 2023, Mr. Leon Koffler informed the Company that he was resigning from his position as an external director. At the 2023 Annual and Special Meeting, Ms. Donatella Aurino was elected as an external director instead. Mr. Leon Koffler's options expired following his resignation.
- 22** At the 2023 Annual and Special Meeting, the Shareholders approved the Service Agreement between oceansix and RAM.ON pursuant to which. RAM.ON shall provide certain services to the Company. The term of the RAM.ON Services Agreement is for two years and each party may terminate the agreement with 60 days' prior notice.
- 23** In September 2023, Ami Krupik exercised his RSUs pursuant the achievement of the "First Milestone" within the period of 5 years from the date of grant, June 2021. The "First Milestone", consisting of the establishment of a Manufacturing Site, was achieved with the acquisition of Plásticos Flome in June 2022. As a result Mr. Krupik was issued 1,378,132 ordinary shares of the Company.
- 24** In October 2023, Sullam and Tedeia each transferred to the Company an amount equivalent to EUR 75 thousand each (total, EUR 150 thousand), in accordance with both the September 2022 Facility and May 2023 Facility (see "**Liquidity and Capital Resources - Overview**").
- 25** In October 2023, RAM.ON transferred to the Company on behalf of Tedeia an amount of EUR 100 thousand in accordance with September 2022 Facility (see "**Liquidity and Capital Resources - Overview**").
- 26** In November 2023, Sullam transferred to the company an amount of EUR 250 thousand in accordance with both the September 2022 Facility and May 2023 Facility (see "**Liquidity and Capital Resources - Overview**").



Competitive Landscape

Significant Developments for Year ended December 31, 2023

- 27** In November 2023, the Board of Directors (the "**Board**" or "**Board of Directors**") approved the grant of options to LMC, to purchase 300,000 Ordinary Shares with an exercise price of C\$ 0.29, which will vest over three (3) years.
- 28** In November 2023, the Company's major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to April 1, 2025.
- 29** In December 2023, RAM.ON transferred to the Company on behalf of Tedeia an amount of EUR 100 thousand in accordance with the September 2022 Facility (see "**Liquidity and Capital Resources - Overview**").



Competitive Landscape

Significant Developments since December 31, 2023

- 1 In January 2024, the Company opened a new subsidiary in Spain, oceansix S.L. to centralize its R&D activities in Spain and to apply to local grants and tax benefits in local governments and Europe.
- 2 In January 2024, Ami Krupik exercised his Options pursuant the Grant Letter dated in February 2021. As a result, Mr. Kuprik was issued 1,315,800 ordinary shares of the Company.
- 3 In February 2024, RAM.ON transferred to the Company on behalf of Tedeia EUR 60 thousand in accordance with September 2022 Facility (see "**Liquidity and Capital Resources - Overview**").
- 4 In March 2024, RAM.ON transferred to the Company on behalf of Tedeia additional EUR 60 thousand in accordance with September 2022 Facility (see "**Liquidity and Capital Resources - Overview**").
- 5 In March 2024, Sullam transferred EUR 260 thousand. As of the date of this MD&A, Sullam has transferred a total amount of EUR 585 thousand accordance with both the September 2022 Facility and May 2023 Facility (see "**Liquidity and Capital Resources - Overview**").
- 6 In March 2024, the Company changed its registered address with the Israeli Register of Companies to Zvi Herman Shapita 7, Tel Aviv, 6435805.
- 7 In March 2024, RAM.ON GmbH entered into an agreement with Tedeia, pursuant to which RAM.ON GmbH acquired an option to purchase from Tedeia 6,193,740 ordinary shares of the Company in exchange for the assumption of certain of Tedeia's funding obligations under the Shareholder Undertaking as already provided by RAM.ON. The agreement also allows for the number of option shares to be increased by an additional amount of up to 2,531,573 oceansix Shares in exchange for RAM.ON assuming additional funding obligations of Tedeia. The option Shares can be purchased from Tedeia at a price of CAD \$0.065 per share for a period of 24 months from the date of the agreement.
- 8 In April 2024, RAM.ON transferred to the Company on behalf of Tedeia EUR 90 thousand. As of the date of this MD&A, Tedeia has transferred a total amount of EUR 485 thousand. Out of the EUR 485 thousand, RAM.ON has transferred on behalf of Tedeia EUR 410 thousand (see "**Liquidity and Capital Resources - Overview**").
- 9 In April 2024, the Company's major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to December 31, 2025 and RAM.ON agreed to extend its commitment not to demand the repayment of the Company's debt to RAM.ON in an amount of EUR 550 thousand until December 31, 2025. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US\$ 2 million.
- 10 In April 2024, RAM.ON agreed to provide the Company with an additional credit facility in the aggregate maximum amount of EUR 2 Mill as required by the Company over the next 18th months following May 1, 2024. The Facility will bear interest based on the annual interest rate equal to the minimum interest rate required under Israeli Tax Ordinance, which at this time amounts to 5,18%. In the event the Company has a successful capital raise, the Facility will be reduced by the amount raised in such capital raise that exceeds the amount not yet provided to the Company by the Shareholders under the September 2022 Facility and the May 2023 Facility. (see "**Liquidity and Capital Resources - Overview**").

03

Summary of
Factors
Affecting our
Results of
Operations

Summary of Factors Affecting our Results of Operations

Our ability to grow our business and enhance our financial performance depends on our ability to: (i) successfully utilize our 'know-how to manufacture newly developed products; (ii) improve, develop and expand our manufacturing capacity; and (iii) successfully develop and commercialize new products. Our success depends on our ability to efficiently produce our products, maintain our technological advantages, adapt to changing regulatory regimes, continue to develop new products (and production processes for new segments) and enter into successful strategic partnerships. In addition, as the Company is currently generating deficits at this time, its continuous operations depend on its ability to raise funds to finance its operations and activities until it achieves profitability and sufficient cash generation.

Maintaining our Technological Advantage

The success of our business depends on our ability to continue to take advantage of our know-how to develop a variety of new high quality products. In addition, in order to maintain our technological advantage we will have to form and maintain strategic relationships with leading technological partners, academic institutions and individuals, among others. Furthermore, we will need to keep our production process highly cost-efficient in comparison to other actors in the industry and also in comparison to virgin plastic manufacturers.

Strategic Relationships

Our continued success and ability to become an industry leader will depend to a large extent on our ability to form and maintain long-term relationships with distributors, agents, customers, supplier and local governments etc. These

relationships allow us to secure a sustainable and long-term supply of raw materials and distribute our products.

Adapting to Changing Legal and Regulatory Regimes

The industry in which we operate as well as the products we produce and develop are both heavily regulated and standardized. The industry is heavily dependent on incentive programs from national and local governments to encourage activities as well as regulations and standardization. The use of our products in certain verticals may be subject to different regulations and standards that may differ from jurisdiction to jurisdiction and may impact our ability to distribute our products.



Summary of Factors Affecting our Results of Operations

How we Assess the Performance of our Business

The key financial measures indicated below are used by management in evaluating and assessing the performance of our business. We refer to certain key performance indicators used by management and typically used by our competitors in the plastic recycling and relevant plastic products market, certain of which are not recognized under IFRS. These non-IFRS financial measures which are used by management do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Following the closing of the Company's Israeli facility and cessation of production facilities and operations in Israel, the activities of the Company in Q1 2023, Q1 2022 and Fiscal 2022 is represented as discontinued operations and, in Fiscal 2022, the consolidation of the operations of Flome and oceansix GmbH commencing on July 1, 2022 is represented.

Revenues from Sales

Until the recent Flome Transaction, which took place in June 2022, the Company primarily operated in the plastic recycling industry, which includes sales of plastic board and sheet products mainly to the construction industry. Following the

Flome Transaction, the Company expanded its operations, through Flome, to the production and sale of other industrial plastic products (both recycled and non-recycled). We recognize revenues from sales at the fair value of the consideration received or receivable, net of estimated sales incentives that were provided to customers and excluding taxes and/or duties. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks of ownership have transferred to the customer, recovery of consideration is probable and we have satisfied our performance obligations under the arrangement and have no ongoing involvement with the product. Revenues are therefore recognized when it is probable that the economic benefits will flow to us and the revenues can be reliably measured, regardless of when the payment is received. Following the cessation of our Israeli activities and closing of our Israeli facilities, from February 23, 2023 our current revenues are solely generated by Flome's activities

Cost of Revenues

Cost of revenues consists of our production costs which are comprised primarily of labor, energy, materials, consumables, consultants, water, overhead, maintenance, lease of a plant building, lease of facilities and equipment, city taxes, insurance, amortization on production equipment,

shipping, packaging and other expenses required to produce our products sold during the period. Cost of revenues related to the production of our final products to the point at which the products are packed and ready for delivery are capitalized and included in the value of inventory. Once goods are sold, the associated capitalized costs are recognized as production costs. Gross profit (loss) represents profit (loss) earned before the net revenue from sales of products less the cost of revenues.

Gross Loss

Gross loss represents the loss incurred from the production activity of the Company and is the outcome of the total sales net of the cost of sales expenses of the Company.

Development Expenses

Development expenses consist of costs related to the development of production processes, production improvements, new products and machinery improvements and adoption. Such expenses may include, inter alia, related salary expenses, cost of materials, consultants, laboratory tests and field testing. Development expenses do not include the total amount of supporting grants received from the Israel Innovation Authority (the "IIA").



Summary of Factors Affecting our Results of Operations

Due to the Company's cessation of its production activities in Israel, as discussed above (see the section titled ["Government Funding"](#)), should the Company transfer IIA supported production processes outside of Israel in the future, it may be subject to repayments of the grants received, with potential fines and interests, to the IIA in order to receive approval for the transfer of the Company's manufacturing abroad. At this time, the Company cannot estimate whether, in such circumstances, it will reach a settlement with the IIA with respect to such royalty payments and the amounts that will be agreed upon. See the Risk Factor titled "Limitations surrounding the use of Israeli government funding".

Sales and Marketing Expenses

Sales expenses consist of costs incurred as part of the act of sale, including transportation costs for the delivery of the sold goods and agent fees. Marketing expenses consist of costs related to the activities and efforts to increase the Company's sales, such as, related salaries, publishing, conventions, traveling, advertising, internet site, brochures, products samples, advisors and agents.

General and Administrative Expenses

General and administrative expenses are incurred in the day-to-day operations of the Company and may not be directly tied to a specific function within the Company. Such expenses may include, inter alia, lease payments, utilities, insurance, legal fees, audit fees, communication expenses and employee salaries.

Operating Loss

Operating loss represents the loss incurred from operations and is the outcome of the total sales net of the operating expenses of the Company. The calculation of operating loss does not include the effects of financial expenses or taxes.

Finance Expenses, Net

Finance expenses, net consists of expenses incurred in the course of the Company's financial activities, such as loans, bank account maintenance, and business transactions executed in different currencies. Such expenses may include, inter alia, expenses and income from interest, expenses and income from exchange rates, bank fees and commissions.

Net Loss

Net loss represents the loss incurred from all income and expenses of the Company of any kind, and is computed as the total income of the Company less its total expenses.

Adjusted EBITDA

Management defines Adjusted EBITDA as the income (loss) from operations, as reported, before interest and tax, adjusted by removing other non-recurring or non-cash items, including impairment of fixed assets, realized fair value adjustments on inventory sold in the period, share-based compensation expense, and depreciation, amortization and impairment costs included in operating expenses. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-recurring or non-cash items.



04

Selected Financial Information



Selected Financial Information

The following table sets out a summary of our results of operations for Fiscal 2023 and Fiscal 2022, as well as selected balance sheet data as at the end of Fiscal 2023, and end of Fiscal 2022. The selected financial information for Fiscal 2023 and Fiscal 2022 has been derived from our Audited Annual Financial Statements. Following the closing of the Company's Israeli facility and cessation of production facilities and operations in Israel in December 2022, the activities of the Company in Fiscal 2023, Fiscal 2022 and Fiscal 2021 is represented as discontinued operations. For Fiscal 2023 and Fiscal 2022, the consolidation of the operations of Flome and oceansix GmbH is represented commencing from July 1, 2022.

The Audited Annual Financial Statements include obligations to RAM.ON from oceansix GmbH in the amount of approximately EUR 550 thousand as included in oceansix

GmbH's financial statements in connection with a shareholder loan, which bears no interest, for expenses incurred by oceansix GmbH in the period prior to the closing of the oceansix Transaction. RAM.ON will not demand repayment of this shareholder loan prior to the earlier of (i) December 31, 2025; or (ii) a capital raise of at least US\$ 2 million. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US\$ 2 million.

The final recognition of these undertakings may possibly result in a different amount than those included in the financial statements following the conclusion of the internal accounting between the parties.



Selected Financial Information

	Year Ended December 31		
	2023	2022	2021
	U.S. dollars in thousands		
Revenues from sales	2,454	685	-
Cost of sales	2,124	501	-
Gross profit	330	184	-
Development expenses	35	177	-
Selling and marketing expenses	305	192	-
General and administrative expenses	2,256	2,426	1,918
Other expenses, net	2,246	457	-
Operating loss	(4,512)	(3,068)	(1,918)
Finance income	259	2,426	-
Finance expenses	(300)	(129)	(1,793)
Loss before taxes	(4,553)	(771)	(3,711)
Tax benefit	190	296	-
Loss from continuing operations	(4,363)	(475)	(3,711)
Loss from discontinued operations, net	(290)	(3,997)	(2,997)
Loss	(4,653)	(4,472)	(6,688)
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	(195)	(393)	(269)
Amounts that will be reclassified subsequently to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operations	226	119	-
Total comprehensive loss	(4,622)	(4,746)	(6,419)

	Year Ended December 31		
	2023	2022	2021
	U.S. dollars in thousands		
Loss per share (in US dollars):			
Basic loss			
Loss from continuing operations	(0.029)	(0.003)	(0.036)
Loss from discontinued operations	(0.002)	(0.029)	(0.029)
Loss	(0.031)	(0.032)	(0.065)
Diluted loss			
Loss from continuing operations	(0.029)	(0.015)	(0.036)
Loss from discontinued operations	(0.002)	(0.029)	(0.029)
Loss	(0.031)	(0.044)	(0.065)



Selected Financial Information

	December 31,		
	2023	2022	2021
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	379	488	5,909
Trade receivables	454	687	514
Other accounts receivable	698	435	315
Inventories	283	144	81
	<u>1,814</u>	<u>1,754</u>	<u>6,819</u>
Assets held for sale	-	217	-
	<u>1,814</u>	<u>1,971</u>	<u>6,819</u>
NON-CURRENT ASSETS			
Right-of-use assets	831	900	1,001
Finance lease receivables	200	-	-
Property, plant and equipment, net	648	1,024	1,694
Intangible assets	444	1,361	-
Goodwill	1,628	2,964	-
Other accounts receivable	17	21	-
	<u>3,768</u>	<u>6,270</u>	<u>2,780</u>
	<u>5,582</u>	<u>8,241</u>	<u>9,599</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks	262	177	-
Current maturities of lease liabilities	102	154	149
Current maturities of loans from others	100	719	619
Trade payables	747	-	-
Other payables	1,520	1,089	697
	<u>2,731</u>	<u>2,139</u>	<u>1,465</u>

	December 31,		
	2023	2022	2021
	U.S. dollars in thousands		
NON-CURRENT LIABILITIES			
Lease liabilities	730	802	1,023
Deferred tax liabilities	107	138	-
Loans from others	88	137	-
Other liabilities	26	25	242
Shareholders and affiliated companies	567	584	-
Convertible debt to related party	1,230	0	0
Warrants	9	226	2,213
	<u>2,757</u>	<u>1,912</u>	<u>3,478</u>
EQUITY			
Share capital and share premium	50,861	50,861	47,040
Warrants	453	453	453
Foreign currency translation reserve	16	(15)	259
Reserve from share-based payment transactions	1,894	1,828	1,369
Reserve from transaction with controlling shareholders	460	-	-
Accumulated deficit	(53,950)	(48,937)	(44,465)
	<u>94</u>	<u>4,190</u>	<u>4,656</u>
Total equity (deficit)	<u>5,582</u>	<u>8,241</u>	<u>9,599</u>

IFRS Measures

Following the closing of the Company's Israeli facility and cessation of production facilities and operations in Israel, the activities of the Company in Fiscal 2023 and Fiscal 2022 are represented as discontinued operations.

Revenues from Sales

Revenues from sales for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 2,454, US\$ 685 and nil, respectively. The revenues from sales for Fiscal 2023 consist of the revenues from sales of Flome.

Cost of Sales

Cost of sales for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 2,124, US\$ 501 and nil, respectively. The Cost of Sales for Fiscal 2023 consists of the cost of sales of Flome.

Gross Profit

Gross profit for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 330, US\$ 184 and nil, respectively. The gross profit for Fiscal 2023 consists of the gross profit of Flome.

Development Expenses

Development expenses for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 35, US\$ 177 and nil, respectively.

The development expenses for Fiscal 2023 consist of the development expenses of oceansix GmbH, which include, inter alia, labor, materials involved with development activity and all other costs incurred in the process and products development.

Selling and Marketing Expenses

Selling and marketing expenses for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 305, US\$ 192 and nil, respectively.

The selling and marketing expenses for Fiscal 2023 consist of the sales and marketing expenses of Flome.

General and Administrative Expenses

General and administrative expenses for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 2,256, US\$ 2,426 and nil, respectively.

The general and administrative expenses for Fiscal 2023, consist of the general and administrative expenses of Flome and oceansix GmbH.

Operating Losses

The Company's operating losses for Fiscal 2023, Fiscal 2022 and Fiscal were US\$ 4,512, US\$ 3,068 and US\$ 1,918, respectively.

The operating losses for Fiscal 2023 consist mainly of the operating losses of oceansix GmbH and oceansix Future Paths Ltd. and the continued operations of the Company. The operating losses for Fiscal 2022 consists of the operating losses of the Company.



IFRS Measures

Finance Income (expenses)

Finance Income (expenses) for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 259, US\$ 2,426 and US\$ (1,793), respectively.

The changes in the finance income in Fiscal 2023 compared to Fiscal 2022 was mainly due to the changes of the fair market value of the warrants issued to Clover Wolf.

Until their actual conversion, 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, the expected volatility of the Company's equity.

The fair value of the warrants issued by the Company (to Clover Wolf or as part of the IPO) have been measured based on a model which anticipates their realization considering, among other things, the price per share of the Company's traded Ordinary Shares and the remaining exercise period.

The Company bases its valuation of fair value of its liabilities on calculations performed by independent valuation experts.

Loss

Losses for Fiscal 2023, Fiscal 2022 and Fiscal 2021 were US\$ 4,653, US\$ 4,472 and US\$ 6,688, respectively.

The Losses for Fiscal 2023 consists mainly of the losses of oceansix GmbH and oceansix Future Paths, and the losses for Fiscal 2022 consisted of the losses of the Company prior to the oceansix Transaction and the Flome Transaction.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the applicable period.

Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares, which include convertible notes and options and warrants issued to shareholders, employees, directors and consultants.

Basic loss per share

The computation of basic loss per share was based on the net loss attributable to ordinary shares divided by the weighted average number of ordinary shares outstanding during the applicable period.

Summary of Quarterly Results of Operations

(in thousands of US\$)

	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2021	December 31, 2021
Total revenues	502	558	1,019	375	345	340	-	-	-
Operating loss	3,010	574	500	543	1,597	481	420	580	692
Total comprehensive income (loss)	3,027	592	398	694	-1,056	-1,516	-1,601	-613	1,67
Basic net loss per share	(0,031)	(0,012)	(0.002)	(0.003)	(0.006)	(0.010)	(0.010)	(0.004)	0.020
Diluted loss	(0,031)	(0,012)	(0,002)	(0.003)	(0.009)	(0.020)	(0.015)	(0.004)	0.020

Diluted loss per share was computed based on the net loss attributed to the ordinary shares divided by the weighted average number of ordinary shares outstanding, after adjustment for all potentially dilutive ordinary shares.

Generally, there are no quarterly or seasonal trends associated with the Company's business. Total revenues fluctuate quarter over quarter mainly due to changes in demand for the Company's products. The fluctuations in operating loss are mostly attributable to the timing of expanding the extraordinary expenses for the Company's branding, the IPO, fundraising, changes in development expenses, net of grants received on a cash basis. Fluctuations in total comprehensive income as well as in the basic and diluted loss per share were also affected by all of the aforementioned factors.

Basic and diluted loss per share are in conformity to the Company's comprehensive loss as no significant amount of shares were issued during the reported quarters.

Non-IFRS Measures

Adjusted EBITDA

Adjusted EBITDA for Fiscal 2023, Fiscal 2022 and Fiscal 2021 amounted to losses of US\$ (1,710) ,US\$ (292) and nil, respectively. Adjusted EBITDA loss for Fiscal 2023 consists of the Adjusted EBITDA of Flome and oceansix GmbH and the continued operations of the Company. Adjusted EBITDA loss for Fiscal 2022 consisted of the Adjusted EBITDA of the Company prior to the Flome Transaction and the oceansix Transaction.

Adjusted EBITDA - Loss (from continued and discontinued operations)

Operating loss	(4,512)	(3,068)	(1,918)
Depreciation and amortization	363	577	-
Cost of Share Based Compensation	66	1,677	-
Impairment IPR&D and Goodwill	2,373	522	-
Adjusted EBITDA - Loss	(1,710)	(292)	-

Year end 2023, December 31

2023	2022	2022
Audited		
U.S dollars in thousands		
(4,512)	(3,068)	(1,918)
363	577	-
66	1,677	-
2,373	522	-
(1,710)	(292)	-



05

Liquidity and Capital Resources



Liquidity and Capital Resources

The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill obligations. In managing working capital, the Company may, where necessary, limit or control the amount of working capital used for operations or other initiatives, pursue additional financing, manage the timing of its expenditures or sell assets. The Company is currently generating deficits in its ongoing operations.

Furthermore, in order to develop its business, the Company is required to engage in substantial capital investments. The Company anticipates that such ongoing deficits (operational losses along with necessary capital investments) will continue for the near future. As the Company's cash reserves are limited and may not be sufficient to meet the Company's liquidity requirements, the Company estimates that it will need to raise additional capital through equity or debt financing or other strategic transactions to meet its future capital needs.

Due to the current conditions in the global markets, any such financing may not be available to the Company. A failure to obtain sufficient funds on commercially acceptable terms when needed may have a material adverse effect on the Company's business, ability to operate and develop in conformity with its future plans and its financial condition.

In light of the above, three of the Company's major shareholders undertook to provide the Company with a credit facility in the amount of up to EUR 2 million as required over the 2 years commencing in September 2022 (the "**September 2022 Facility**"), with each shareholder providing an equal share of any requested amounts. In addition, on April 30, 2023, two of the Company's major shareholders undertook to provide the Company with an additional credit facility in the amount of up to EUR 500 thousand (US\$ 533 thousand) as required over the 18 month period commencing on May 1, 2023 with each of the two shareholders providing an equal share of any requested



Liquidity and Capital Resources

amounts (the **"May 2023 Facility"**) for a period ending on September 1, 2024.

In April 2024, the Company's major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to December 31, 2025.

In the event the Company has a successful capital raise, the facilities provided in the undertakings will be reduced by the amounts raised in such capital raise with the September 2022 Facility being reduced first and any amounts in excess of the September 2022 Facility will reduce the May 2023 Facility.

The current outstanding available funds to the Company under the September 2022 Facility and the May 2023 Facility amounts to EUR 596 thousand.

To ensure the liquidity requirements of the company, in April 2024, RAM.ON agreed to provide the Company with an additional credit facility in the aggregate maximum amount of EUR 2 Mill (the **"May 2024 Facility"**). In the event the Company has a successful capital raise, the May 2024 Facility will be reduced by the amount raised in such capital raise that exceeds the amount not yet provided to the Company by the Shareholders under the September 2022 Facility and the May 2023 Facility.

In April 2024, RAM.ON agreed to extend the periods of the EUR 550 thousand obligation to December 31, 2025. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US\$ 2 million.

Based on the cash available to the Company as of the date of the approval of the Financial Statements and the credit facilities from the Company's shareholders, the Company's management and Board of Directors estimate that the Company will have 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.

In 2023 and as of the date of this MD&A, RAM.ON has transferred to the Company an amount equal to EUR 833 thousand, Sullam has transferred an amount in NIS equivalent to EUR 585 thousand in accordance with the September 2022 Facility and May 2023 facility, and Tedeá has transferred an amount in NIS equivalent to EUR 485 thousand in accordance with the September 2022 Facility.

Out of the EUR 485 thousand sourced by Tedeá, RAM.ON has transferred to the company on behalf of Tedeá EUR 410 thousand.

The Company is not subject to any financial ratio maintenance covenants in its bank facilities or other outstanding debt obligations. To maintain current operational capacity, additional sources of capital and/or financing will be required to meet planned growth and to fund our development activities. Liquidity will fluctuate based on demand for working capital resources required for these initiatives.

Additional capital resources may be raised from bank borrowings and loans or grants from governmental institutions. Currently, the Company cannot estimate the nature, amounts and probability of receiving any such loans or grants.



Financial Instruments

As of December 31, 2023, the Company had available cash and cash equivalents of US\$ 379, as opposed to US\$ 488, at the end of Fiscal 2022. The decrease in available cash and cash equivalents was mainly due to approximately US\$ 1,849 used for operating activities, approximately US\$ (3) derived from investment activities and US\$ 1,727 derived from financing activities. An additional US\$ 16 represents exchange rate differences of NIS/USD and Euro/USD cash balances.

The Company does not utilize any financial instruments other than bank deposits. The Company maintains bank accounts in Euros, U.S. dollars and NIS in accordance with the expected future use of funds. To date, the Company has not hedged its exposure to currency fluctuations.

Working Capital

The following table sets out the cash and cash equivalents, working capital (deficit) and current and long-term debt and bank credit at the end of end of Fiscal 2023 compared to the end of Fiscal 2022 and Fiscal 2020.

The Company's working capital, including cash and cash equivalents, as of December 31, 2023, December 31, 2022 and December 31, 2021 was US\$ (1,758), US\$ (168) and US\$ 5,354 respectively.

The increase in the Company's working capital is mainly comprised of the use of cash and cash equivalents to fund the Company's losses from its operations and its capital investments in Fiscal 2023.

The Company's management and Board estimate, after analyzing the finance and liquidity resources of the Company, that the Company has the financial stability to continue its operations for the next twelve months. This estimation is based on the undertakings taken by the shareholders to provide the Company with credit facilities in the aggregate amount of EUR 4.5 million (including the May 2024 Facility), and their commitment not to demand repayment until

December 31, 2025 and RAM.ON not to demand repayment of the EUR 550 thousand obligation of oceansix GmbH. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US\$ 2 million.

See the section titled "**Liquidity and Capital Resources – Overview**". The materialization of different risks and market instability or other uncertainties may affect the actual performance and status of the Company in the future and lead to materially different results.

	December 31 2023	December 31 2022	December 31 2021
	U.S dollars in thousands		
Cash and cash equivalents	379	488	5,909
Working capital (deficit) including cash & cash equivalents	(917)	(168)	5,354
Total bank debt & convertible note and warrants liabilities	371	540	2,213



Cash Flows

The capital sources generated from revenues, as well the commitment of the Company's shareholders to support its operations, provide the Company with enough working capital to meet its short-term financial commitments as they become due. See the section titled "**Liquidity and Capital Resources - Overview**".

The table below highlights the Company's cash flows for Fiscal 2023, Fiscal 2022 and Fiscal 2021.

	December 31 2023	December 31 2022	Year End December 31 2021
	U.S dollars in thousands		
Net cash used in operating activities	(1,743)	(3,034)	(4,159)
Net cash provided by (used in) investing activities	45	(1,577)	(126)
Net cash provided by (used in) financing activities	1,573	(405)	8,299
Exchange rate differences on balances of cash and cash equivalents	16	(405)	278
Increase (decrease) in cash and cash equivalents	(109)	(5,421)	4,292
Cash and cash equivalents at the beginning of the period	488	5,909	1,617
Cash and cash equivalents at the end of the period	379	488	5,909



Analysis of Cash Flows for Fiscal 2023 compared to Fiscal 2022

The Company's sources of cash include cash and cash equivalents balances at beginning of Fiscal 2023, net of cash used for financing the Company's loss from its operations, investing activities, finance activities and the effect of changes in currency exchange rates on the non-U.S. dollar currency balance in Fiscal 2023.

Net cash used in operating activities of the Company amounted to US\$ (1,743), US\$ (3,034) and US\$ (4,159) for Fiscal 2023, Fiscal 2022, and Fiscal 2021 respectively. The decrease in cash used for operating activities in Fiscal 2023 compared to Fiscal 2022 was mainly due to the effect of the revaluation of the Convertible Note and Warrants of Clover Wolf.

Net cash provided by (used in) investing activities of the Company amounted to US\$ 45, US\$ (1,557), and US\$ (126) in Fiscal 2023, Fiscal 2022, and Fiscal 2021 respectively. The increase in net cash provided by investing activities was mainly due proceeds from the sale of machinery and equipment.

Main cash and cash equivalents provided by the Company's financing activity in Fiscal 2023 consisted mainly of credit from shareholders and affiliated companies. Main cash and cash equivalents provided by the Company's financing activity in Fiscal 2022 consisted mainly of payments of royalties in connection with grants received from the IIA, net of new grants received from the IIA and repayments of lease liabilities.

Capital Resources

The Company's main capital resources are composed of cash and cash equivalents generated in previous years from the conversion of loans from shareholders and convertible notes of Clover Wolf and the IPO, which took place in 2021. Furthermore, from time to time, the Company received grants from the IIA in connection with its research and development activities. To meet future capital needs, the Company would need to raise additional capital through equity or debt financing or other strategic transactions as well as the commitment of the Company's shareholders to support its operations (see "**Liquidity and Capital Resources**").

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Share Incentive Plan

The Company's share incentive plan, adopted on January 7, 2021 and amended in April 2021 and July 2023, offers our executive officers, directors, eligible employees and non-employee consultants equity-based compensation which has historically been awarded in the form of stock options and restricted securities.



06

Related

Party

Transactions



Related Party Transactions

The consolidated financial statements include obligations to RAM.ON, which holds approximately 20.2% of the Company's outstanding share capital, from oceansix GmbH, which the Company acquired pursuant to the oceansix Transaction, in the amount of approximately EUR 550 thousand as included in oceansix GmbH's financial statements in connection with a shareholder loan, which bears no interest, for expenses incurred by oceansix GmbH in the period prior to the closing of the oceansix Transaction. In April 2024, RAM.ON agreed to extend the periods of the EUR 550 thousand obligation to December 31, 2025. The final recognition of these undertakings may possibly result in a different amount than those included in the financial statements following the conclusion of the internal accounting between the parties. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US\$ 2 million.

See **“Significant Developments for the year ended December 31, 2023”**.

See **“Significant Developments for the Year ended December 31, 2023”** with respect to the payments made by RAM.ON in connection with the Shareholder Undertaking.

Two of the Company's main shareholders have undertaken to provide the Company with a credit facility in the amount of up to EUR 500 thousand as required, over the 18 months period commencing on May 1, 2023, with each shareholder providing an equal amount of any requested amounts. In April 2024, the Company's major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to December 31, 2025. See **“Liquidity and Capital Resources - Overview”**.

In November 2024, the Company's major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to April 1, 2025. In April 2024, the Company's major shareholders agreed to extend the periods of the September



Related Party Transactions

2022 Facility and the May 2023 Facility to December 31, 2025. See **"Liquidity and Capital Resources – Overview"**.

Arnon Eshed agreed to reduce his compensation for his services as a director to NIS 10,000 per month. See **"Significant Developments for the Year ended December 31, 2023"** with respect to the options granted Mr. Eshed.

In 2023, RAM.ON provided services to oceansix for a total amount of EUR 325 thousand, according to the existing Service Agreement between oceansix and RAM.ON GmbH. See **"Significant Developments for the Year ended December 31, 2023"** for the Service Agreement between oceansix and RAM.ON GmbH which was approved by the Shareholders at the 2023 Annual and Special Meeting.

Danny Haklai, provided his services as Chief Financial Officer of the Company as an independent contractor pursuant to a consulting agreement between the Company and Mordechai Haklai & Sons (1998) CPA Company, effective as of September 1, 2020. As of December 2022, following the steps taken by the Company to cease the Israeli

Facility's operation. Following the engagement of Salvador Cabanas Lopez as CFO of the Company Group on May 1, 2023, Mr. Haklai no longer serves in the official capacity CFO of the Company.

In August 2023, Flome received an order from Ford to supply Cab. Cube pallets produced by Cabka. Subsequently Flome entered into a transaction with Cabka as an intermediary for such transaction for a total amount of EUR 148 thousand.

In October 2023, oceansix GmbH (Lessor) and Cabka GmbH (Lessee) signed a lease agreement for 2 extruders and other accessories. The lease agreement started on October 1, 2023 and has a duration of 2 years. The leasing fees are EUR 21 thousand in monthly installments and a last one of a total of EUR 17 thousand.

In April 2023, RAM.ON has undertaken to provide the Company with a credit facility in the aggregate maximum amount of EUR 2 million as required over the next 18th months following May 1, 2024. In the event the Company has a successful capital raise, the facility will be reduced by the amount raised in

such capital raise that exceeds the amount not yet provided to the Company by the Shareholders under the September 2022 Facility and May 2023 Facility. See **"Liquidity and Capital Resources – Overview"**.

As of the date of this MD&A, RAM.ON has contributed EUR 833 thousand, Sullam has contributed EUR 585 thousand to the Company in accordance with both the September 2022 Facility and the May 2023 Facility (see **"Liquidity and Capital Resources – Overview"**) and Tedeia has contributed EUR 485 thousand according to the September 2022 Facility. Out of the EUR 485 thousand sourced by Tedeia, RAM.ON has transferred to the company on behalf of Tedeia EUR 410 thousand.

See **"Significant Developments for the Year ended December 31, 2023"** for the employment of Mr. Salvador Cabañas Lopez, the Company's new CFO, which commenced on May 1, 2023, and the options granted in connection therewith.



Related Party Transactions

See **"Significant Developments for the Year ended December 31, 2023"** for the employment of Mr. Elad Hameiri, which commenced on June 1, 2023, the Company's incoming CEO and the options granted in connection therewith and approved by the Shareholders at the 2023 Annual and Special Meeting.

See **"Significant Developments for the Year ended December 31, 2023"** with respect to the options granted to Mr. Maximo Buch, Mr. Arnon Eshed and Mrs. Donatella Aurino and approved by the Shareholders at the 2023 Annual and Special Meeting.

See **"Significant Developments for the Year ended December 31, 2023"** for the recent purchases of the Company's Ordinary Shares by Sullam, which holds approximately 19.2% of our outstanding share capital, RAM.ON, which holds approximately 20.2% of the Company's outstanding share capital and Tedeia, which holds approximately 19.1% of the Company's outstanding share capital.

See **"Significant Developments for the Year ended December 31, 2023"** for the Debt to Equity Conversion Agreement with respect to RAM.ON approved by the Shareholders at the 2023 Annual and Special Meeting.

See **"Significant Developments for the Year ended December 31, 2023"** for the Finance Lease Agreement between oceansix GmbH and Cabka.



07

Critical
Accounting
Judgments
and
Estimates



Critical Accounting Judgments and Estimates

The preparation of the Company's Annual Financial Statements in conformity with IFRS requires management to make various judgments and estimates in applying the Company's accounting policies that affect the reported amounts and disclosures made in the Company's financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These judgments and estimates are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions described in this section depend upon subjective or complex judgement that may be uncertain and changes in these estimates and assumptions could materially impact the Company's financial statements.

The following are the accounting policies that are subject to judgments and estimates.



Critical Accounting Judgments and Estimates

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. This 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.

Grants from the Israel Innovation Authority

Government grants received from the IIA 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.

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 do so, 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.

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.



Critical Accounting Judgments and Estimates

The fair value of Convertible Note and Warrant —

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, the expected volatility of the Company's equity.



08

Risk Factors



Risk Factors

In the ordinary course of business, the Company is subject to a number of financial risks and business related-risks. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Given the nature of the Company's position in the Israeli market, ordinary course risks such as credit risk, foreign exchange risk, and interest rate risk are not material to the Company at this time. The Company has risk management strategies in place which are designed to ensure the Company's risks and the related exposures are consistent with its business objectives and risk tolerance.

Risks Related to Production

We operate our business in an industrial working environment that includes, inter alia, use of heavy machinery, hazardous processes and materials that may cause body injury to our employees or other third party. In the event that such damage is caused, it may have a material effect on our business.

Risks Related to Management and Personnel

We rely on our management and need additional key personnel to grow our business, and the loss of key employees or inability to hire new key personnel could harm our business.

Risks Related to Regulation

If we are unable to comply with regulatory requirements and industry standards, including those regarding product safety, quality, efficacy and environmental impact, we could incur significant costs and suffer reputational harm which could adversely affect results of operations.

Risks Related to Product Liability

We face the risk of exposure to product liability claims, regulatory action and litigation if our products cause loss or injury.

Risks Related to Intellectual Property

We rely on intellectual property and may not be able to protect intellectual property rights throughout the world.

Risks Related to the Ownership of Our Ordinary Shares and warrants

The Principal Shareholders hold significant voting power in the Company and the interests of the Principal Shareholders may not be the same as those of the Company's other shareholders.



Risk Factors

Risks Related to Exchange Rate

Exchange rate fluctuations between the Canadian dollar, the U.S. dollar, Israeli Shekel, Euro and other foreign currencies may negatively affect our future revenues.

Risks Related to Competition

We operate in a highly competitive industry, and may not be able to maintain our operations or develop them as currently proposed if we are unable to outperform our competitors.

Risk Related to Cyber Threats

Significant data breaches or other disruptions to our information technology systems could disrupt our operations, result in the loss of confidential information or personal data, and adversely impact our reputation, business or results of operations.

Risk Related to Natural Disasters

Earthquakes or other catastrophic events out of our control may damage our facilities or those of our contractors and adversely affect our business, financial condition, and results of operations.

Risk Related to General Economic Conditions

Geopolitical instability could impact world economic markets and adversely affect the Company's ability to conduct business.

Risks Related to Our Status as an Israeli Company

Limitations surrounding the use of Israeli government funding.

Miscellaneous

Liquidity problems or bankruptcy of our key customers, could have an adverse effect on our business, financial condition, and results of operations.

With respect to the detailed information of the risk factors, see "Additional Information".



09

Adoption of Accounting Standards



Adoption of Accounting Standards

The financial statements for the year ended December 31, 2019 are the first the Company prepared in accordance with IFRS. For the periods up to and including the year ended December 31, 2018, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Israeli GAAP). Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 31, 2019, together with the comparative period data for the year ended December 31, 2018. In preparing the financial statements, the Company’s opening statement of financial position was prepared as of January 1, 2018, the date of the Company’s transition to IFRS. For further information see our Annual Financial Statements for the period ending December 31, 2020, and in particular, “Note 22: Reconciliation between Israeli GAAP and IFRS” thereto.

Future Accounting Standards Not Yet Adopted

The Company is not aware of new accounting standards published in Q1 2023 that may affect its financial reporting.

Changes in Accounting Policies

In Q1 2023, the Company did not adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Outstanding Security Data

As of the date of this MD&A, the Company has 153,693,074 fully paid and non-assessable Ordinary Shares issued and outstanding. The table below sets forth the current issued and outstanding securities of the Company.

Type of Security	Number	Convertible Into # of Ordinary Shares
Ordinary Shares issued and outstanding	156,387,006	
Options	13,019,932	13,019,932
Warrants (issued and traded)	-	-
Warrants (not exercisable or held in escrow)	15,744,929*	15,744,929*
Restricted Share Units	1,378,132	1,378,132

*Subject to adjustments



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Additional Information



Additional Information

Additional information relating to the Company, including its annual information form for the financial year ended December 31, 2021, is posted on SEDAR at www.sedar.com.



Additional Information

Risk Factors

In the ordinary course of business, the Company is subject to a number of financial risks and business related-risks. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Given the nature of the Company's position in the Israeli market, ordinary course risks such as credit risk, foreign exchange risk, and interest rate risk are not material to the Company at this time. The Company has risk management strategies in place which are designed to ensure the Company's risks and the related exposures are consistent with its business objectives and risk tolerance.

Risks Related to Production

We operate our business in an industrial working environment that includes, inter alia, use of heavy machinery, hazardous processes and materials that may cause body injury to our employees or other third party. In the event that such damage is caused, it may have a material effect on our business.

Our current and planned operations, including prospect production sites, include the use of potentially dangerous machinery, hazardous materials, high voltage electricity, high-pressured processes, and high temperature processes. In addition, our production environment may include high-decibel noise, extreme weather conditions, as well as other hazardous working conditions and activities. We may be required to compensate employees or third parties suffering injuries by reason of our operations and may have further civil or criminal fines or penalties imposed on us for violations of applicable safety laws or regulations.

We rely on key components to sustain our production process.

Our manufacturing systems are comprised of multiple machinery lines, some of which are operated under extreme conditions of heat, pressure, moisture and other erosive conditions. Some of our machinery has only one replacement parts supplier, in addition to long delivery schedules that range from a few weeks to a few months.

The efficient and effective maintenance of machinery are key factors in maintaining a high level of production. We cannot always foresee breakdowns and malfunctions that reduce production capacity and availability, the occurrence of which could materially adversely affect our business. In addition, our supply chains are complex and continuously exposed to a variety of internal and external risks.

In addition, our ability to compete and grow is dependent on having access, at a reasonable cost and in a timely manner, to electricity, labour, equipment and other inputs. No assurances can be given that we will be successful in maintaining our required supply of labour, equipment and other inputs.

Our supply chain may rely on third parties professional service providers and external advisors for our manufacturing, research and development and distribution. There is no assurance that such third party services will be of satisfactory quality or delivered in a timely manner. Any prolonged disruption of a third-party's ability to provide its services could have an adverse effect on us. Rising costs associated with the third-party services we require to manufacture, develop or distribute our products may also adversely impact our business and our ability to operate profitably.

Global supply chain disruptions began in March 2020 after economic activity was curtailed in order to contain the outbreak of the COVID-19 pandemic. This resulted in closures of many businesses, slowdowns in manufacturing, delivery delays and partial shutdowns of national and international transportation. Amidst the global economy uncertainty and staggering economic damage caused by the pandemic, global demand for various manufacturing components and raw materials increased significantly. This situation has caused a global shortage of the components required for manufacturing, including certain production machinery, as well as delayed delivery times and dramatic increases in shipping costs. Any continued or future shortages in such components or the continued delay of delivery times and resources could have an adverse impact on our business, financial condition or results of operations.



Additional Information

Risk Factors

We are subject to environmental, health and safety regulations and risks, which may subject us to liability under these regulations and risks.

Our current and planned operations are and will be, as the case may be, subject to environmental, health and safety regulation and standards in the jurisdictions in which we and any of our facilities operate. These regulations mandate, among other things, the maintenance of air, water, and soil quality standards. They also establish limitations on emissions and discharges to water, air and land, the generation, handling, transportation, storage and disposal of solid and hazardous waste, and employee health and safety.

We believe that environmental legislation is evolving in a manner that will impose strict standards and enforcement, increased fines and penalties for any non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental or employee health and safety laws or more vigorous enforcement thereof could require extensive changes to our operations or give rise to material liabilities.

We may not have been, or may not be, at all times, in complete compliance with all requirements, and we may incur material costs or liabilities in connection with such requirements, or in connection with remediation at sites we own, or third-party sites where it has been alleged that we have liability, in excess of the amounts we have accrued. We may also incur unexpected interruptions to our operations, administrative injunctions requiring operation stoppages, fines and other penalties.

Failure to comply with applicable laws, regulations and other permits and licenses may result in significant fines or other enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and require us to take corrective measures including significant additional capital expenditures for installation of additional equipment. We may also be required to

to compensate those suffering environmental loss or damage by reason of our operations and may have civil or criminal fines or penalties imposed on us for violations of applicable environmental laws or regulations.

Manufacturing difficulties, disruptions or delays could limit supply of our products and limit our product sales.

Manufacturing recycled products that possess the same characteristics as virgin plastic products is difficult and complex. Our ability to adequately manufacture and supply our products in a timely manner is dependent on the uninterrupted and efficient operation of our facilities, which may be impacted by: (i) the availability of power; (ii) the capacity of manufacturing facilities; (iii) contamination from microorganisms, viruses, or foreign particles during the manufacturing process; (iv) compliance with regulatory requirements, including the potential shut down of our facilities by regulators for non-compliance; (v) the timing and actual number of production runs and production success rates and yields; (vi) the availability of skilled employees; (vii) updates of manufacturing specifications; (viii) contractual disputes with our suppliers and contract manufacturers; (ix) the timing and outcome of product quality testing, which may result in the write-off of failed batches; and/or (x) the breakdown, failure, substandard performance or improper installation or operation of equipment and electricity fallout.

If the efficient manufacture and supply of our products is interrupted, we may experience delayed shipments, obsolescing of products, supply constraints, stock-outs, adverse event trends, contract disputes and/or recalls of our products. If we are at any time unable to provide an uninterrupted supply of our products to customers, customers may elect to use, competing products instead of our products, which could have a material adverse effect on our product sales, business, reputation and results of operations.

An inability to renew our leases, or a renewal of our leases with a higher rental rate, may disrupt our operations or increase our operating costs.



Additional Information

Risk Factors

We may be unable to renew or maintain our leases on commercially acceptable terms or at all. In addition, in the event of the non-renewal of any of our leases, we may be unable to locate suitable replacement properties for our facilities or we may experience delays in relocation that could lead to a disruption in our operations.

As part of the plastic production industry we are exposed to the 'NIMBY' phenomenon that may have a material effect on our operations

Our future operations may involve the transportation of plastic waste for recycling and/or processing. Furthermore, our facilities involve high traffic of trucks, industrial noise, malodor and other collateral hazards. Therefore, we may suffer from the phenomenon colloquially known as the 'NIMBY' (Not In My Back Yard) phenomenon. We may confront hard opposition by individuals and public officials, living, working and operating near our existing and prospective sites. In some cases, due to the production industry's negative image and perception in the public, our presence may provoke local opposition from residents and activists. Thus, the Company may be adversely affected if our projects are blocked or delayed. Furthermore, we may suffer from ongoing complaints and claims from local residents and other parties in each of our facilities. Such complaints may cause us to incur heavy expenditures to satisfy such complaints and loss from delays and the cessation of operations of such facilities.

The execution of our strategic plan is dependent on management's ability to enter into successful joint ventures and partnerships with third parties in different regions.

We aim to expand our business to different regions through the establishment of local joint ventures and partnerships with strategic partners. Our strategy aims to provide us with access to new markets, introducing multiple distribution networks, to share investment risks. In addition, collaborating with local strategic partners will give us immediate access to necessary knowledge and expertise in local laws and regulations,

players relating to our business, waste market, and our products market. Failure in the execution of our plan as previously mentioned may materially impact our business and may involve significant cost may cause significant delays to our growth.

By entering into joint ventures with local partners, we will have to accept a certain level of risk, due to, inter alia, our inability to protect and keep our know-how, dependence on our partners' good will to share their knowledge and connections, potential lack of honesty by a local partner, potential gap of expectations between the partners, failure in the choose of the right partner with the expected capabilities, skills and expertise, the ability to effectively control the joint venture operations etc.

The future expansion of the Companies production capabilities may encounter difficulties.

The Company may encounter unexpected issues with respect to expanding production capabilities, including difficulties in expanding its current facility, locating an appropriate site for additional facilities, constructing additional suitable facilities or obtaining necessary permits. In addition, the process may require more funds than initially expected and may take longer than anticipated. In addition, the Company may be subject to fines and penalties with respect to the grants that it has received from the IIA. See the section titled "Business Overview".

Risks Related to Management and Personnel

We rely on our management and need additional key personnel to grow our business, and the loss of key employees or inability to hire new key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain



Additional Information

Risk Factors

highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could have a material and adverse effect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements in a timely manner, or at all. We do not maintain key person life insurance policies on any of our employees. Our production process and technology are based on several persons who hold most of the Company's accumulated experience and knowledge. If those persons are to leave, we may suffer an overwhelming loss of valued experience, skills and expertise that may jeopardise our business and growth.

In addition, we are subject to a variety of business risks generally associated with growing companies, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Future growth and expansion could place significant strain on our management personnel and will likely require us to recruit additional management personnel.

There can be no assurance that we will be able to manage our expanding operations (including any acquisitions) effectively, that we will be able to sustain or accelerate our growth or that such growth, if achieved, will result in profitable operations. Additionally, we cannot guarantee that we will be able to attract and retain sufficient management personnel necessary for continued growth, or that we will be able to successfully make strategic investments or acquisitions.

Our senior management team has limited experience managing a public company in Canada, and regulatory compliance may divert its attention from the day to day management of our business and will increase our expenses.

Most of individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies compared to senior management of other publicly-traded companies. Our senior management team may not successfully or efficiently manage our being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these obligations will require substantial attention from our senior management and could divert their attention away from the day to day management of our business.

We incur significant accounting, legal, insurance and other expenses as a result of being a public company, which could cause our results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSXV substantially increase our expenses, including our accounting and legal costs. Furthermore, compliance with applicable securities laws and regulations makes some activities more time-consuming and costlier. Reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes, and controls, and on our personnel.

Furthermore, we expect that compliance with the laws, rules and regulations that public companies are subject to will make it more expensive for us to obtain director and officer liability insurance and may require us to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as officers.

We may face significant difficulties due to our team's lack of experience in operating manufacturing sites abroad.



Additional Information

Risk Factors

Our management team may lack experience in operating manufacturing sites internationally. As a result, we may experience difficulties in overseeing the operations and marketing of our existing and future products in potential markets.

Our success depends on attracting and retaining talented people within our business. Significant shortfalls in recruitment or retention could adversely affect our ability to compete and achieve our strategic goals.

Attracting, developing, and retaining talented employees, including our engineers, experienced workforce and sales persons, is essential to the successful delivery of our products and success in the applicable market. Furthermore, as we continue to focus on innovation, our need for talented engineers and other professionals will increase. An important factor in our ability to realize our anticipated benefits from the expansion of our sites abroad is our, and our partners, ability to retain key employees at each site. The ability to attract and retain talented employees is critical in the development of new products and technologies which is a major component of our growth strategy.

Competition for employees can be intense and if we are unable to successfully integrate, motivate and reward our current employees in our company, we may not be able to retain them. If we are unable to retain these employees or attract new employees in the future, our ability to effectively compete with our competitors and to grow our business could be adversely affected.

We may become subject to liability arising from any fraudulent or illegal activity by our employees, contractors and consultants.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or

other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal, Israeli and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for us to identify and deter misconduct by our employees and other third parties, and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, monetary fines or contractual damages on us, reputational harm, diminished profits and future earnings, and curtailment of our operations.

Risks Related to Regulation

If we are unable to comply with regulatory requirements and industry standards, including those regarding product safety, quality, efficacy, and environmental impact, we could incur significant costs and suffer reputational harm which could adversely affect results of operations.

We plan to develop, produce and market our products in a number of jurisdictions around the world. This would make us subject to federal, regional and local legislation and regulations in each of the various countries. Our products, which among other industries, are intended for use automotive, food & beverage, agriculture and other industrial fields], may be subject to strict quality and regulatory standards. As a result, we in turn are required to meet these strict standards which, in recent years, have become increasingly stringent and affect both existing as well as new products.



Additional Information

Risk Factors

The development, manufacture and sale of our products may subject to various regulatory requirements in each of the countries in which our products may be developed, manufactured and sold. In addition, we may become subject to product safety and compliance requirements established by governments and industry-specific regulatory bodies, or contractually by our customers, including requirements concerning product safety, quality and efficacy, environmental impacts (including packaging, energy and water use and waste management) and other sustainability or similar issues.

Our products and operations will be subject to regulation by governmental agencies in each of the markets in which we operate. These agencies include, among others: (i) standardization agencies that regulate technical and mechanical requirements for products, processes and quality; (ii) environmental protection agencies that regulate our present and prospect manufacturing facilities; (iii) safety and health agencies that regulate the working and production conditions of our manufacturing sites; (iv) local and international agencies that regulate trade and customs; (v) the labor rights authorities that regulate the rights of our employees, their compensation, pension rights and working condition; and (vi) all other regulators and agencies that involve and regulate industry facilities, taxation, fair trade, intellectual property rights, social duties and local and international laws and regulations.

In recent years, we are witnessing an increase in standardization, registration and reporting requirements concerning many of the above regulations in Europe and around the world.

In addition, we will be subject to various rules relating to health, work safety and the environment at the local and international levels in the various countries in which we plan to operate. Our manufacturing facilities may be subject to environmental standards relating to air emissions, sewage discharges, and the use of hazardous materials, waste disposal practices and clean-up of existing environmental contamination. In recent years,

there has been a significant increase in the stringency of environmental regulation and enforcement of environmental standards, and the costs of compliance have risen significantly. We expect this trend will continue in the future.

The regulatory and standardization requirements have a material effect on our business and require significant company resources. Any change in each of them may have significant effect on our business, its structure and activity and operations and may incur significant additional costs and expenditures. If we are unable to comply with regulatory requirements and industry standards, including those regarding product safety, quality, efficacy and environmental impact, we could incur significant costs and suffer reputational harm which could adversely affect results of operations. Furthermore, gaps in our operational processes or those of our suppliers or distributors can result in products that do not meet our quality control or industry standards or fail to comply with the relevant regulatory requirements, which in turn can result in products that do not comply with applicable standards and requirements. Products that are mislabeled, contaminated or damaged could result in a regulatory non-compliance event or even a product recalls.

Any violation of any of the relevant regulations or standardization, may cause significant impacts on our business, that may include, among others, products disqualifications and returns, major law suits, civil and criminal actions against the company and its management including significant fines, delays or shut downs of facilities and activities, major damage to our reputation and brands, and business collaboration refusals.

Risks Related to Product Liability

We face the risk of exposure to product liability claims, regulatory action and litigation if our products cause loss or injury.

As a manufacturer and distributor of products designed to be used in the automotive, food & beverage, agriculture and other industries, we face a



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risk of exposure to product liability claims, regulatory action and litigation if our products cause, or are alleged to have caused, significant loss or injury. We may be subject to various product liability claims, including, among others, that the products produced by us caused injury or loss to our clients, include inadequate instructions for use or include inadequate installation.

If any of the products that we produce or intend to produce are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, malfunctions or harmful side effects, packaging safety and inadequate or inaccurate labeling disclosure. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant attention from our management. There can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the products produced by us were subject to recall, our image, and the image of that product (and other products sold by us) could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products.

We may not be able to obtain insurance coverage for all of the risks we face, exposing us to potential uninsured liabilities.

Our current liability insurance provider renewed our product liability insurance policy in April 2024. However, there is no assurance that we will be able to obtain product liability insurance in the future on the same terms, including with the premium under our current policy, or at all. If our current insurance provider does not renew our product liability insurance policy in the future, it is uncertain at this time whether we will be able to

obtain product liability insurance in the future on the same terms, including with the premium under our current policy, or at all. If our current insurance provider does not renew our product liability insurance policy in the future, it is uncertain at this time whether we will be able to obtain insurance coverage from other insurance providers in the future. If our insurance provider refuses to renew our insurance or our policy is terminated early and we are unable to obtain coverage from other providers, we may incur significant legal expenses and become liable for damages that are not covered by insurance, and our management could expend significant time addressing such claims. These events could have a material adverse effect on our business and the results of our operations.

Risks Related to Intellectual Property

We rely on intellectual property and may not be able to protect intellectual property rights throughout the world.

Our success is heavily dependent upon intangible property and technology that we own and/or licence from others. We rely upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information we consider important to the development and success of our business. We utilize various methods to protect our proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. Further, identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors. There can be no assurance that the steps taken by us to protect intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of our intangible property, technology or processes. To the extent that any of the above would occur, revenue could be negatively affected, and in the



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future, we may have to litigate to enforce our intangible property rights, which could result in substantial costs and divert management's attention and other resources.

Further, we may be unable to obtain registrations for our intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks, patents or other intellectual property protections, prior registrations of which we are not aware, or we may encounter claims from prior users of similar intellectual property in areas where we operate or intend to conduct operations. If any of our products are approved and marketed for an indication for which we do not have an issued patent, our ability to use our patents to prevent a competitor from commercializing a non-branded version of our commercial products for that non-patented indication could be significantly impaired or even lost. In addition, we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending or contemplated patent applications will result in issued patents. Competitors may independently develop similar products, duplicate our products, design around our patent rights, or obtain patents and proprietary rights that block or compete with our products.

Policing the unauthorized use of our current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources, and filing, prosecuting, and defending patents on all of our product candidates in all jurisdictions throughout the world would be prohibitively expensive. Therefore, we have filed applications and/or obtained patents only in key markets, such as Israel, Canada, the United States and certain countries in Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and their products may compete with ours.

In addition, if competitors infringe on our intellectual property, we may have to participate in litigation, interference or other proceedings that are expensive and divert management's attention to determine the right to a patent or other intellectual property or the validity of any patent granted. In any infringement proceeding, some or all of our current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defence proceedings could put one or more of our current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued.

We have entered into assignment of invention agreements with our research and development employees pursuant to which such individuals agreed to assign to us all rights to any inventions created during or as a result of their employment or engagement with us or in our field of business. A significant portion of our intellectual property has been developed by our employees in the course and as a result of their employment with us. Under the Israeli Patent Law, 5727 1967 (the "Patent Law"), inventions conceived by an employee during the scope of his or her employment with a company and as a result thereof are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no agreement between an employer and an employee with respect to the employee's right to receive compensation for such "service inventions," the Israeli Compensation and Royalties Committee (the "Patent Committee"), a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her service inventions and the scope and conditions for such remuneration. The Patent Committee (decisions of which have been upheld by the Israeli Supreme Court) has held that employees may be entitled to remuneration for their service



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ventions despite such employees having specifically waived any such rights to remuneration. A recent decision by the Patent Committee clarifies that the right to receive consideration for “service inventions” can be waived by the employee and that in certain circumstances; such waiver does not necessarily have to be explicit. In order to determine the scope and validity of such waiver, the Patent Committee will examine, on a case by case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Patent Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). As a result of certain of the Patent Committee’s decisions and uncertainty regarding how the Patent Committee reaches decisions, there is considerable uncertainty around the application of the Patent Law.

Although our employees have agreed to assign to us service invention rights and have specifically waived their right to receive any special remuneration for such assignment beyond their regular salary and benefits, we may face claims that the assignment is not enforceable or demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

Risks Related to the Ownership of Our Ordinary Shares and warrants ***There are risks related to forward-looking information in this MD&A.***

The forward-looking information included in this MD&A relating to, among other things, our future results, performance, achievements, prospects, intentions or opportunities or the markets in which we operate or expect to operate is based on opinions, assumptions and estimates made by our

management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those described in this MD&A. See “Forward-Looking Information”.

The Principal Shareholders hold significant voting power in the Company and the interests of the Principal Shareholders may not be the same as those of the Company's other shareholders.

Sullam, Tedeá, Clover Wolf and RAM.ON (the “Principal Shareholders”) hold significant voting power in the Company, and the interests of each of the Principal Shareholders may conflict with or differ from the interests of the Company's other shareholders. Currently, the Principal Shareholders hold, in the aggregate, approximately 71% of the Company's issued and outstanding Ordinary Shares, or approximately 81% on a fully diluted basis. Additionally, each of Principal Shareholders (and their respective affiliates) may hold or may acquire investments and assets that may compete with the Company. Accordingly, the interests of the Principal Shareholders and their respective affiliates, may not be the same as those of the Company's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Company or the Company's minority shareholders. The Principal Shareholders and their affiliates may also pursue, for their own account, acquisition opportunities that could be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.



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As long as the Principal Shareholders own or control a significant number of our outstanding Ordinary Shares, they will have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other shareholders may vote, including the election and removal of directors and the size of our Board, any amendments to our Articles of Association, or the approval of any merger, acquisition or other significant corporate transaction, including a sale of all or substantially all of our assets.

Circumstances may occur in which the interests of the Principal Shareholders and their affiliates could be in conflict with the interests of other shareholders, and the Principal Shareholders would have significant influence to cause the Company to take actions that align with its interests. In addition, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquiror from attempting to obtain control of the Company, which could cause the market price of the Ordinary Shares to decline or prevent shareholders from realizing a premium over the market price for their Ordinary Shares.

The market price of our Ordinary Shares may be volatile, which could result in substantial losses for investors purchasing our Ordinary Shares.

The price of our Ordinary Shares will fluctuate with market conditions and other factors. If a holder of Ordinary Shares sells its Ordinary Shares, the price received may be more or less than the original investment. Some of the factors that may cause the market price of our Ordinary Shares to fluctuate include:

- actual or anticipated fluctuations in our quarterly results of operations
- recommendations by securities research analysts

- changes in the economic performance or market valuations of companies in the industry in which we operate
- addition or departure of our executive officers and other key personnel
- sales or perceived sales of additional Ordinary Shares
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies.

Currently, our officers, directors and Principal Shareholders (greater than 10% shareholders) collectively control, directly or indirectly, approximately 84.3% of the voting power and interests in our outstanding Ordinary Shares on a fully diluted basis. Subsequent sales of our Ordinary Shares by these shareholders, or the market perception that holders of a large number of Ordinary Shares intend to sell Ordinary Shares, could have the effect of lowering the market price of our Ordinary Shares. Further, the perceived risk associated with the possible sale of a large number of Ordinary Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our shareholders to sell their Ordinary Shares, thus causing the market price of our Ordinary Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Ordinary Shares by our officers, directors or the Principal Shareholders could cause other institutions or individuals to engage in short sales of the Ordinary Shares, which may further cause the market price of our Ordinary Shares to decline.

From time to time, our directors and executive officers may sell Ordinary Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive



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officers may sell a significant number of Ordinary Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Ordinary Shares. These sales could cause the market price of our Ordinary Shares to decline. Any decline in the market price of Ordinary Shares may also impede our ability to raise additional capital and might cause remaining holders of Ordinary Shares to lose all or part of their investment.

There are risks associated with the potential dilution of our Ordinary Shares.

We may raise additional funds in the future by issuing equity securities. Such equity securities could contain rights and preferences superior to those of the Ordinary Shares issued prior to such issuance and holders of Ordinary Shares will have no pre-emptive rights in connection with such further issues. Our board of directors (the "Board of Directors" or the "Board") has the discretion to determine if an issuance of equity securities is warranted, the price at which such issuance is effected and the other terms of issue of any equity securities, including Ordinary Shares or equity securities convertible into Ordinary Shares. In addition, additional Ordinary Shares may be issued by us in connection with the exercise of options granted to our employees and directors. To the extent holders of our options or other convertible securities convert or exercise their securities and sell the Ordinary Shares they receive, the trading price of the Ordinary Shares may decrease due to the additional number of Ordinary Shares available in the market. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Ordinary Shares. In addition, we cannot predict the size of future issuances of our equity securities, including Ordinary Shares, or the effect, if any, that future issuances and sales of our equity securities, including Ordinary Shares will have on the market price of our Ordinary Shares. Sales of substantial amounts of our Ordinary Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Ordinary Shares.

At the date of this MD&A, we have 156,387,006 Ordinary Shares outstanding. In addition, currently there are options (including restricted share units) to acquire 14,398,064 Ordinary Shares outstanding. The Ordinary Shares issuable upon the exercise of these options, will, to the extent permitted by any applicable vesting requirements, lock-up agreements and restrictions under applicable securities laws in Canada, also become eligible for sale in the public market.

Prior to the listing of our Ordinary Shares on the TSXV there had been no prior public market for our Ordinary Shares, and an active trading market may not develop.

We began listing on the TSXV in April 2021. Prior to such listing, there was no market through which our Ordinary Shares were sold and, if a market for our Ordinary Shares does not develop or is not sustained, you may not be able to resell your Ordinary Shares. This may affect the pricing of the Ordinary Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Ordinary Shares and the extent of issuer regulation. If an active and liquid trading market for the Ordinary Shares does not develop or is not maintained, investors may have difficulty selling their Ordinary Shares. There can be no assurance that there will be sufficient liquidity of the Ordinary Shares on the trading market, or that we will continue to meet the listing requirements of the TSXV or any other public listing exchange on which the Ordinary Shares are or may subsequently be listed.

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about us or our business, our trading price and volume could decline.

The trading market for our Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry



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analysts commence covering us, the trading price for our Ordinary Shares would be negatively impacted. If we obtain securities or industry analyst coverage and one or more of the analysts who cover us downgrade our Ordinary Shares or publish inaccurate or unfavourable research about our business, or more favourable relative recommendations about our competitors, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Ordinary Shares could decrease, which could cause our trading price and volume to decline.

We may not be able or willing to pay any dividends.

No dividends on the Ordinary Shares have been paid to date and there is no assurance as to whether we will be profitable enough to pay dividends, or determine to do so even if sufficiently profitable. We anticipate that, for the foreseeable future, we will retain future earnings and other cash resources for the operation and development of our business. Payment of any future dividends will be at the discretion of the Board of Directors after considering many factors, including our earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements. Our Board must also approve any dividends at their sole discretion. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

We lack adequate financing.

We have limited capital and resources and there is no assurance that we will have sufficient capital to fully implement our business plan. Currently, we generate negative cash flows from our operations and we are required to fund our operations as well as our planned investments and expansion. We do not have any significant bank credit facility or other working capital credit line under which we may borrow funds for working capital, capital investments or other general corporate purposes. Should we fail in future efforts to provide adequate working capital, and other sources of finance, we will experience difficulties in all areas. This would have a material

adverse effect on our business, results of operations, financial condition and prospects. With respect to the commitment of the Company's shareholders to support its operations, see the section titled "**Liquidity and Capital Resources – Overview**".

Risks Related to Exchange Rate

Exchange rate fluctuations between the Canadian dollar, the U.S. dollar, Israeli Shekel, Euro and other foreign currencies may negatively affect our future revenues.

We will be exposed to the financial risk related to the fluctuation of foreign exchange rates. Commencing July 2022, as a result of the Flome Transaction and the oceansix Transaction, our main operations have been maintained in Euro. Currently, we generate the majority of our revenues in Euro. The majority of our operating expenses are incurred in Europe, including executive compensation, employee salaries and payments to service providers in Europe. We also maintain expenses in U.S. dollar, Canadian dollars and NIS and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes. In addition, a portion of our financial assets and liabilities are denominated in currencies in addition to Euros. Therefore, our financial results may be affected by fluctuations in currency exchange rates. Although exposure to currency fluctuations to date has not had a material adverse effect on our business, there can be no assurance that any future hedging transactions we engage in will provide sufficient protection and that such fluctuations in the future will not have a material adverse effect on our operating results and financial condition. To date, we have not hedged our exposure to currency fluctuations.

Risks Related to Competition

We operate in a highly competitive industry, and may not be able to maintain our operations or develop them as currently proposed if we are unable to outperform our competitors.



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An increase in the number of companies competing in the [recycling industry in general, and plastic bag and sheet recycling specifically, and the] thermoforming manufacturing industry, could limit our ability to expand our operations abroad. Some competitors may have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. There is no assurance that we will be able to compete successfully against current and future competitors. Mergers and acquisitions in plastic production industry may result in more concentrated resources among a smaller number of competitors. To remain competitive, we will require continued investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis.

The current competition landscape in plastic production industry, could limit our ability to expand our operations abroad. Some competitors may have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. There is no assurance that we will be able to compete successfully against current and future competitors. Mergers and acquisitions in plastic production industry may result in more concentrated resources among a smaller number of competitors. To remain competitive, we will require continued investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis.

We may fail to develop and manufacture high quality products that compete successfully against other products or solutions.

Our business development and growth are highly dependent on the development of new products that we will produce in our existing and prospect sites. Our success depends on our ability to develop more efficient

production processes for existing market products to be distributed and sold around the world. Such future products need to be able to compete in high competition environments, and therefore will need to meet require regulations, high standards and quality and to maintain reasonable profits under competitive prices for the Company to effectively compete.

Because of the importance of developing production processes and producing new market-existing products, failure to develop and adapt new products production process or major delays in such developments and production implementation, could adversely affect our business, financial condition, and results of operations.

Our existing and prospective products are in competitive landscapes which are characterized as having strong competition and low barriers to entry. The industrial, agricultural and construction plastic products markets are highly competitive and consist of many manufacturers, low raw materials cost, advanced production processes, worldwide production sites with no real boundaries. Some of the worldwide manufacturers are also constantly monitoring and attempting to anticipate new products demand, seeking ideas which will appeal to consumers, and introducing new products that compete with our existing and prospect products.

Competition in our business is further based, among other things, on innovation, product quality, regulatory compliance, pricing, quality of customer service, and understanding of potential customers. It is difficult for us to predict the timing, scale and success of our competitors in these areas. In particular, the discovery and development of new products, materials and solutions, protection of our know-how and development and retention of key employees are critical to our ability to effectively compete in our business. Advancement in technologies have also enhanced the ability of our competitors to develop substitutable products. Increased competition by existing or future competitors, including aggressive price



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competition, could result in the loss of sales, reduced pricing and margin pressure and could adversely impact our sales and profitability. New products and other solutions to our existing and prospective products, as well as higher quality, lower prices and better branding of solutions and products by our existing and future competitors, may adversely affect our business, financial condition, and results of operations.

Risk Related to Cyber Threats

Significant data breaches or other disruptions to our information technology systems could disrupt our operations, result in the loss of confidential information or personal data, and adversely impact our reputation, business or results of operations.

We rely on information technology systems, including some managed by third-party providers, to conduct business and support our business processes, including those relating to product design, product development, manufacturing, sales, order and invoice processing, production, distribution, internal communications and communications with third parties throughout the world, processing transactions, summarizing and reporting results of operations, complying with regulatory, tax or legal requirements, and collecting and storing customer, supplier, employee and other stakeholder information. Cybersecurity incidents, data breaches and operational disruptions caused by cyberattacks or cyber-intrusions are constantly evolving in nature, becoming more sophisticated and are being made by groups and individuals with a wide range of expertise and motives.

Risk Related to Natural Disasters

Earthquakes or other catastrophic events out of our control may damage our facilities or those of our contractors and adversely affect our business, financial condition, and results of operations.

A catastrophic event where we have important operations, such as an earthquake, tsunami, flood, typhoon, fire, or other natural or manmade

disaster, could disrupt our operations or those of our contractors and impair production or distribution of its products, damage inventory, interrupt critical functions, or otherwise adversely affect our business, financial condition, and results of operations.

Risk Related to General Economic Conditions

Geopolitical instability could impact world economic markets and adversely affect the Company's ability to conduct business.

Geopolitical instability (including military conflict and the accompanying international responses, including economic sanctions) can be disruptive to the world economy and result in additional volatility in commodity markets, international trade and financial markets, which could impact the Company.

On February 24, 2022, Russia commenced a military invasion of Ukraine. In response, many jurisdictions have imposed strict sanctions against Russia and its interests, including Canada, the United States, the European Union, the United Kingdom, and others, which may impact world economic markets and have follow-on effects in particular industries. While we do not have any operations in Ukraine or Russia, our business may be impacted by the ongoing conflict between Russian and Ukraine and the related economic sanctions. The conflict and economic sanctions may also give rise to additional indirect impacts, including increased fuel prices, supply chain challenges, volatile commodity prices, logistics and transportation disruptions and heightened cybersecurity disruptions and threats. Increased fuel prices and ongoing volatility of such prices may have adverse impacts on our costs of doing business. As geopolitical conflicts occur, re-occur or escalate, they could have a material adverse effect on business, financial condition or results of operations of the Company.



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Risks Related to Our Status as an Israeli Company Limitations surrounding the use of Israeli government funding

We have received funding from the Israeli government through the IIA for certain research and development activities and may receive additional grants in the future. Any Israeli government funding that we receive for research and development expenditures may limit or prohibit our ability to manufacture products and transfer know-how outside of Israel and require us to satisfy specified conditions. The terms of such grants may trigger additional payments to the IIA following our decision to manufacture products or transfer or license any related IP outside of Israel, and we may be required to pay penalties in such cases or upon sale of IP, under the Israeli Encouragement of Research, Development and Technological Innovation Law, 5744-1984, and the regulations promulgated thereunder (the "R&D Law").

As of the date of this MD&A, we have received a total amount of US\$ 700 thousand from the IIA, such amount has to be repaid as 1.3-3% of sales of products developed with the use of the IIA grants. As of the date of this MD&A the future possible payments under such grants are approximately US\$ 430 thousand remains outstanding on such grants. In addition to paying any royalty due, we must abide by other restrictions associated with IIA funding, that continue to apply even following repayment to the IIA.

Although products based on IIA-funded technologies and know-how may be sold freely, the transfer of or grant of any right (including licenses or liens) in the underlying IIA-funded technologies and know-how is restricted. Any such transfer, license or grant of right is subject to the approval of the IIA and if the transfer, license or grant of right is made to an entity outside of Israel, then it is generally conditioned on payment of a redemption fee, which may be substantial. Any approval, if given, will generally be subject to additional financial obligations. These restrictions may impair our ability to

outsource manufacturing, engage in change of control transactions or otherwise transfer or license our know-how outside of Israel by being required to obtain the approval of the IIA for certain actions and transactions and pay additional royalties, penalties and other amounts to the IIA. Such amounts may be up to six times the total of the grants actually received plus interest (minus any royalties paid). In addition, any change of control and any change of ownership of shares that would make a non-Israeli citizen or resident an "interested party" (as that term is defined in the R&D Law), requires written notice to the IIA.

If we fail to comply with the restrictions and conditions imposed in connection with IIA funding, we may be subject to the sanctions that are set forth under Israeli law, including the possible refund of any payments previously received together with interest and an adjustment based on the Israeli consumer price index, and in certain circumstances we may also be subject to criminal charges. The difficulties and cost of obtaining the approval of the IIA for the transfer or license of manufacturing rights, technology or know-how outside of Israel could prevent us from entering into strategic alliances or other transactions that provide for such a transfer or license, which in turn could adversely affect our business, results of operations and financial condition.

Regarding potential expenses in the event that the Company's will use IIA supported know-how outside of Israel in the future and the related ramifications on the IIA funding received, see the section titled "Summary of Factors Affecting Our Results of Operations – Development Expenses." Your rights and responsibilities as a shareholder will be governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of Canadian companies.

The rights and responsibilities of the holders of our Ordinary Shares are governed by our amended and restated articles of association and by Israeli



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law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in Canadian companies. Certain provisions in the Israeli Companies Law, 5759-1999 (the "Companies Law") may be interpreted to impose additional obligations and liabilities on holders of our Ordinary Shares that are not typically imposed on shareholders of Canadian companies. For example, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our Ordinary Shares that are not typically imposed on shareholders of Canadian corporations.

As an Israeli incorporated Company our business and operations may be adversely affected by political, economic and military conditions in Israel.

We are incorporated under Israeli law. In addition, certain of our directors are residents of Israel. Accordingly, political, economic and military conditions in the Middle East in general, and in Israel in particular, may directly affect our business and results of operations, and we may be adversely affected by a significant increase in the rate of inflation or a significant downturn in economic or financial conditions in Israel.

In recent years, Israel has been engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel, may be developing nuclear weapons and has targeted cyber-attacks against Israeli entities. On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population within the State of Israel, mostly in southern and central Israel, including areas near our headquarters, manufacturing and research and development facilities. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and a military campaign against this terrorist organization, accompanied by the draft of several hundred thousand Israeli military reservists, commenced in parallel to Hamas' continued rocket and terror attacks. Following the attack by Hamas on Israel's southern border, Hezbollah in Lebanon also launched missile, rocket and shooting attacks against Israeli military sites, troops and Israeli towns in northern Israel. In response to these attacks, the Israeli army has carried out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon, and the two sides have been trading attacks on one another since that time. Furthermore, the Houthi movement, which controls parts of Yemen, has been launching attacks on marine vessels traversing the Red Sea, which were thought to either be in route towards Israel or to be partly owned by Israeli businessmen. It is possible that other terrorist organizations, including Palestinian military organizations in the West Bank, as well as other hostile countries, such as Iran, will join the hostilities. It is currently not possible to predict the duration or severity of the ongoing conflict. As we have moved our operations and headquarters to Europe, up to the present time, the war has not had a material effect on our business, operations and financial conditions. However, the ongoing conflict is still evolving and developing, and could still disrupt our business and operations.



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Several countries, principally in the Middle East, as well as certain companies, organizations and movements, restrict their commercial activities with Israel or Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Similarly, Israeli companies are subject to limitations while conducting business with entities from several countries. Such business restrictions and boycotts, particularly if they become more widespread, may materially and adversely impact our ability to sell our products and the expansion of our business. We could be adversely affected by the interruption or curtailment of trade between Israel and its trading partners. Furthermore, the Israeli government has recently been pursuing legislative changes which, if adopted, will alter the current state of separation of powers among the three branches of government and, as a result, have sparked a considerable political debate. Many individuals, organizations and institutions, within and outside of Israel, have voiced concerns over the potential negative impacts of such changes and the controversy surrounding them on the business and financial environment in Israel. Such negative impacts may include, among others, a downgrade in Israel's sovereign credit rating, increased interest rates, currency fluctuations, inflation, civil unrest and volatility in securities markets, which could adversely affect the conditions in which we operate and potentially deter foreign investors and organizations from investing or transacting business in Israel. If any of the foregoing risks were to materialize, it may have an adverse effect on our business, our results of operations and our ability to raise additional funds.

Enforcing a Canadian judgment against us and our current executive officers and directors, or asserting Canadian securities law claims in Israel, may be difficult.

As a corporation incorporated in Israel and with operations in Europe, service of process upon us and upon our directors and officers, most of

whom reside outside of Canada, may be difficult from within Canada. Furthermore, because a majority of our assets and most of our directors and officers are located outside of Canada, any judgment obtained in Canada against us or any of them may be difficult to collect within Canada and may not be enforced by an Israeli court.

We have been informed by our legal counsel in Israel that it may be difficult to assert Canadian securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws on the basis that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. There is little binding case law in Israel addressing these matters. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. Consequently, our investors may be effectively prevented from pursuing remedies under Canadian securities laws against us or any of our non-Canadian directors and officers. Provisions of Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and negatively affect the price of our Ordinary Shares.

Israeli corporate law regulates mergers and requires tender offers for acquisitions of shares above specified thresholds; requires special approvals for certain transactions involving directors, officers or significant shareholders; and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and therefore negatively affect the price of our Ordinary Shares. For example, under the Companies Law, upon the request of a creditor of either party to a proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger.



Additional Information

Risk Factors

Our Company must comply with both Canadian and Israeli tax laws, and our Subsidiaries are subject to other foreign laws and regulations, and Israeli tax considerations may make potential transactions difficult unappealing to us or to our shareholders, especially for those shareholders whose country of residence does not have a tax treaty with Israel, which exempts such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances, but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction, during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. In order to benefit from the tax deferral, a pre-ruling from the Israel Tax Authority might be required.

Miscellaneous

Liquidity problems or bankruptcy of our key customers, could have an adverse effect on our business, financial condition, and results of operations.

Our sales to customers are typically made on credit without collateral. There is a risk that key customers will not pay, or that payment may be delayed because of bankruptcy, contraction of credit availability to such customers, weak sales, or other factors beyond our control, which could increase our exposure to losses from bad debts. In addition, when key customers cease doing business with us because of bankruptcy, or significantly reduce the number of orders, it can have an adverse effect on our business, financial condition, and results of operations.