OCEANSIX FUTURE PATHS LTD.
(FORMERLY: K.B. RECYCLING INDUSTRIES LTD.)

INDEPENDENT AUDITORS' REPORT AND

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

U.S. DOLLARS IN THOUSANDS

INDEX

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Building a better working world

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of

OCEANSIX FUTURE PATHS LTD.

(Formerly: K.B. RECYCLING INDUSTRIES LTD).

Opinion

We have audited the consolidated financial statements of Oceansix Future Paths Ltd. (Formerly: K.B. Recycling Industries Ltd.) (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Impairment Assessment of Goodwill and Other Intangible Assets

As of December 31, 2023, the Company had goodwill and an intangible asset (in-process research and development -"IPR&D") with a carrying amount before impairment of $3.1 million and $1.1 million, respectively, in the consolidated statement of financial position.
Management performed impairment tests of the recoverability of the intangible asset and goodwill as required by IFRS which is subjective in nature due to judgements and estimates having to be made of, among others, future performance. The recoverable amount of the IPR&D was valued at $ 138 thousand, and therefore an impairment of the IPR&D in the amount of $ 950 thousand was recorded as of December 31, 2023. In addition, the impairment test indicated that the recoverable amount of each of the CGU's comprising the goodwill is less than their carrying amount, and therefore an impairment of goodwill in the amount of $1.42 million was recorded as of December 31, 2023.
As disclosed in Note 10, the Company applied significant judgments and estimations in respect of future cash flow forecasts, discount rate and terminal growth rate assumptions. Changes in certain assumptions can lead to significant changes in the assessment of the recoverable amount.
This matter has been considered a key audit matter due to the level of judgment required to estimate the forecasted cash flows and discount rates used.

How our Audit Addressed the Key Audit Matter

We performed audit procedures that included, among others; assessing the reasonableness of the cash flow forecasts considering our knowledge of the business and relevant information and evaluating with the assistance of our fair value specialists, the discount rate, including mathematical accuracy of the calculation, and by developing a range of independent estimates and comparing those to the discount rate selected by management.

Other Information Included in the Company's 2023 Management Discussion and Analysis

Management is responsible for the other information. The other information comprises the information included in the 2023 Management Discussion and Analysis, other than the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Tel-Aviv, Israel
April 30, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2023	December 31, 2022
		U.S. dollars in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	379	488
Trade receivables	5	454	687
Other accounts receivable	6	698	435
Inventories		283	144
		1,814	1,754
Assets held for sale	9	-	217
		1,814	1,971
NON-CURRENT ASSETS:			
Right-of-use assets	7	831	900
Finance lease receivables - related party	23	200	-
Property, plant and equipment, net	8	648	1,024
Intangible assets	10	444	1,361
Goodwill	10	1,628	2,964
Other accounts receivable		17	21
		3,768	6,270
		5,582	8,241
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	11	262	177
Current maturities of lease liabilities	7	102	154
Current maturities of loans from others		100	-
Trade payables	12	747	719
Other payables	13	1,520	1,089
		2,731	2,139
NON-CURRENT LIABILITIES:			
Lease liabilities	7	730	802
Deferred tax liabilities	16	107	138
Loans from others		88	137
Other liabilities	14	26	25
Shareholders and affiliated companies	23	567	584
Convertible debt to related party	23	1,230	-
Warrants	15	9	226
		2,757	1,912
EQUITY (DEFICIT):			
Share capital and share premium	18	50,861	50,861
Warrants		453	453
Foreign currency translation reserve		16	(15)
Reserve from share-based payment transactions		1,894	1,828
Reserve from transaction with controlling shareholders		460	-
Accumulated deficit		(53,590)	(48,937)
Total equity (deficit)		94	4,190
		5,582	8,241

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

April 30, 2024			
Date of approval of the Financial statements	Gat Ramon Chairman of the Board	Elad Hameiri Chief Executive Officer	Salvador Cabanas Chief Financial Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Year ended December 31,	
		2023	2022
	Note	U.S. dollars in thousands (except loss per share)	
Revenues from sales	22	2,454	685
Cost of sales	20a	2,124	501
Gross profit		330	184
Development expenses	20b	35	177
Selling and marketing expenses	20c	305	(*) 192
General and administrative expenses	20d	2,256	2,426
Other expenses, net	20e	2,246	(*) 457
Operating loss		(4,512)	(3,068)
Finance income	20f	259	2,426
Finance expenses	20f	(300)	(129)
Loss before taxes		(4,553)	(771)
Tax benefit	16	190	296
Loss from continuing operations		(4,363)	(475)
Loss from discontinued operations, net	9	(290)	(3,997)
Loss		(4,653)	(4,472)
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)
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)

(*) Reclassified.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Year ended December 31,	
		2023	2022
	Note	U.S. dollars in thousands (except loss per share)	
Loss per share:	21		
Basic Loss:			
Loss from continuing operations		(0.029)	(0.003)
Loss from discontinued operations		(0.002)	(0.029)
Loss		(0.031)	(0.032)
Diluted Loss:			
Loss from continuing operations		(0.029)	(0.015)
Loss from discontinued operations		(0.002)	(0.029)
Loss		(0.031)	(0.044)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium	Warrants	Reserve from share-based payment transactions	Foreign currency translation reserve	Reserve from transaction with controlling shareholders	Accumulated deficit	Total equity
	U.S. dollars in thousands						
Balance at January 1, 2022	47,040	453	1,369	259	-	(44,465)	4,656
Loss	-	-	-	-	-	(4,472)	(4,472)
Total other comprehensive income	-	-	-	(274)	-	-	(274)
Total comprehensive loss	-	-	-	(274)	-	(4,472)	(4,746)
Cost of share-based payment	-	-	459	-	-	-	459
Conversion of Convertible Note	1,218	-	-	-	-	-	1,218
Issuance of Ordinary shares, net of underwriting commission and offering costs (in the amount of $ 1,653 thousand)	2,603	-	-	-	-	-	2,603
Balance at December 31, 2022	50,861	453	1,828	(15)	-	(48,937)	4,190
Loss	-	-	-	-	-	(4,653)	(4,653)
Total other comprehensive income	-	-	-	31	-	-	31
Total comprehensive loss	-	-	-	31	-	(4,653)	(4,622)
Cost of share-based payment	-	-	66	-	-	-	66
Transaction with controlling shareholders	-	-	-	-	460	-	460
Balance at December 31, 2023	50,861	453	1,894	16	460	(53,590)	94

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2023	2022
	U.S. dollars in thousands	
Cash flows from operating activities:		
Loss	(4,653)	(4,472)
Adjustments to reconcile loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation and amortization	259	379
Gain from sales of property, plant and equipment	(18)	-
Gain from finance lease	(178)	-
Impairment loss of property, plant and equipment	-	783
Impairment loss of goodwill and other intangible assets	2,373	522
Depreciation of right-of-use assets	104	198
Loss from derecognition of right-of-use-assets and lease liabilities	-	47
Change in liability for grants received from the IIA	-	(199)
Gain on revaluation of Warrants	(220)	(1,813)
Gain on revaluation of Convertible debt to related party	108	-
Finance expenses	173	145
Tax benefit	(190)	(296)
Cost of share-based payment	66	1,677
	2,477	1,443
Changes in asset and liability items:		
Decrease in trade receivables	251	65
Decrease in other accounts receivable	5	243
Decrease (increase) in inventories	(131)	44
Increase (decrease) in trade payables	(55)	(348)
Increase in other payables	382	58
Decrease in other long-term receivables	21	56
	473	118
Cash paid during the year for:		
Interest paid	(40)	(123)
Net cash used in operating activities	(1,743)	(3,034)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2023	**2022**
	U.S. dollars in thousands	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(78)	(44)
Acquisition of initially consolidated subsidiaries (a)	-	(1,513)
Receipt from Finance lease	70	-
Investment of intangible assets	(137)	-
Proceeds from sale of property, plant and equipment	207	-
Investment in deposits	(17)	-
Net cash used in investing activities	45	(1,557)
Cash flows from financing activities:		
Repayment of grants received from the IIA	-	(41)
Receipt of grants from the IIA	-	20
Credit from banks, net	78	20
Repayment of lease liabilities	(100)	(359)
Receipt of loan from other	45	-
Receipt (repayment) of loans from related parties	1,550	(45)
Net cash provided by (used in) financing activities	1,573	(405)
Exchange rate differences on balances of cash and cash equivalents	16	(425)
Decrease in cash and cash equivalents	(109)	(5,421)
Cash and cash equivalents at the beginning of the year	488	5,909
Cash and cash equivalents at the end of the year	379	488
Non-cash transactions:		
Finance lease receivables - related party	513	-

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2023	2022
	Unaudited	
	U.S. dollars in thousands	
(a) Acquisition of initially consolidated subsidiaries:		
Working capital (excluding cash and cash equivalents)	-	(275)
Property, plant and equipment	-	712
Right-of-use assets	-	925
Intangible assets	-	1,954
Goodwill	-	2,888
Other non-current assets	-	5
Credit from banks	-	(153)
Deferred taxes	-	(430)
Current maturities of lease liabilities	-	(48)
Other non-current liabilities	-	(585)
Lease liabilities	-	(877)
Issuance of shares	-	(2,603)
	-	1,513

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

NOTE 1:- GENERAL

a. **Oceansix Future Paths Ltd.** (formerly: K.B. Recycling Industries Ltd.) (the "Company") was incorporated under the laws of Israel as a private company. The Company's principal place of business is AV. LA Albufera, 7 – 46460 Silla, Valencia, Spain. The Company began its operations in April 2008 and operated in the plastic recycling market. In April 2021, the Company completed an initial public offering and commenced trading on the TSX Venture Exchange.

Until November 2022, the Company utilized its ‘waste to product process’ to recycle post consumed household waste plastic bags and sheets combined with post consumed agricultural plastic sheets and manufactures polyurethane sheets and geomembranes utilized mainly by the building and infrastructure industry. The Company's manufacturing process was developed over the course of a number of years. The Company's process involved the processing of the waste and its direct conversion of the waste into a finished product. In June 2022, following the acquisition of two new subsidiaries, the Company's operations expanded into three dimensional recycled and non-recycled plastic industrial products through its Spanish subsidiary Plasticos Flome S.L and research and development activity of innovative and technologically advanced plastic products through its German subsidiary oceansix GMBH (see b and c below). 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 for local grants and tax benefits in local government and Europe.

Following the Company's board of directors' decision, in November 2022, the Company ceased its production activities in Israel. In January 2023, the Company’s Israeli production site was permanently closed. At this time, the Company ceased 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 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.

As the operations in Israel represented a separate geographical area, those operations have been classified as discontinued operations and the results of those operations are presented as a single line item in profit or loss.

On November 7, 2022, the Company began trading on the Borse-Frankfurt Stock Exchange. In addition, in November 2022, the Company was approved for trading on the OTCQB.

On March 29, 2023, following a June 8, 2022 annual shareholders meeting 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.

NOTE 1:- GENERAL (Cont.)

b. **Acquisition of Plasticos Flome S.L**

On April 27, 2022, the Company entered into an agreement with Plasticos Flome S.L ("Flome") and its shareholders to acquire 100% of Flome's shares. Flome uses plastic sheets and boards as raw materials for manufacturing trays and packaging for automotive, agriculture, and beverage industries.

In accordance with the share purchase agreement, the completion of the transaction was subject to the fulfillment of certain conditions. On June 13, 2022, the acquisition transaction was completed.

As of the date of completion of the transaction, the Company paid a total consideration of EUR 1,800 thousand. A total of EUR 1,620 thousand ($ 1,683 thousand) was paid in cash, and EUR 180 thousand ($187 thousand) was paid through issuance of the Company's shares. Accordingly, the Company issued 1,514,973 Ordinary shares at a market price per share of CAD 0.16 to the sellers. Upon completion of the transaction, the Company owns 100% of Flome.

The Company allocated the purchase price to the identifiable assets acquired and liabilities assumed based on a valuation performed by an independent valuation expert. The fair value of the intangible assets (customer relationship) identified on the acquisition date was $ 512 thousand and the goodwill arose on the acquisition amounted to $ 1,027 thousand.

c. **Acquisition of Oceansix GmbH**

On January 21, 2022, the Company entered into a share purchase agreement with RAM.ON finance GmbH (the "seller"), the owner of Oceansix GmbH, for the purchase of 100% of the issued and outstanding equity securities of Oceansix GmbH (“Oceansix GmbH”). Oceansix GmbH developed solutions and added-value products from post-consumer recycled plastics. Oceansix GmbH intended to process post-consumed recycled plastic to manufacture products related to packaging, container shipping, agriculture, marine farming, and energy storage. On June 17, 2022, the acquisition transaction was completed. Upon completion of the transaction, the Company owns 100% of Oceansix GmbH.

The purchase price consideration was entirely paid in shares of the Company. At Closing, the Company issued to the seller 20,295,037 Ordinary shares of the Company.
Based on the market price of the shares on the date of closing (CAD 0.13), the fair value of these shares amounted to CAD 2,638 thousand ($ 2,009 thousand).

Pursuant to the terms of the Share Purchase Agreement, the Company may be required to make certain earn-out payments to the seller upon the achievement of certain milestones determined in accordance with the Share Purchase Agreement, which may result in the issuance of additional shares, as follows:

i) Upon the Commercialization of the Technology of Oceansix GmbH (the "Technology") within five (5) years from Closing (the “E.O. Period”), the Company will issue to the seller 6,000,000 additional shares.

ii) If during the E.O. Period, the annual sales of the Technology reach a minimum of US$40,000,000 (the “Sales Floor”), the Company shall issue to the seller additional shares as follows:

NOTE 1:- GENERAL (Cont.)

a) at the end of the first fiscal year during the E.O. Period on which the annual sales of the Technology are equal to or exceed the Sales Floor, the seller shall be entitled to 20,000,000 additional shares for the annual sales equal to the Sales Floor; and

b) for any annual sales of the Technology in an aggregate amount which is in excess of the Sales Floor and up to an annual sales amount of US$ 200,000,000 the Company shall issue to the seller 0.338195 shares per every US$ 1 in excess of the Sales Floor, provided however that the aggregate number of the Company's shares issued to the seller shall not exceed 74,111,190 shares.

iii) If at the end of any fiscal year during the E.O. Period, the annual sales of the Technology exceed US$ 300,000,000, the Company shall issue to the seller 33,166,312 additional shares.

The Company estimated the fair value of the contingent consideration in (i) above as of the acquisition date at CAD 533 thousand ($ 407 thousand). This estimation was based on the assumption as to when commercialization of the Technology is expected to occur and the additional shares will be issued, the fair value of which is discounted using the Company’s weighted average cost of capital (“WACC”) and taking into consideration the risks in achieving commercialization. At the date of closing, the Company management estimated that the initial fair value of the liability for the contingent consideration in (ii) and (iii) above is immaterial due to the unlikelihood based on forecasted market conditions that the sales targets will be reached during the E.O. period. Accordingly, the total fair value of the share-based consideration on the date of acquisition amounted to $ 2,416 which was recorded in equity.

As of December 31, 2023, Company management performed a reevaluation of the forecasted market conditions underlying the sales targets of the contingent consideration in (ii) and (iii) above and determined that there were no changes from the date of acquisition that had a material effect on the initial fair value.

The agreement also detail additional Contingent Share Issuances, as follows:

i) If an operational Manufacturing Site outside of Israel for the production of products utilizing Oceansix's of the Company's technology or processes (a "Manufacturing Site") is established or acquired within two (2) years from Closing, the Company will issue to the seller 10,000,000 additional shares (the “First Manufacturing Site Contingent Share Issuance”). These shares were approved and issued in June 2022 – see Note 23(c)2.

ii) If a second Manufacturing Site is established or acquired within two (2) years from Closing, the Company will issue to the seller 4,593,773 additional shares (the “Second Manufacturing Site Contingent Share Issuance” and collectively with the First Manufacturing Site Contingent Share Issuance, the "Contingent Share Issuances").

The aggregate fair value of the Contingent Share Issuances was estimated at closing at $ 1,218 thousand and in view of the services provided and to be provided by the seller in meeting these milestones, was recorded in profit or loss as “General and administrative” expenses at closing.

The Company allocated the purchase price to the identifiable assets acquired and liabilities assumed based on a valuation performed by an independent valuation expert. The fair value of the intangible assets (in-process research and development - “IPR&D”) identified on the acquisition date was $ 1,442 thousand and the goodwill arose on the acquisition amounted to $ 1,861 thousand.

NOTE 1:- GENERAL (Cont.)

d. Company's financial position

In the year ended December 31, 2023, the Company incurred a loss from operations totaling $ 4.6 million and had negative cash flows from operating activities totaling $ 1.7 million. As of December 31, 2023, the Company has a negative working capital of $ 917 thousand and an accumulated deficit of $ 53.6 million.

The Company believes that 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. Considering 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 ($ 2.2 million) as required over the 2 years commencing from September 2022 (the "September 2022 Facility") with each shareholder providing an equal share of any requested amounts, and in April 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 ($ 553 thousand) as required over the 18-month period commencing on May 1, 2023, with each shareholder providing an equal share of any requested amounts (the "May 2023 Facility").
In addition, RAM.ON has agreed that it will not demand repayment of approximately EUR 550 thousand ($ 608 thousand) owed to it by a subsidiary, Oceansix GmbH prior to September 1, 2024 ("RAM.ON credit line"). In November 2023, the Company´s major shareholders agreed to extend the periods of September 2022 Facility, May 2023 Facility and RAM.ON credit line to April 1, 2025.
After the reporting date, on April 30, 2024, the shareholders agreed to extend the period of the September 2022 Facility, May 2023 Facility and the RAM.ON credit line and not to demand the repayment before December 31, 2025

On July 11, 2023 the Shareholder meeting of the Company approved a 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 550 thousand debt owed to RAM.ON into equity of the Company, based on the terms defined in the agreement.

As of the date of the financial statements, RAM.ON, one of the major shareholders, has transferred to the Company an amount equal to EUR 833 thousand ($ 921 thousand) in accordance with both the September 2022 Facility and the April 2023 Facility, and the other two major shareholders transferred to the Company an amount equal to EUR 600 thousand ($ 664 thousand) in accordance with both the September 2022 Facility and the May 2023 Facility. After the balance reporting date the other two major shareholders transferred to the Company an amount equal to EUR 470 thousand ($ 520 thousand). The aggerate balance of the unused September 2022 and May 2023 credit facilities as of December 31, 2023 and as of date of approval of the financial statements is EUR 1,067 thousand ($ 1,180 thousand) and EUR 597 thousand ($ 660 thousand), respectively.

On April 30, 2024, one of the Company's major shareholders, undertook to provide the Company with an additional credit facility in the amount of up to EUR 2 million ($ 2.2 million) as required over the 18-month period commencing on May 1, 2024 (the "May 2024 Facility").
In addition, RAM.ON, has agreed that it will not demand repayment of approximately EUR 322 thousand ($ 356 thousand) owed by the Company to it pursuant to the service agreement (see Note 23c) prior to the earlier of December 31, 2025 or the consummation of a successful capital raise by the Company of at least Euro 2 million ($ 2.2 million).

NOTE 1:- GENERAL (Cont.)

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 and then the May 2024 Facility.

Based on the cash available to the Company as of the date of the approval of the consolidated financial statements and the credit facility 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 these consolidated financial statements.

e. Definitions:

In these consolidated financial statements:

The Company	-	Oceansix Future Paths Ltd. (formerly K.B. Recycling Industries Ltd.)
Related parties	-	As defined in IAS 24.
ILS	-	New Israeli Shekel.
USD or $	-	United States Dollar.
CAD	-	Canadian Dollar.

NOTE 2:- ACCOUNTING POLICIES

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

a. Basis of presentation:

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

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

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

b. Functional currency, presentation currency and foreign currency:

The functional currency of the Company is ILS.

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

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries).

d. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.
Direct acquisition costs are carried to the statement of profit or loss as incurred.

Contingent consideration is recognized at fair value on the acquisition date. If the contingent consideration is classified as a financial asset or liability in accordance with IFRS 9, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.
Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

e. Index-linked monetary items:

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

f. Inventories:

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Cost of inventories is determined as follows:

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

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

g. Property, plant and equipment:

Property, plant and equipment are measured at cost.

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

	%	Mainly %
Facilities and equipment	5 - 25	10
Office furniture and equipment	6 – 25	15
Computers	33	33
Motor vehicles	11 - 25	15
Leasehold improvements	10	10

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

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

h. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Research and development expenditures:

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

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Costs recognized as intangible assets include directly attributable costs of preparing the asset for its intended use such as cost of materials, direct labor costs, overhead and capitalized borrowing costs.

Amortization of the asset begins when development is complete, and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

When an internally developed intangible asset cannot be recognized, the development costs are recognized as an expense in profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

The useful life of intangible assets is as follows:

	Goodwill	IPR&D	Customer Relationships
Useful life	Indefinite	Definite (10 years)	Definite (7.6 years)
Amortization method	Not amortized	Straight-line	Straight-line over the expected period of sales from the project

i. Impairment of non-financial assets:

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

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

j. Revenue recognition:

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

1. Revenue from the sale of goods:

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

k. Government grants:

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

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

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

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

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

l. Leases:

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

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

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

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

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

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

m. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

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

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

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

2. Impairment of financial assets:

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

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

3. Derecognition of financial assets:

A financial asset is derecognized only when:

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

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

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

4. Financial liabilities:

a) Financial liabilities measured at amortized cost:

Financial liabilities, such as payables, loans and borrowings, are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures these financial liabilities at amortized cost using the effective interest rate method.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, such as derivatives, and financial liabilities meeting certain criteria that are designated upon initial recognition as at fair value through profit or loss.

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

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

5. Derecognition of financial liabilities:

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

When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.
If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

7. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

Fair value is then determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.
Warrants for which the exercise price is denominated in foreign currency are initially recognized as a financial derivative at fair value. For convertible debt that is denominated in foreign currency, the conversion component is initially recognized as a financial derivative at fair value.

n. Employee benefit liabilities:

The Company has several employee benefit plans:

1. Short-term employee benefits:

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

2. Post-employment benefits:

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

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

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

o. Share-based payment transactions:

Equity-settled transactions:

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

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

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

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

p. Taxes on income:

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

1. Current taxes:

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

2. Deferred taxes:

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

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

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

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

q. Non-current assets or disposal group held for sale and discontinued operations:

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to a sale plan, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification.

Before these assets are classified as available for sale, they are measured in accordance with the Group's accounting policy. After classification as held for sale, these assets are measured at the lower of their carrying amount and fair value less costs to sell and presented separately in the statement of financial position. From the date of their initial classification, these assets are not depreciated.

The Company recognizes an impairment loss in respect of an asset or group of assets in accordance with IAS 36. An impairment loss and subsequent remeasurement gains or losses are recorded in profit or loss. Gains are recognized up to the cumulative amount of the previously recognized impairment loss.

Other comprehensive income (loss) in respect of an assets or a group of non-current assets that are classified as held for sale is presented separately in equity.

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

When the Company is committed to a sale plan that results in loss of control over a subsidiary, the subsidiary's entire assets and liabilities are classified as held for sale, regardless of whether the Company will retain any non-controlling interests in the subsidiary.

A discontinued operation is a component of the Company that represents a separate major line of business operation or geographical area of operations that either has been disposed of or is classified as held for sale. The operating results relating to the discontinued operation (including comparative data) are presented separately in the statement of profit or loss, net of the tax effect.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

r. Loss per share:

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

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

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

1. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is applied prospectively for annual reporting periods beginning on January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The application of the Amendment did not have a material impact on the Company's consolidated financial statements.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

2. Amendment to IAS 12, "Income Taxes":

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment is recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The application of the Amendment did not have a material impact on the Company's consolidated financial statements.

3. Amendment to IAS 1, "Disclosure of Accounting Policies":

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is applicable for annual periods beginning on January 1, 2023.

The application of the above Amendment had an effect on the disclosures of the Company's accounting policies, but did not affect the measurement, recognition or presentation of any items in the Company's consolidated financial statements.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

4. Amendment to IAS 12, "Income Taxes":

In May 2023, the IASB issued "International Tax Reform—Pillar Two Model Rules – Amendment to IAS 12" ("the Amendment") to clarify the application of IAS 12, "Income Taxes", to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).

The Amendment introduces:

(a) A mandatory temporary exception from the application of IAS 12 regarding recognition and disclosure of deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules; and

(b) Disclosure requirements for international entities affected by the international tax reform.

The mandatory temporary exception in (a) above – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on January 1, 2023.

The application of the Amendment did not have any impact on the Company's consolidated financial statements since the International Tax Reform does not apply to the Group whose annual revenues are less than € 750 million.

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

1. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" regarding the criteria for determining the classification of liabilities as current or non-current ("the Original Amendment"). In October 2022, the IASB issued a subsequent amendment ("the Subsequent Amendment").

According to the Subsequent Amendment:

- Only financial covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early adoption is permitted.

As a result of the above Amendments, in 2024 the Company expects to reclassify Convertible debt to related party as of December 31, 2023 totaling approximately $ 1,230 thousand from non-current liabilities to current liabilities.

2. Amendment to IFRS 16, "Leases":

In September 2022, the IASB issued an amendment to IFRS 16, "Leases" ("the Amendment"), which provides guidance on how a seller-lessee should measure the lease liability arising in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The seller-lessee has to choose between two accounting policies for measuring the lease liability on the inception date of the lease. The accounting policy chosen must be applied consistently.

The Amendment is applicable for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The Amendment is to be applied retrospectively.

The Company believes that the Amendment is not expected to have a material impact on its consolidated financial statements.

3. Amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":

In May 2023, the IASB issued amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures" ("the Amendments") to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the Amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

NOTE 2:- ACCOUNTING POLICIES (Cont.)

4. Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates":

In August 2023, the IASB issued "Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")" ("the Amendments") to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being exchangeable affects or is expected to affect the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, in which case, an entity is required to disclose that fact. When applying the Amendments, an entity should not restate comparative information. Instead, if the foreign currency is not exchangeable at the beginning of the annual reporting period in which the Amendments are first applied (the initial application date), the entity should translate affected assets, liabilities and equity as required by the Amendments and recognize the differences as of the initial application date as an adjustment to the opening balance of retained earnings and/or to the foreign currency translation reserve, as required by the Amendments .

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

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

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

a. Judgments:

- Development costs:

  The Company's management is required to exercise judgment in assessing whether the criteria for recognizing development project costs as intangible assets are met. The assessment relies on the parameters detailed in Note 2h above.

  The Company capitalizes costs for development projects. Initial capitalization of costs is based, among others, on management's judgement that technological and economic feasibility are confirmed, usually when a development project has achieved the milestone defined by management.

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

b. Estimates and assumptions:

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

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

- Determining the fair value of an unquoted financial liability:

  The fair value of unquoted Convertible debt to related party in Level 3 of the fair value hierarchy is determined using the Monta Carlo simulation. Changes in key assumption are liable to affect the fair value of the convertible debt, see Note 15(6)(c).

- Impairment of goodwill:

  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. The possible effects on the consolidated financial statements are the recording of impairment losses in profit or loss.

NOTE 4:- CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Cash for immediate withdrawal- in ILS	207	248
Cash for immediate withdrawal- in CAD	-	115
Cash for immediate withdrawal- in U.S. dollars	-	5
Cash for immediate withdrawal- in EUR	172	98
Short-term deposits- in ILS	-	22
	379	488

NOTE 5:- TRADE RECEIVABLES

a. Trade receivables, net:

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Open accounts	482	1,550
Less – allowance for doubtful accounts	(28)	(863)
Trade receivables, net	454	687

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

b. Movement in allowance for doubtful accounts:

	U.S. dollars in thousands
Balance as of January 1, 2022	977
Adjustments arising from translating financial statements	(114)
Balance as of December 31, 2022	863
Derecognition of bad debts	(823)
Adjustments arising from translating financial statements	(12)
Balance as of December 31, 2023	28

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

NOTE 5:- TRADE RECEIVABLES (Cont.)

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

December 31, 2023

	Not past due	Past due trade receivables < 60 days	Past due trade receivables > 60 days	Total
	U.S. dollars in thousands			
Gross carrying amount	312	164	6	482
Allowance for doubtful accounts	-	22	6	28

December 31, 2022

	Not past due	Past due trade receivables < 60 days	Past due trade receivables > 60 days	Total
	U.S. dollars in thousands			
Gross carrying amount	408	206	936	1,550
Allowance for doubtful accounts	-	-	863	863

NOTE 6:- OTHER ACCOUNTS RECEIVABLE

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Advances to suppliers	34	-
Government authorities	181	217
Prepaid expenses	110	154
Finance lease receivables - related party (Note 23)	258	-
Other receivables	(*)115	64
	698	435

(*) Including a related party balance in the amount of $ 55 thousand.

NOTE 7:- LEASES

Disclosures for leases in which the Company acts as lessee:

The Company has entered into leases of land and building and motor vehicles which were used for the Company's operations (before cessation of the Company's production activity and the closing of its production facility in Israel). The Company's leases of land and building have lease original terms of 10 years and two extension options of additional 5 years each, whereas leases of motor vehicles have lease terms of between 2.5 and 3 years. Following the cessation of the Company's production activity and the closing of its production facility in Israel the Company notified the lessor as to the final termination of the lease agreement after completion of the advance notification period in April 2023. In addition, following the closing of its operation in Israel the Company notified the motor vehicles leasing company that it will terminate the agreement earlier than the original lease period.
During 2022, the Company recognized a loss of $ 47 thousand resulting from the lease modification.

Furthermore, the Company's subsidiary, Flome has entered into leases of buildings with original terms of 10 years.

a. Information on leases:

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Interest expense on lease liabilities	8	76
Total cash outflow for leases	108	236

b. Lease extension options:

The Company's land and building lease in Israel included extension options, for further details on the modification to the Company's lease agreements see above.

NOTE 7:- LEASES (Cont.)

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

December 31, 2023

	Land and buildings	**Total**
	U.S. dollars in thousands	
Cost:		
Balance at January 1, 2023	966	966
Additions during the year:		
Adjustments arising from translating financial statements from functional currency to presentation currency	(45)	(45)
Adjustments arising from translating financial statements of foreign operations	63	63
Balance at December 31, 2023	**984**	**984**
Accumulated depreciation:		
Balance at January 1, 2023	66	66
Additions during the year:		
Depreciation	104	104
Adjustments arising from translating financial statements from functional currency to presentation currency	(21)	(21)
Adjustments arising from translating financial statements from functional currency to presentation currency	4	4
Balance at December 31, 2023	**153**	**153**
Depreciated cost at December 31, 2023	**831**	**831**

NOTE 7:- LEASES (Cont.)

December 31, 2022

	Land and buildings	Motor vehicles	Total
	U.S. dollars in thousands		
Cost:			
Balance at January 1, 2022	1,440	180	1,620
Additions during the year:			
Adjustments for indexation	51	2	53
Adjustments arising from translating financial statements from functional currency to presentation currency	(179)	(13)	(192)
Adjustments arising from translating financial statements of foreign operations	29	-	29
Initially consolidated company	937	-	937
Disposals during the year:			
Adjustments for lease modifications	(1,312)	(169)	(1,481)
Balance at December 31, 2022	**966**	**-**	**966**
Accumulated depreciation:			
Balance at January 1, 2022	509	110	619
Additions during the year:			
Depreciation	158	40	198
Adjustments arising from translating financial statements from functional currency to presentation currency	(67)	-	(67)
Adjustments arising from translating financial statements from functional currency to presentation currency	2	-	2
Initially consolidated company	33	-	33
Adjustments for lease modifications	(569)	(150)	(719)
Balance at December 31, 2022	**66**	**-**	**66**
Depreciated cost at December 31, 2022	**900**	**-**	**900**

d. For an analysis of maturity dates of lease liabilities, see Note 15(d)4.

NOTE 8:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

December 31, 2023

	Facilities and equipment	Office furniture and equipment	Computers	Motor vehicles	Leasehold improvements	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2023	4,191	57	93	293	523	5,157
Additions during the year:						
Purchases	40	-	38	-	-	78
Adjustments arising from translating financial statements of foreign operations	109	4	4	1	31	149
Adjustments arising from translating financial statements from functional currency to presentation currency	(126)	(1)	(3)	(9)	(15)	(154)
Decreases during the year:						
Disposals during the period (*)	(2,501)	-	(55)	(269)	(51)	(2,876)
Balance at December 31, 2023	**1,713**	**60**	**77**	**16**	**488**	**2,354**
Accumulated depreciation:						
Balance at January 1, 2023	3,426	56	93	264	294	4,133
Additions during the year:						
Depreciation	95	-	5	-	28	128
Adjustments arising from translating financial statements of foreign operations	80	3	2	1	16	102
Adjustments arising from translating financial statements from functional currency to presentation currency	(102)	(2)	(2)	(8)	(9)	(123)
Disposals during the period (*)	(2,173)	(6)	(56)	(241)	(58)	(2,534)
Balance at December 31, 2023	**1,326**	**51**	**42**	**16**	**271**	**1,706**
Depreciated cost at December 31, 2023	**387**	**9**	**35**	**-**	**217**	**648**

(*) Include equipment that was classified as finance lease, see Note 23(c)4.

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

December 31, 2022

	Facilities and equipment	Office furniture and equipment	Computers	Motor vehicles	Leasehold improvements	Total
	U.S. dollars in thousands					
Cost:						
Balance at January 1, 2022	5,415	64	105	469	352	6,405
Additions during the year:						
Purchases	32	-	-	-	12	44
Adjustments arising from translating financial statements of foreign operations	(624)	(7)	(12)	(55)	(41)	(739)
Adjustments arising from translating financial statements from functional currency to presentation currency	(8)	-	-	-	(2)	(10)
Initially consolidated company	510	-	-	-	202	712
Decreases during the year:						
Disposals during the period	(2)	-	-	-	-	(2)
Transfer to assets held for sale (b)	(1,132)	-	-	(121)	-	(1,253)
Balance at December 31, 2022	**4,191**	**57**	**93**	**293**	**523**	**5,157**
Accumulated depreciation:						
Balance at January 1, 2022	3,897	55	90	394	275	4,711
Additions during the year:						
Depreciation	234	1	7	35	11	288
Adjustments arising from translating financial statements of foreign operations	(473)	(7)	(10)	(47)	(32)	(569)
Adjustments arising from translating financial statements from functional currency to presentation currency	(43)	-	-	-	(1)	(44)
Transfer to assets held for sale (b)	(918)	-		(118)		(1,036)
Impairment	729	7	6	-	41	783
Balance at December 31, 2022	**3,426**	**56**	**93**	**264**	**294**	**4,133**
Depreciated cost at December 31, 2022	**765**	**-**	**-**	**30**	**229**	**1,024**

b. Due to the cessation of operations in Israel and the closure of its Israeli production facility in January 2023, the Company relocated certain components of its Israeli production facility to Oceansix GmbH and sold the rest of the facility's machinery and equipment.

c. Provision for impairment of facilities and equipment:

In the year ended December 31, 2023, the Company did not record an impairment loss (2022 – loss of $ 783 thousand). In 2022 this impairment loss is recognized in profit or loss under discontinued operations – see Note 9.

NOTE 9:- ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In November 2022, the Company's management committed to carry out a plan to cease its production activities in Israel and, in January 2023, the Company’s Israeli production site was permanently closed. In February 2023 the Company completed the sale of its remaining assets with a carrying amount of $ 1,000 thousand in consideration of approximately $ 217 thousand in cash and relocated certain components of its Israeli production facility to Germany.

In 2022, an impairment loss of $ 783 thousand was recognized in respect of certain items of property, plant and equipment whose carrying amount exceeded their recoverable amount.

a. Below are data of the operating results attributed to the discontinued operation:

	Year ended December 31,	
	2023	**2022**
	U.S. dollars in thousands	
Revenues from sales	16	1,225
Cost of sales	193	2,287
Gross Loss	(177)	(1,062)
Development expenses (net of Government grants)	-	216
Selling, general and administrative expenses and other expenses, net	113	2,719
Operating loss	(290)	(3,997)
Loss from discontinued operation, net	(290)	(3,997)

b. Below are data of the net cash flows provided by (used in) the discontinued operation:

	Year ended December 31,	
	2023	**2022**
	U.S. dollars in thousands	
Net cash provided by (used in) discontinued operating activities	200	(3,034)
Net cash provided by (used in) discontinued investing activities	207	(38)
Net cash used in discontinued financing activities	(56)	(265)
Total net cash provided by (used in) discontinued operations	351	(3,337)

NOTE 10:- GOODWILL AND OTHER INTANGIBLE ASSETS

a. Composition and movement:

2023:

	IPR&D	Goodwill	Customer relationship	Total
	U.S. dollars in thousands			
Cost:				
Balance as of January 1, 2023	1,480	2,964	526	4,970
Purchases	137	-	-	137
Adjustments arising from translating financial statements of foreign operations	100	198	35	333
Adjustments arising from translating financial statements from functional currency to presentation currency	(42)	(88)	(16)	(146)
Balance as of December 31, 2023	**1,675**	**3,074**	**545**	**5,294**
Accumulated amortization and impairment:				
Balance as of January 1, 2023	549	-	99	648
Impairment (Note 10c)	950	1,423	-	2,373
Amortization recognized in the year	-	-	133	133
Adjustments arising from translating financial statements of foreign operations	24	13	7	44
Adjustments arising from translating financial statements from functional currency to presentation currency	13	11	-	24
Balance as of December 31, 2023	1,536	1,447	239	3,222
Amortized cost at December 31, 2023	**139**	**1,627**	**306**	**2,072**

NOTE 10:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

2022:

	IPR&D	Goodwill	Customer relationship	Total
	U.S. dollars in thousands			
Cost:				
Balance as of January 1, 2022	-	-	-	-
Initially consolidated company	1,442	2,888	512	4,842
Adjustments arising from translating financial statements of foreign operations	47	94	17	158
Adjustments arising from translating financial statements from functional currency to presentation currency	(9)	(18)	(3)	(30)
Balance as of December 31, 2022	1,480	2,964	526	4,970
Accumulated amortization and impairment:				
Balance as of January 1, 2022	-	-	-	-
Impairment (Note 10c)	522	-	-	522
Amortization recognized in the year	-	-	91	91
Adjustments arising from translating financial statements of foreign operations	38	-	7	45
Adjustments arising from translating financial statements from functional currency to presentation currency	(11)	-	(2)	(13)
Balance as of December 31, 2022	549	-	96	645
Amortized cost at December 31, 2022	931	2,964	430	4,325

b. Amortization expenses:

Amortization expenses of intangible assets are classified in profit or loss as follows:

	Year ended December 31,	
	2023	2022
	U.S. dollars in thousands	
Selling and marketing expenses	133	91
	133	91

NOTE 10:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

c. Impairment of goodwill and intangible assets with a definite useful life:

The Company reviews goodwill for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment. Goodwill is tested for impairment by assessing the recoverable amount of each cash-generating unit to which the goodwill has been allocated.

During the year ended December 31, 2023 the Company recorded a goodwill impairment loss of $ 1,423 thousand. This impairment loss was recognized in profit or loss under other expenses.

The Company evaluates the need to record an impairment of intangible assets with a definite useful life whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of the intangible assets with a definite useful life exceeds their recoverable amount, the assets are reduced to their recoverable amount.

During the year ended December 31, 2023 the Company recorded an impairment loss of $ 950 thousand relating to IPR&D (2022: $ 512 thousand). This impairment loss was recognized in profit or loss under other expenses, net.

In order to test the impairment of goodwill and intangible assets with a definite useful life, the goodwill, IPR&D and customer relationship were allocated to two cash-generating units as follows:

1. Flome
2. Oceansix GMBH

As of December 31, 2023, the carrying amount before impairment of the intangible assets allocated to each cash-generating unit as above is as follows:

	Flome	Oceansix GMBH	Total
	NIS in thousands		
Goodwill	1,960	1,090	3,050
IPR&D	-	1,088	1,088
Customer relationship	306	-	306

NOTE 10:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

Flome:

The recoverable amount of the Flome's unit was determined based on the value in use which is calculated at the expected estimated future cash flows from this cash-generating unit, as determined according to the budget for the next five years and approved by the Company's management. The pre-tax discount rate of the cash flows is 17%. The projected cash flows for the period exceeding five years will be estimated using a fixed growth rate of 3%.

Sensitivity analysis of changes in assumptions:

With respect to the Flome's unit, changes in the key assumptions used to calculate the value in use, will lead to a change in the recoverable amount. As of December 31, 2023, the carrying amount recoverable amount of the Flome's unit exceeds its recoverable amount by approximately $ 292 thousand and therefor an impairment was recognized.

Below are the effects of the changes in the key assumptions on the recoverable amount:

	Significant assumption inputs	Input used	Sensitivity of the input to recoverable amount (U.S. dollars in thousands)
Flome			
	WACC	17%	1% increase or (decrease) in the WACC would result in (decrease) or increase in recoverable amount by (116) or 134, respectively
	Residual Growth Rate	3%	1% increase or (decrease) in the WACC would result in increase or (decrease) in recoverable amount by 87 or (76), respectively

Oceansix GMBH:

The recoverable amount of the Oceansix GMBH unit was determined based on the value in use which is calculated at the expected estimated future cash flows from this cash-generating unit, as determined according to the budget for the next eight years and approved by the Company's management. The pre-tax discount rate of the cash flows is 33.3%. The projected cash flows for the period exceeding five years will be estimated using a fixed growth rate of 3%.

Sensitivity analysis of changes in assumptions:

With respect to the Oceansix GMBH unit, changes in the key assumptions used to calculate the value in use, will lead to a change in the recoverable amount. As of December 31, 2023, the carrying amount recoverable amount of the Oceansix GMBH unit exceeds its recoverable amount by approximately $ 1,131 thousand and therefore an impairment was recognized.

NOTE 10:- GOODWILL AND OTHER INTANGIBLE ASSETS (Cont.)

Below are the effects of the changes in the key assumptions on the recoverable amount:

	Significant assumption inputs	Input used	Sensitivity of the input to recoverable amount (U.S. dollars in thousands)
Oceansix GMBH			
	WACC	33.3%	0.5% increase or (decrease) in the WACC would result in (decrease) or increase in recoverable amount by (129) or 136, respectively
	Residual Growth Rate	3%	1% increase or (decrease) in the WACC would result in increase or (decrease) in recoverable amount by 101 or (94), respectively

NOTE 11:- CREDIT FROM BANKS

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Credit from banks - in Euro	262	177

NOTE 12:- TRADE PAYABLES

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Accounts payable	747	641
Checks payable	-	78
	747	719

NOTE 13:- OTHER PAYABLES

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Employees and payroll accruals	35	85
Shareholder (*)	324	-
Accrued expenses	737	480
Advances from customers	-	40
Current liability for grants received from the IIA	38	35
Other payables	386	449
	1,520	1,089

(*) See note 23(c)9.

NOTE 14:- OTHER LIABILITIES

	December 31,	
	2023	2022
	U.S. dollars in thousands	
Liability for grants received from the IIA	38	35
Less - current maturities	(38)	(35)
Other non-current liabilities	26	25
	26	25

The Company is obligated to pay royalties to the Government of Israel of 1.3%-3% from the sale of products developed with the support of Government grants from the IIA. The grants are repayable in US$ and bear interest of Libor.

During 2022, the Company received additional payments as part of the grant for program No. 74855 "Development of Finished Products - Sheets" and for program No. 75218 "Second Generation Product Development" in the amounts of approximately $ 17 thousand and $ 3 thousand, respectively.

As of December 31, 2023, and 2022, gross royalty-bearing grants from the IIA less royalties paid amounted to approximately $ 473 thousand and $ 476 thousand, respectively, and the aggregate discounted liability to the IIA in respect of these royalties amounted to approximately $ 38 thousand and $ 35 thousand, respectively.

Due to the cessation of the Company's operations in Israel and the closure of its Israeli production facility in January 2023, the Company estimates that no sales in the foreseeable future are expected from products supported by the IAA. As such, the liability for grants received from IIA at December 31 2023 and 2022 includes only unpaid amounts related to actual sales of IAA supported products with no further liabilities related to future sales.

NOTE 15:- FINANCIAL INSTRUMENTS

a. Financial assets:

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Financial assets at amortized cost:		
Receivables	750	1,224
Finance lease receivables – related party	458	-
Long-term deposits	17	21
Total financial assets at amortized cost	1,225	1,245

b. Financial and lease liabilities at amortized cost:

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Current liabilities:		
Credit from banks	262	177
Trade payables	747	719
Other accounts payable	1,482	1,089
Current liability for grants received from the IIA	38	35
Current maturities of lease liabilities	102	154
Current maturities of loan from other	100	-
Total current liabilities	2,731	2,174
Non-current liabilities:		
Shareholders and affiliated companies	567	584
Loan from other	88	-
Lease liabilities	730	802
Total non-current liabilities	1,385	1,386
Total financial and lease liabilities	4,116	3,560

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

c. Financial liabilities at fair value through profit or loss:

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Financial liabilities at fair value through profit or loss:		
IPO and Post IPO Warrants	-	161
Convertible debt to related party	1,230	-
Warrants	9	65
Total financial liabilities at fair value through profit or loss	1,239	226

d. Financial risk management objectives and policies:

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

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

1. Foreign currency risk:

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

The Company's exposure to foreign currency risk relates primarily to the Company's cash in foreign currency. The Company estimates that as of December 31, 2023, any reasonable change in exchange rates would have an immaterial effect on profit or loss.

2. Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations as a customer leading to a loss to the Company. The Company is exposed to credit risk from its operating activity (primarily trade receivables) and from its financing activity, including deposits with banks and other financial institutions, foreign currency transactions and other financial instruments.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

Credit risk may arise from the exposure of holding several financial instruments with a single entity or from entering into transactions with several groups of debtors with similar economic characteristics whose ability to discharge their obligations will be similarly affected by changes in economic or other conditions. Factors that have the potential of creating concentrations of risks consist of the nature of the debtors' activities, such as their business sector, the geographical area of their operations and financial strength.

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

3. Trade receivables:

The Group sells to its customers in cash or credit of current plus up to 60-day term. The Group regularly monitors the credit extended to its customers.

Customer credit risk is managed by the Group subject to the Group’s policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit analysis and rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

4. Liquidity risk:

The Company monitors the risk to a shortage of funds. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans.

The table below presents the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

December 31, 2023

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 Years	Total
	U.S. dollars in thousands						
Credit from banks	262	-		-	-	-	262
Trade payables	747	-	-	-	-	-	747
Other accounts payable	1,482	-	-	-	-	-	1,482
Lease liabilities	102	102	102	102	102	322	832
Convertible debt to related party	-	1,230	-	-	-	-	1,230
Shareholders loans	-	567	-	-	-	-	567
Loan from other	100	88					188
	2,731	1,987	102	102	102	322	5,346

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2022

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 Years	Total
	U.S. dollars in thousands						
Credit from banks	177	-		-	-	-	177
Trade payables	719	-	-	-	-	-	719
Other accounts payable	1,089	-	-	-	-	-	1,089
Lease liabilities	158	102	102	102	102	306	872
Other liabilities	-	162	584	-	-	-	746
	2,143	264	686	102	102	306	3,603

5. Fair value:

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

	Carrying amount		Fair value	
	December 31,		December 31,	
	2023	2022	2023	2022
	U.S. dollars in thousands			
Financial liabilities:				
Liability for grants received from the IIA	38	35	38	35

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

6. Fair value hierarchy:

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

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs)

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

December 31, 2023

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial liabilities:				
Convertible debt to related party (c)	-	-	1,230	1,230
Warrant (a)	-	-	9	9

December 31, 2022

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial liabilities:				
IPO and Post IPO Warrants (b)	161	-	-	161
Warrant (a)	-	-	65	65

(a) Convertible Note and Warrant:

In April 2021, due to the closing of the initial public offering of the Company’s shares, the terms of a Warrant issued in 2020 were finalized to entitle the holder to purchase 5,638,629 Ordinary Shares at an exercise price of $ 0.266 per share. The Warrant may be exercised, in whole or part, at any time for a period of five years from the closing.

The fair value of the Warrant has been measured using the Black & Scholes option pricing model. The key assumption used in the valuation is the expected volatility of the Company's equity.

As of December 31, 2023 and 2022, the fair value of the Warrant is $ 9 thousand and $ 65 thousand, respectively.

b) IPO and Post IPO Warrants :

The IPO and Post IPO Warrants are classified in the Company consolidated financial statements as a liability. As of December 31, 2022 the fair value of the IPO and Post IPO Warrants are $ 161 thousand based on their quoted market price.
The change in fair value in the year ended December 31, 2022, amounted to $ 1,102 thousand and was recorded in finance expense.

On April 21, 2023, the IPO and Post IPO warrants reached the two-year expiry date without being exercised.

NOTE 15:- FINANCIAL INSTRUMENTS (Cont.)

(c) Convertible debt to related party:

The Convertible debt to related party was measured at fair value based on Monta Carlo simulation. As of the date of the modification the change in the fair value of the Convertible debt in the amount of EUR 91 thousand ($ 100 thousand) was recorded to Reserve from transaction with controlling shareholders. The loss from change in fair value for the period from the modification date to December 31, 2023, in the amount of EUR 98 thousand ($ 108 thousand) was included in finance expenses. See Note 23(c)5.

7. Changes in liabilities arising from financing activities:

	Credit from banks and shareholders	IPO and Post IPO Warrants	Liability for grants received from the IIA	Lease liabilities	Convertible note and warrant	Convertible debt to related Party	Total liabilities arising from financing activities
	U.S. dollars in thousands						
Balance at January 1, 2022	-	1,372	281	1,172	841	-	3,666
Cash flows	19	-	(22)	(312)	-	-	(315)
Adjustments arising from translating financial statements from functional currency to presentation currency	4	(109)	(224)	(67)	(65)		(461)
Initially consolidated company	738	-	-	925	-	-	1,663
Effect of changes in fair value	-	(1,102)	-	-	(711)		(1,813)
New finance lease obligation recognized	-	-	-	(762)	-	-	(762)
Balance at December 31, 2022	761	161	35	956	65	-	1,978
Cash flows	1,628	-	-	(100)	-	-	1,528
Modification to convertible debt to related party	(1,192)	-	-	-	-	1,192	-
Reserve from the transaction with shareholders	(460)	-	-	-	-	-	(460)
Adjustments arising from translating financial statements from functional currency to presentation currency	92	-	-	(24)	-	(70)	(2)
Effect of changes in fair value	-	(161)	3	-	(56)	108	(106)
Balance at December 31, 2023	829	-	38	832	9	1,230	2,938

NOTE 16:- TAXES ON INCOME

a. Tax laws applicable to the Company:

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

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

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

In 2014, the Company received governmental grants in the aggregate amount of approximately ILS 660 thousand ($ 190 thousand) that was deducted from the cost of property, plant and equipment. According to this plan the Company had to meet certain condition, including, inter alia, export thresholds. As the Company did not meet the thresholds set under the plan, the Company hasn't received all of the amounts approved under the plan. At present, the Company is negotiating with the authorities whether it has to repay the amounts received (including interest and linkage differences). The Company cannot assess how and when the abovementioned negotiations will conclude. The Company's consolidated financial statements as of December 31, 2023 and 2022 include in other payables a full provision for the aforesaid matter in the total amount of approximately $ 269 thousand and $ 269 thousand, respectively.

b. Tax rates applicable to the Company:

The Israeli corporate income tax rate applicable to the Company was 23%.

The Spanish corporate income tax rate applicable to Flome was 25% in 2023.

The German corporate income tax rate applicable to Oceansix was 30% in 2023.

c. Tax assessments:

The Company's tax assessments in Israel are deemed final through the tax year 2016.

The subsidiaries, Flome and Oceansix have not received final tax assessments since their incorporation, however, the assessments of Flome are deemed final through the 2017 tax year.

NOTE 16:- TAXES ON INCOME (Cont.)

d. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Company total approximately ILS 168 million ($ 46.4 million) as of December 31, 2023. Net deferred tax assets relating to carryforward operating losses and other temporary differences in Israel were not recognized because their utilization in the foreseeable future is not probable.
Carryforward operating tax losses of the Company's subsidiaries in Spain and Germany, Flome and Oceansix, total approximately EUR 1.9 million ($ 2.1 million) as of December 31, 2023. Net deferred tax assets relating to these losses and to other deductible temporary differences for Flome and Oceansix were not recognized in the consolidated financial statements, because their utilization in the foreseeable future is not probable.

e. Deferred taxes:

As of December 31, 2023 deferred tax liabilities in the of approximately $ 77 thousand relating to intangible assets, $ 102 thousand relating reserve from transaction with shareholders were recognized in the consolidated financial statements, and were offset by deferred tax assets of approximately $ 72 relating to carryforward tax losses and to other deductible temporary differences for the Company, Flome and Oceansix.

f. Theoretical tax:

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

	Year ended December 31,	
	2023	**2022**
	U.S. dollars in thousands	
Loss before taxes on income from continuing operations	(4,553)	(771)
Loss before taxes on income from discontinued operations	(290)	(3,997)
	(4,843)	(4,472)
Statutory tax rate	23%	23%
Tax benefit computed at the statutory tax rate	(1,114)	(1,029)
Increase (decrease) in taxes on income resulting from the following:		
Cost of share-based payment	15	386
Non-deductible expenses for tax purposes	25	20
Increase in unrecognized tax losses and other temporary differences in the year and other	884	327
Tax benefit	(190)	(296)

NOTE 17:- CONTINGENT LIABILITIES, COMITMENTS AND CHARGES

a. Charges and guarantees:

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

b. Commitments:

The Company had agreed to extend the marketing agreement between Hybrid Financial Ltd (the “Hybrid"). and the Company, dated November 26, 2021, for another 6 month period (until April 29, 2023) on the same terms and conditions as in the initial term of the agreement. In December 2022, the Company decided to suspend this agreement with Hybrid, a legacy investor relations service provider. At the time of this decision, the total outstanding amount due to Hybrid and recorded as a liability was CAD 270 thousand and 3 months remaining for the contract. In July 2023, the Company and Hybrid agreed that the Company would compensate Hybrid for the outstanding amount of CAD 270 thousand owed to Hybrid under the agreement between the parties by issuing to Hybrid shares equivalent to such amount at a share price of CAD$ 0.0687. Such agreement was rejected by the TSXV in September 2023.

NOTE 18:- EQUITY

a. Composition of share capital:

	December 31,			
	2023		2022	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of ILS 0.01 par value each	500,000,000	155,071,206	500,000,000	153,693,074

On June 8, 2022, the Company convened an annual and special meeting of its shareholders, which approved, among other things, the increase of the Company’s authorized share capital to 500,000,000 Ordinary Shares.

NOTE 18:- EQUITY (Cont.)

b. Ordinary share and warrants:

On April 21, 2021 (the "IPO Closing") the Company consummated an initial public offering (the "Offering") of 6,282,984 units of the Company (the "Offering Units") at a price of CAD 0.29 ($ 0.23) per Unit, for total gross proceeds of approximately CAD 1.8 million ($ 1.4 million), including the exercise in full of the Underwriters' Over-Allotment Option.

Each Offering Unit was comprised of one Ordinary Share and one-half of one warrant to purchase an Ordinary Share (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Ordinary Share at a price of CAD 0.51 ($ 0.4) per Ordinary share for 24 months following the closing date of the Offering.

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

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

In total, the Company raised an aggregate of approximately CAD 11.4 ($ 9) million from the Offering, the Private Placement of Class A Units and the Private Placement of Subscription Receipts. In connection with the IPO the Company paid expenses in cash amounting to approximately $ 1.2 million. In addition, the Company issued warrants to advisors, and the Underwriters were granted 1,748,346 non-transferable underwriters' warrants, each exercisable at a price of CAD 0.29 ($ 0.23) for a Unit for 24 months following the closing date of the Offering. Each Unit is comprised of one Ordinary Share of the Company, and one half of one warrant to purchase one Ordinary Share with the same terms as the Offering Units described above (in total the underwriters' warrants are exercisable into 2,622,520 Ordinary Shares of the Company). In April 2023, the Company´s warrant issued in connection with the IPO reached the two-year expiry date without being exercise.

The fair value of the underwriters' warrants was determined at $ 146 thousand at the grant date. The fair value of the underwriters' warrants issued were recorded in the Company's consolidated financial statement as an offering cost.

NOTE 18:- EQUITY (Cont.)

Of the total offering costs of $ 1,749 thousand, costs of $ 98 thousand were allocated to the issuance of the IPO warrants (financial liability) and recorded in finance expense in 2021.

Following the Offering, the Private Placement of Subscription Receipts, the Private Placement of Class A Units and the exercise of the Over-Allotment Option, there were 117,545,136 Ordinary Shares and 19,667,468 IPO Warrants of the Company issued and outstanding. As the exercise price of these IPO Warrants is denominated in CAD which is not the functional currency of the Company, these IPO warrants are accounted for upon initial recognition as a financial liability at fair value through profit or loss.

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

On April 21, 2021 and April 30, 2021, the Company’s board of directors resolved to authorize and approve the private placement (the "Post IPO Private Placement") and the issuance by the Company of an additional 2,168,964 Class A Units to certain investors resident in Israel at a price of CAD 0.58 per unit (an aggregate gross proceeds of approximately CAD 1.2 ($ 1) million). The Post IPO Private Placement was concluded on June 4, 2021. As part of the Post IPO Private Placement the Company issued 4,337,928 Ordinary shares and 2,168,964 warrants to purchase Ordinary Shares of the Company with an exercise price of CAD 0.51 ($ 0.41) per Ordinary Share, such warrants are exercisable until April 21, 2023 and are traded on the TSXV. As the exercise price of these Post IPO Warrants is denominated in CAD, which is not the functional currency of the Company, these Post IPO warrants are accounted for upon initial recognition as a financial liability at fair value through profit or loss.

The total fair value at December 31, 2023 and 2022, of the IPO and Post IPO Warrants is $0 thousand and $ 161 thousand (see Note 15(6)). The change in fair value for the period ended December 31, 2023 and 2022, amounted to $ 161 thousand and $ (1,102) thousand, respectively, and was recorded in finance expense.

NOTE 18:- EQUITY (Cont.)

On April 21, 2023, the Company's warrants issued in connection with the Offering reached the two-year expiry date without being exercised.

1. Issued and outstanding share capital:

	Number of shares
Balance as of January 1, 2022	121,883,064
Issue of shares in connection with business combinations (see Note 1b, 1c)	31,810,010
Balance as of December 31, 2022	153,693,074
Exercised of RSU's and Options (*)	1,378,132
Balance as of December 31, 2023	155,071,206

(*) See Note 19(2).

c. A-Labs agreement:

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

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

NOTE 18:- EQUITY (Cont.)

Pursuant to the second amendment to the A-Labs Agreement, entered into effect as of February 11, 2021, the Cash Consideration and Shares Consideration payable to A-Labs was amended and replaced. Following the second amendment, A-Labs is entitled to a total cash consideration of $ 560 thousand, out of which an amount of $ 150 thousand was already paid as of the date of the second amendment and an amount of $ 410 thousand was subject to the closing of the public offering. In addition, at the closing of such offering the Company shall issue and grant A-Labs a warrant exercisable for a period of 24 months following such closing which shall entitle A-Labs to purchase 3,263,886 Ordinary Shares of the Company at an exercise price of CAD 0.19 ($ 0.152) per share instead of the Shares Consideration.

In April 2021, upon the closing of the Offering (see 5 below), the cash consideration of $ 410 thousand was paid and the aforementioned warrant was issued. The fair value of the warrant was determined at $ 307 thousand at the grant date. Both the cash paid and the fair value of the warrant issued were recorded in the Company's consolidated financial statement as an offering cost. On April 21, 2023, the warrants issued to A-Labs reached the two year expiry date without being exercised.

On April 13, 2022, the Company terminated its services agreement with A-Labs Finance and Advisory Ltd. dated March 29, 2020 as amended effective February 11, 2021. The termination was effective as of March 30, 2022.

NOTE 19:- SHARE-BASED PAYMENT

a. Expenses recognized in the consolidated financial statements:

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

	December 31,	
	2023	2022
	U.S. dollars in thousands	
Equity-settled share-based payment plans	66	*) 1,677

*) Includes $1,218 thousand in respect of acquisition of Oceansix - see Note 1(c).

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

1. In February 2020, the Company signed an employment and services agreements with the Company’s then CEO (the "CEO"), and the current Chairman of the Board (the "Chairman"), pursuant to which the Company granted each of them options to purchase 1,740,000 Ordinary shares for an exercise price of ILS 0.2 ($ 0.062) each. The options shall vest over a period of three years, in three equal portions of 580,000 options.

   The CEO's options shall expire at the third anniversary of the relevant vesting date and the Chairman's options shall expire at the seventh anniversary from the date of grant.

   In November 2020 the Company signed an amendment agreement with the CEO and the Chairman, pursuant to which:

   a) The Company undertook to grant each of them options to purchase 1,973,500 Ordinary shares of the Company (instead of 1,740,000 options), the options shall vest over a period of three years, in three equal portions of 657,833 options.

   b) The above undertakings to grant options were subject to (i) the approval of the Board of such grants, and (ii) the adoption by the Company of a share incentive plan and the receipt of the approval of the Israel Tax Authority to such plan, pursuant to Section 102 of the Israeli Tax Ordinance [New Version], 5721-1961.

   c) The Chairman is also entitled to immediate accelerations of all options in the event that the Company will have a net profit.

   On March 1, 2022, Mr. Shmulik Porre, the Company’s CEO, tendered his resignation. Upon the resignation, 657,900 options out of 1,973,500 options granted to the CEO, were forfeited. In the year ended December 31, 2022 the Company reversed share based payment expenses in the amount of $ 59 thousand. Subsequently, all of Mr. Porre’s vested options were not exercised and expired.

2. In October 2020, the Company signed an employment and service agreement with the Company's former CEO (the agreement was supplemented in January 2021) to serve as a founder in charge of innovation. Pursuant to the agreement the Company undertook to grant the founder in charge of innovation options to purchase 3,289,200 Ordinary shares, of which 1,315,800 options will vest on the grant date with an exercise price equal to the par value of the shares, and 1,973,400 options shall vest over a period of three years commencing March 2021, in three equal portions of 657,800 options with an exercise price per share of ILS 0.2 ($ 0.062).

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

The above undertaking to grant options was subject to (i) the approval of the Board of Directors of such grants, and (ii) the adoption by the Company of a share incentive plan and the receipt of the approval of the Israel Tax Authority to such plan, pursuant to Section 102 of the Israeli Tax Ordinance [New Version], 5721-1961.

On January 7, 2021 Board the of Directors resolved to adopt a Global Incentive Plan and upon the lapse of 30 days following the filing of the Plan with Israel Tax Authority to grant the options to the CEO, the Chairman and the founder in charge of innovation as described above. The Global Incentive Plan was filed with Israel Tax Authority on January 17, 2021.

On March 14, 2021, the Board of Directors resolved to approve the amendment agreement with the CEO, the Chairman and the founder in charge of innovation. The agreements with the CEO and the Chairman were approved by the general meeting of the Shareholders of the Company on March 22, 2021.

In addition, to the options described above, the Company undertook to provide the founder in charge of innovation with additional compensation in the form of options to acquire 1.5% of the Company's Ordinary shares (on a fully diluted basis), subject to, among other things, the establishment of two new plants outside of Israel. The grant of such options and the determination of their applicable exercise price were subject to the approval of the Board of Directors and the TSXV requirements. Following receipt of the required approvals, on June 28, 2021 the Company granted the founder in charge of innovation 2,756,264 restricted share units (instead of options). Each restricted share unit represents the right to receive one Ordinary Share (the “Restricted Share Units”). The Restricted Share Units will vest into Ordinary Shares, subject to the founder in charge of innovation continuing as an employee of the Company and subject to the following terms: (i) 1,378,132 Restricted Share Units shall vest upon an operational manufacturing site being established by the Company outside of Israel within five years from the date of the grant; and (ii) 1,378,132 Restricted Share Units upon a second operational manufacturing site being established outside of Israel within five years from the date of the grant.

The fair value of the Restricted Share Units was determined at CAD 1.2 million ($ 1 million) based of the market price of the shares on the date of the grant.

The Company recorded in its consolidated financial statements for the year ended December 31, 2023 and 2022 $ 0 thousand and $ 260 thousand, respectively in share-based compensation expense in relation to the Restricted Share Units, based on the Company’s estimation as to the likelihood of the performance conditions described above being met.
See also Note 24(b).

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

3. On April 12, 2021 and May 7, 2021, the Company's board of directors resolved to appoint two external directors and approved the entering by the Company into a Director Services Agreement with each of the two external directors (the "Director Services Agreements"), all subject to the Company's shareholders approving their appointment as external directors of the Company. Under the Director Services Agreements as amended, the Company undertook to grant each of the external directors options to purchase 736,516 Ordinary Shares at an exercise price per share of CAD 0.33 ($ 0.26). Following and subject to the approval of the shareholders and the directors' continued engagement with the Company, the options shall vest as follows: (i) 245,506 options will vest at the first anniversary of the date of grant, and (ii) the remainder of the options will vest in two equal portions of 245,505 on the second and third anniversaries of the date of grant. During the Company's annual general meeting held on July 20, 2021 the shareholders of the Company approved the appointment of the two external directors and their remuneration. In July 2023, Mr. Leon Koffler informed the Company that he was resigning from his position as an external Director. Mr. Leon´s Koffler´s options expired in October 2023 following his resignation.

4. In connection with the IPO, the Underwriters were granted 1,748,346 non-transferable underwriters' warrants, each exercisable at a price of CAD 0.29 ($ 0.23) for a Unit for 24 months following the closing date of the Offering (see Note 18(b)).

5. In connection with the IPO, A-Labs was granted a warrant exercisable for a period of 24 months to purchase 3,263,886 Ordinary Shares of the Company at an exercise price of CAD 0.19 ($ 0.152) per share instead of the Shares Consideration (see Note 18(c)).

6. On April 13, 2022, the Company's board of directors resolved to grant Mr. Noah Hershcoviz, Director of the Company, options to purchase 600,000 Ordinary Shares with an exercise price of CAD 0.29 ($ 0.23). The options were approved by the Annual and Special Meeting and vest within one year from the date the director was appointed on June 7, 2021. The fair value of the options on date of grant was $33 thousand. 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.

7. 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.

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

8. 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.

9. On April 2023, the Company’s Compensation Committee and Board approved the engagement between the Director and Company's CEO and the Company and its subsidiaries (the “Group”). The CEO began his employment on April 11, 2023. In addition to the employment agreement with the CEO, the Compensation Committee and the Board have approved the grant of options to purchase 550,000 Ordinary Shares with an exercise price of C$0.29 which will vest over five (5) years.
   The fair value of the options was immaterial based of the market price of the shares on the date of the grant.

10. On April 2023, the Company’s Compensation Committee and Board approved the engagement between the Company's CFO and the Company and its subsidiaries (the “Group”). The CFO began his employment on May 1, 2023. In addition to the employment agreement with the CFO, the Compensation Committee and the Board have approved the grant of options to purchase 750,000 Ordinary Shares with an exercise price of C$0.29 which will vest over five (5) years.
    The fair value of the options was determined at CAD 1 thousand ($ 0.75 thousand) based of the market price of the shares on the date of the grant.

11. On April 2023, the Company’s Compensation Committee and Board approved the engagement between the Company's CEO in addition to the Group. The CEO began his employment on June 1, 2023. In addition to the employment agreement with the CEO, the Compensation Committee and the Board has approved the grant of options to purchase 5,000,000 Ordinary Shares with an exercise price of C$0.29, of which 2,000,000 will vest over five (5) years and the remainder will vest following the achievement of certain goals. Such grant is subject to approval of the Company’s shareholders. The grant of options to Mr Hameiri was approved by the Shareholders at the 2023 Annual and Special Meeting on July 11, 2023.
    The fair value of the options was determined at CAD 4 thousand ($ 3 thousand) based of the market price of the shares on the date of the grant.

12. On April 2023, the Compensation Committee and the Board has approved 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 and is subject to the approval of the Company’s shareholders. The grant of options to Mr. Eshed was approved by the Shareholders at the Annual and Special Meeting on July 11, 2023.
    The fair value of the options was immaterial based of the market price of the shares on the date of the grant.

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

13. On April 2023, the Compensation Committee and the Board has approved 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$0.29 which will vest over five (5) years and is subject to the approval of the Company's shareholders. The grant of options to Mr. Buch was approved by the Shareholders at the 2023 Annual and Special Meeting on July 11, 2023.
    The fair value of the options was determined at CAD 2 thousand ($ 1.5 thousand) based of the market price of the shares on the date of the grant.

14. On April 21, 2023, the Company's warrants issued in connection with the IPO reached the two-year expiry date without being exercised.

15. On 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 735,516 Ordinary Shares with an exercise price of CAD$ 0.33, which will vest over five (5) 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.
    The fair value of the options was immaterial based of the market price of the shares on the date of the grant.

16. In November 2023, the 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.
    The fair value of the options was determined at CAD 2 thousand ($ 1.4 thousand) based of the market price of the shares on the date of the grant.

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

b. Movement during the year:

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

	2023	
	Number of options	**Weighted average exercise price**
		U.S. dollars
Share options outstanding at beginning of year	15,195,638	0.13
Share options granted during the year	8,335,516	0.29
Share options expired during the year	(7,927,639)	0.13
Share options exercised during the year	(1,378,132)	0.13
Share options exercisable at end of year	30,080,661	0.2

	2022	
	Number of options	**Weighted average exercise price**
		U.S. dollars
Share options outstanding at beginning of year	14,595,638	0.13
Share options granted during the year	600,000	0.23
Share options outstanding at end of year	15,195,638	0.13
Share options exercisable at end of year	9,775,672	0.13

c. The range of exercise prices for share options outstanding as of December 31, 2023 was $ 0.003 - $ 0.26.

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

Options to the Company's former CEO, chairman of the board and the founder in charge of innovation:

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

Dividend yield (%)	-
Expected volatility of the share price (%)	44-61
Risk-free interest rate (%)	0.01-1.94
Share price (ILS)	0.63

NOTE 19:- SHARE-BASED PAYMENT (Cont.)

Based on the above inputs, the aggregate fair value of the options was determined at ILS 3,619 thousand ($ 1,086 thousand).

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

Options to the external directors:

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

Dividend yield (%)	-
Expected volatility of the share price (%)	46-56
Risk-free interest rate (%)	0.2-0.6
Share price (ILS)	1.09

Based on the above inputs, the aggregate fair value of the options was determined at ILS 1,238 thousand ($ 380 thousand).

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

Options to member of the Board:

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

Dividend yield (%)	-
Expected volatility of the share price (%)	68-73
Risk-free interest rate (%)	0.288-0.336
Share price (ILS)	0.155

Based on the above inputs, the aggregate fair value of the options was determined at $33 thousand.

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

NOTE 20:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS ITEMS

	Year ended December 31,	
	2023	**2022**
	U.S. dollars in thousands	
a. Cost of sales:		
Salaries and related expenses	259	71
Materials	1,210	349
Depreciation	212	71
Insurance	-	2
Other	443	8
	2,124	501
b. Development expenses:		
Materials	-	26
Salaries and related expenses	35	107
Other	-	44
	35	177
c. Selling and marketing expenses:		
Salaries and related expenses	156	20
Amortization	133	91
Other	16	81
	305	*) 192
d. General and administrative expenses:		
Salaries and related expenses	698	342
Management fees	-	67
Professional services	1,273	1,596
Maintenance of offices and communication	38	101
Depreciation	-	33
Travel	63	40
Insurance	85	99
Other	99	148
	2,256	2,426

*) Reclassified.

NOTE 20:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS ITEMS (Cont.)

	Year ended December 31, 2023	Year ended December 31, 2022
	U.S. dollars in thousands	
e. Other expenses (income):		
Impairment loss of IPR&D	950	*) 512
Impairment loss of Goodwill	1,423	-
Other income, net	(127)	(55)
	2,246	457
f. Finance expenses:		
Finance expense:		
Bank commissions	3	34
Interest expense in respect of leases	8	95
Interest expenses with related parties	108	-
Loss from change in fair value of financial liabilities designated at fair value through profit or loss	111	-
Other	70	-
	300	129
Finance income:		
Other interest incomes	-	(238)
Interest income in respect of finance leases	(7)	-
Net gain from change in exchange rates	(27)	(328)
Income from change in fair value of financial liabilities designated at fair value through profit or loss, net	(217)	(1,813)
Other	(8)	(47)
	(259)	(2,426)
g. Defined contribution plans expenses:		
Expenses in respect of defined contribution plans	-	46

*) Reclassified from Selling and marketing expenses to other expenses, net.

NOTE 21:- LOSS PER SHARE

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

	Year ended December 31,			
	2023		2022	
	Weighted average number of shares	Loss	Weighted average number of shares	Loss
	In thousands	U.S. dollars in thousands	In thousands	U.S. dollars in thousands
Number of shares and loss from continuing operations used in the computation of basic loss per share	154,154	(4,363)	139,068	(475)
Dilutive potential Ordinary shares	15,745	(207)	10,949	(1,813)
Number of shares and loss from continuing operations used in the computation of diluted loss per share	169,899	(4,570)	150,017	(2,288)
Number of shares and loss from discontinued operation used in the computation of basic and diluted loss per share	154,154	(290)	139,068	(3,997)

b. To compute diluted loss per share in 2023, convertible securities (dilutive potential Ordinary shares) and options to employees under share-based payment plans have not been taken into account since their inclusion decreases the loss from continuing operations (anti-dilutive effect).

NOTE 22:- OPERATING SEGMENTS

a. General:

Prior to the completion of the acquisitions of the Company's foreign subsidiaries in Spain and Germany until June 2022, the Company operated in one principal business segment - recycled plastic industrial products and most of its revenues were generated from customers in Israel. The activities in this segment have been reclassified as discontinued operations (see Note 9) and are not reflected in this note.

Commencing from July 2022 the Group operates in one principal business segment - advanced solutions based on recycled plastic products.

NOTE 22:- OPERATING SEGMENTS (Cont.)

b. Information about revenues from continuing operations:

Revenues reported in the consolidated financial statements from continuing operations for a group of similar products:

	Year ended December 31, 2023	Year ended December 31, 2022
	U.S. dollars in thousands	
Revenues from sales relating to automotive industry	513	393
Revenues from sales relating to winery industry	640	162
Revenues from sales of goods and processed goods	1,301	130
Total revenues	2,454	685

Geographical information:

The revenues reported in the consolidated financial statements from continuing operations were generated from customers in Europe.

The carrying amounts of non-current assets (property, plant and equipment, right of-use assets and intangible assets) in the Company's country of domicile (Israel) and in foreign countries based on the location of the assets, are as follows:

	December 31, 2023	December 31, 2022
	U.S. dollars in thousands	
Israel	-	56
Foreign countries	3,729	6,193
	3,729	6,249

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties:

December 31, 2023

	For details see below	Shareholders	Affiliated companies	Key management personnel and directors
		U.S. dollars in thousands		
Receivables:				
Other accounts receivable	A	-	-	55
Finance lease receivables	E	-	457	-
Payables:				
Other payables	b, f	356	-	162
Shareholders loans	C	567	-	-
Convertible debt to related party	D	1,230	-	-

December 31, 2022

	For details see below	Shareholders	Affiliated companies	Key management personnel and directors
		U.S. dollars in thousands		
Receivables:				
Other accounts receivable	A	-	4	-
Payables:				
Other payables	b, c	501	86	136

Additional information:

(a) A current balance bears no interest.

(b) Current balance for key management personnel and Directors.

(c) Non-current balance bears interest of 2.9%, for the major shareholders of the Company.

(d) Convertible debt to related party – see Note 23(c)5.

(e) Finance lease receivables - see Note 23(c)4.

(f) Current balance with related party pursuant to service agreement – see Note 23(c)9.

b. Transactions with related parties:

Year ended December 31, 2023

	For details see below	Directors	Key management personnel	Related parties
		U.S. dollars in thousands		
Purchases from related party		-	-	181
General and administrative expenses		132	247	356
Finance income	A	-	-	(7)
Finance expenses		-	-	108

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Year ended December 31, 2022

	For details see below	Directors	Key management personnel	Related parties
		U.S. dollars in thousands		
General and administrative expenses		684	538	188
Transaction costs deducted from share premium	A	-	-	-

Additional information:

(a) In connection with A-Labs service agreement, See Note 18c.

c. Commitments and other transactions with related parties:

1. On January 14, 2021, the board of directors of the Company approved and recommended that the Shareholders of the Company approve the issuance, for no consideration, to each of Tedea and Sullam warrants to purchase an aggregate additional amount of Ordinary Shares that shall constitute 13% of the Company's share capital on a fully diluted basis as of immediately after the closing of the public offering of the Company's shares (the "Founders’ Warrants"). The issuance of the Founders’ Warrants was approved by the general meeting of the Shareholders of the Company on March 22, 2021. On April 14, 2021 the Company issued the Founders’ Warrants to each of Tedea and Sullam pursuant to which:

   a) Each of Sullam and Tedea shall have the right to purchase at a price per share equal to the par value of each Ordinary Share, 4,593,773 Ordinary Shares of the Company, upon the cumulative occurrence of: (A) the public offering of the Company's shares; and (B) establishment of an operational manufacturing site outside of Israel for the production of the Company's products, whether through the purchase of an existing site, construction of a new factory, or following a joint venture, partnership or entering into a sub-contracting agreement with any third party for the production of the Company's products in a pre-existing factory (a "Manufacturing Site") within 2 years as of the closing of the public offering.

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

b) Each of Sullam and Tedea shall have the right to purchase at a price per share equal to the par value of each Ordinary Share, an additional 4,593,773 Ordinary Shares of the Company upon the cumulative occurrence of : (A) the public offering of the Company's shares, and (B) establishment of an additional Manufacturing Site within 2 years as of the closing of the public offering.

c) Each of Sullam and Tedea shall have the right to purchase, at a price per share equal to the par value of each Ordinary Share, an additional 2,756,264 Ordinary Shares of the Company upon the cumulative occurrence of: (A) the public offering of the Company's shares, and (B) the Company's annual revenues, based on the Company's annual audited financial statements, together with the Company's proportional share in the annual revenues of a Manufacturing Site the financial results of which are not fully consolidated into the Company's audited financial statements for any of the calendar years 2021, 2022, or 2023 exceeds $ 8,000 thousand.

The Founders' Warrants shall expire upon the earlier of (a) lapse of 2 years following the date of the completion of the performance obligation of each part of the Warrant, and (b) lapse of 5 years following the completion of the Company's IPO. The Founders' Warrants include an adjustment mechanism in the event that certain warrants issued to the underwriters as described in Note 18(b) above will be exercised. In such case each of Tedea and Sullam shall be entitled to an additional 66,437 warrant shares, based on the formula detailed in the Founders' Warrants.

2. As described in Note 1b above on April 27, 2022, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Flome. On June 13, 2022, the acquisition transaction was completed.

The completion of the Flome Transaction constituted the fulfillment of the First Milestone of the Founders Warrants granting each of Sullam and Tedea the right to purchase at a price per share equal to ILS 0.01 per ordinary share: (i) 4,593,773 Ordinary Shares (the "First Milestone Warrant Shares"). However, Sullam and Tedea each waived their right to purchase the First Milestone Warrant Shares at the point of completion of the Flome Transaction and deferred the exercise of such right subject to the approval of the Company's audit committee (the "Audit Committee"), Company's board of directors and by a special majority of the Shareholders as set forth below. On April 12 and April 13, 2022, the Audit Committee and the Board of Directors (the" Board"), respectively, approved the purchase by each of Sullam and

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Tedea of its respective First Milestone Warrant Shares. At the Annual and Special Meeting (as defined below) the Shareholders approved the purchase of the First Milestone Warrant Shares as well as any subsequent purchase of an additional 4,593,773 ordinary shares (the "Second Milestone Warrant Shares") upon the completion of the Second Milestone pursuant to an arm's length transaction by the Company if so determined by the Audit Committee and the Board.

The consulting services provided by Oceansix under the consultant agreement dated August 31, 2021, between the Company and Oceansix, led the Company to enter into the share purchase agreement with Flome pursuant to which the Company completed the Flome Transaction. Due to the technical requirements for the closing of the Oceansix Transaction and the business urgency with respect to the completion of the Flome Transaction, the Flome Transaction was completed prior to the closing of the Proposed Transaction. Had the Flome Transaction been successfully completed prior the closing of the Oceansix Transaction, the Company would have attained the first manufacturing site milestone under the Proposed Transaction, consisting of the establishment of an operational manufacturing site outside of Israel for the production of products utilizing Oceansix's or the Company's technology or processes within two years of the closing of the Oceansix Transaction, and been required to make the First Manufacturing Site Contingent Share Issuance of 10,000,000 ordinary shares to RAM.ON finance.

Taking into consideration the services provided by Oceansix and its contribution to the completion of the Flome Transaction, and due the technical timing circumstances of the closing of the Oceansix Transaction and the completion of the Flome Transaction, following the recommendation of the Audit Committee and the Board, at the the Annual and Special Meeting (as defined below), the Shareholders approved the First Manufacturing Site Contingent Share Issuance to RAM.ON finance and any future manufacturing site contingent share issuances (under the Proposed Transaction) pursuant to an arm's length transaction by the Company if so determined by the Audit Committee and the Board

In addition, the Flome Transaction also triggered the vesting of 1,378,132 Restricted Share Units ("RSU's"), with each RSU representing the right to receive one Ordinary Share, to Amichai Krupik, the Company's interim CEO, pursuant to the Board's granting 2,756,264 RSU's to Mr. Krupik, as follows (i) 1,378,132 RSUs upon an operational manufacturing site being established by the Company outside of Israel within five years from the date of the grant; and (ii) subject to approval by the Company's shareholders, 1,378,132 RSUs upon a second operational manufacturing site being established outside of Israel within five years from the date of the grant. The term of the RSU's has since been amended. The second condition was not met. In September 2023, Mr. Krupik exercised his RSU´s pursuant the achievement of the "First Milestones" within the period of 5 years from the date of the 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 Kuprik was issued 1,378,132 ordinary shares of the Company. In January 2024, Mr Kuprik 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.

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

3. As of the reporting date and the date of approval of the financial statements , RAM.ON has contributed with EUR 833 thousand and EUR 833 thousand, respectively, Sullam has contributed EUR 325 thousand and EUR 585 thousand, respectively, Tedea has contributed EUR 275 thousand and EUR 485 thousand, respectively, to the Company in accordance with both the September 2022 Facility and the May 2023 Facility. Out of the EUR 485 thousand sourced by Tedea, RAM.ON has transferred to the Company on behalf of Tedea EUR 410 thousand.
   The Credit Facilities from the shareholders was measured with a market interest rate, the benefit, net of deferred taxes, in a total amount of $ 360 thousand was recorded to Reserve from transaction with controlling shareholders

4. Lease agreement with related party -
   In October 2023, oceansix GmbH (Lessor) and Cabka GmbH (Lessee), a company controlled by one of the major shareholders of the company, signed a lease agreement for 2 extruders and other accessories. The lease agreement commenced on October 1, 2023 and has a duration of 2 years. The leasing fees are EUR 21 thousand in 23 monthly installments and an additional EUR 17 thousand installment for the last month of the lease period. The Lessee has the right to purchase the leased equipment at the end of the lease period in the amount of EUR 1. The lease agreement was classified in the consolidated financial statements as a finance lease. The Company recorded a gain from recognition a finance lease in the amount of EUR 165 thousand ($ 178 thousand) that was included in Other income, net.

5. Convertible debt to related party -
   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 550 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) CAD$ 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 (CAD$ 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 on July 11, 2023 and it has also been approved by the TSXV.
   RAM.ON has 2 years from the shareholders annual meeting to exercise the debt-to-equity conversion.

6. At the 2023 Annual and Special Meeting, the Shareholders approved the Service Agreement between Oceansix and RAM.ON GmbH, pursuant to which. RAM.ON shall provide certain services to the Company. The term of the RAM.ON Services Agreement shall be for two years and each party may terminate the agreement with 60 days’ prior notice.

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

7. 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.

8. 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.

9. 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. The Service Agreement was approved by the Shareholders at the 2023 Annual and Special Meeting.

d. Compensation and benefits to key management personnel:

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

	Year ended December 31,	
	2023	**2022**
	U.S. dollars in thousands	
Short-term benefits	247	466
Share-based payment benefits	66	459
Total	313	925

(1) On March 3, 2022, Mr. Arnon Eshed was appointed to the Company’s Board of Directors and on April 13, 2022, the Company’s board of directors approved compensation for his services as a director in the amount of ILS 20,000 ($6.3 thousands) per month, effective from May 2022. In first quarter 2023, Mr. Arnon Eshed, a Director of the Company agreed to reduce his monthly compensation to ILS 10,000.

(2) On April 13, 2022, the Company’s Board of Directors resolved to appoint Mr. Maximo Buch as a director and related compensation of EUR 33,000 ($37 thousand) on an annual basis, which was approved by the TSX Venture Exchange and the annual and special meeting of the Company’s shareholders held on June 8, 2022 (the “Annual and Special Meeting”).

(3) In November 2022, the Board approved the amendment to the employment agreement between Mr. Amichai Krupik, the Company’s Interim CEO, and the Company, dated October 29, 2020. Among other things, the amendment, includes (i) an update (reduction) to Mr. Krupik’s compensation, pursuant to which, starting January 1, 2023, Mr. Krupik’s salary shall be based on employer costs of ILS 8,000 ($ 2.3 thousand) per month; (ii) a change in the terms of the expiration of the RSU’s which Mr. Krupik was granted by the Board on June 7, 2021 and approved by the Shareholders on July 20, 2021, pursuant to which RSUs that have not vested shall not expire upon termination of Mr. Krupik’s employment. The change is subject to the approval of the Company's shareholders meeting; and (iii) Mr. Krupik’s employment shall be set for a fixed period ending on December 31, 2023.

NOTE 23:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Directors:

(1) In July 2023, Mr Noah Hershcoviz informed the Company that he would not seek re-election as a member of the Board.

(2) In July 2023, Mr. Leon Koffler informed that 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 in his stead.

(3) On April 30, 2023, Mr. Gat Ramon was appointed as a director of the Company until the next general meeting of the Shareholders and appointed Mr. Ramon to serve as Chairman of the Board.

NOTE 24:- EVENTS DURING AND AFTER THE REPORTING PERIOD

a. 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 in Europe.

b. In January 2024, the former CEO, Mr. 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.

c. In March 2024, RAM.ON GmbH entered into an agreement with Tedea, pursuant to which RAM.ON Gmbh acquired an option to purchase from Tedea 6,193,740 ordinary shares of the Company in exchange for the assumption of certain of Tedea'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 Tedea. The option Shares can be purchased from Tedea at a price of CAD $0.065 per share for a period of 24 months from the date of the agreement.

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