A2Z SMART TECHNOLOGIES CORP.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
A2z SMART TECHNOLOGIES CORP
Vancouver, British Columbia

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of A2Z SMART TECHNOLOGIES CORP and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of comprehensive loss, change in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022**,** in conformity with ***International Financial Reporting Standards as issued by the International Accounting Standards Board.***

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ziv Haft

Certified Public Accountants (Isr)
BDO Member Firm

We have served as the Company's auditor since year 2017.
Tel Aviv, Israel
March 27, 2023

A2Z SMART TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands of US Dollars, except per share data)

		December 31, 2022		December 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents	$	2,616	$	8,470
Deposits		8		60
Inventories (*note 5*)		375		1,147
Trade receivables, net (*note 6*)		1,373		857
Other accounts receivable (*note 8*)		2,570		434
Total current assets		6,942		10,968
Intangible asset - patent, net (*note 9*)		2,207		2,091
Goodwill (*note 7*)		1,188		-
Property, plant and equipment, net (*note 10*)		2,357		1,072
Total non-current assets		5,752		3,163
Total Assets	$	12,694	$	14,131
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short term loan and current portion of long-term loans (*note 11*)	$	1,403	$	158
Lease liability (*note 12*)		281		126
Trade payables		2,224		989
Deferred revenues (*note 13*)		1,373		-
Other accounts payable (*note 14*)		956		1,099
Total current liabilities		6,237		2,372
Lease liability (*note 12*)		605		151
Long term loans (*note 15*)		341		483
Provision (*note 7*)		1,447		-
Warrant Liability *(note 17)*		1,142		51
Severance payment, net (*note 16*)		33		167
Total non-current liabilities		3,568		852
Total liabilities		9,805		3,224
Shareholders' equity *(note 19)*				
Share capital and additional paid in capital		43,452		28,297
Warrant Reserve		30,863		34,763
Accumulated other comprehensive income		(1,634)		(708)
Accumulated deficit		(67,395)		(50,838)
		5,286		11,514
Non-controlling interest *(note 21)*		(2,397)		(607)
Total shareholders' equity		2,889		10,907
Total liabilities and shareholders' equity	$	12,694	$	14,131

March 27, 2023	"Yonathan De Yonge"	"Joseph Bentsur"
Date of approval of the financial statements	Yonathan De Yonge - Director	Joseph Bentsur President and Chief Executive Officer

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

A2Z SMART TECHNOLOGIES CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Expressed in Thousands of US Dollars, except per share data)

	Year ended December 31, 2022	2021	2020
Revenues (*note 22*)	$ 9,351	$ 2,685	$ 1,068
Cost of revenues (*note 23*)	7,517	2,029	853
Gross profit	1,834	656	215
Expenses:			
Research and development costs (*note 24*)	$ 4,462	$ 3,222	$ 418
Sales and marketing costs	475	102	108
General and administration expenses (*note 25*)	13,599	6,494	2,365
Operating loss	(16,702)	(9,162)	(2,676)
Loss on revaluation of warrant liability *(note 17)*	254	30,895	3,228
Financial income	-	-	(75)
Financial expenses (*note 27*)	1,391	91	107
Loss before taxes on income	$ (18,347)	$ (40,148)	$ (5,936)
Income tax expense *(note 28)*	-	(142)	(17)
Loss for the year	$ (18,347)	$ (40,290)	$ (5,953)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Adjustments arising from translating financial statements of foreign operations	(936)	555	(1,282)
Remeasurement loss from defined benefit plans	10	-	13
Other comprehensive income (loss)	(926)	555	(1,269)
Total comprehensive loss for the year	$ (19,273)	$ (39,735)	$ (7,222)
Less: Net loss attributable to non-controlling shareholders	(1,790)	(1,127)	(32)
Net loss attributable to A2Z's shareholders	$ (17,483)	$ (38,608)	$ (7,190)
Basic and diluted loss per share	$ (0.70)	$ (1.70)	$ (0.43)
Weighted average number of shares outstanding	27,681,778	23,340,621	16,758,323

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

A2Z SMART TECHNOLOGIES CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(Expressed in Thousands of US Dollars, except per share data)

	Ordinary share capital			Accumulated			Total Equity of shareholders
	Number of shares	Additional paid in capital	Warrant reserve	Other Comprehensive Income	Accumulated deficit	Non-controlling interest	of the Company (Deficit)
Balance - January 1, 2022	**26,326,488**	**$ 28,297**	**$ 34,763**	**$ (708)**	**$ (50,838)**	**$ (607)**	**$ 10,907**
Net loss for the period	-	-	-	-	(16,557)	(1,790)	(18,347)
Remeasurement gain from defined benefit plans	-	-	-	10	-	-	10
Adjustments arising from translating financial statements of foreign operations	-	-	-	(936)	-	-	(936)
Net comprehensive loss for the period	-	-	-	(926)	(16,557)	(1,790)	(19,273)
Issuance of shares in respect of crowd funding *(note 19(Q))*	74,895	-	-	-	-	-	-
Issuance of shares in respect of Isramat deal *(note 19(O))*	273,774	1,747	-	-	-	-	1,747
Issuance of shares in private placement, net *(note 19(S))*	2,978,337	3,004	-	-	-	-	3,004
Exercise of warrants *(note 19(N))*	630,161	5,277	(3,900)	-	-	-	1,377
Exercise of options *(note 19(P))*	116,667	208	-	-	-	-	208
Exercise of RSU's *(note 19(R))*	545,000	-	-	-	-	-	-
Expiration of warrants *(note 17(A))*	-	51	-	-	-	-	51
Share based compensation *(note 20(b)(ix))*	-	4,868	-	-	-	-	4,868
Balance - December 31, 2022	**30,945,322**	**$ 43,452**	**$ 30,863**	**$ (1,634)**	**$ (67,395)**	**$ (2,397)**	**$ 2,889**

	Ordinary share capital			Accumulated			Total Equity of shareholders
	Number of shares	Additional paid in capital	Warrant reserve	Other Comprehensive Income	Accumulated deficit	Non-controlling interest	of the Company (Deficit)
Balance - January 1, 2021	**(*)22,219,910**	**$ 10,445**	**$ -**	**$ (1,339)**	**$ (11,599)**	**$ 520**	**$ (1,973)**
Net loss for the period	-	-	-	-	(39,239)	(1,051)	**(40,290)**
Adjustments arising from translating financial statements of foreign operations	-	-	-	631	-	(76)	555
Net comprehensive loss for the period	-	-	-	631	(39,239)	(1,127)	(39,735)
Reclassification of warrant liability *(note 17)*	-	-	43,964	-	-	-	43,964
Issuance of shares in private placement, net *(note 19 (L))*	1,305,662	3,338	-	-	-	-	3,338
Exercise of warrants *(note 19 (K))*	2,514,693	12,929	(9,201)	-	-	-	3,728
Exercise of options *(note 19 (M))*	286,223	742	-	-	-	-	742
Share based compensation *(note 20 (b)(ix))*	-	843	-	-	-	-	843
Balance - December 31, 2021	**(*)26,326,488**	**$ 28,297**	**$ 34,763**	**$ (708)**	**$ (50,838)**	**$ (607)**	**$ 10,907**

(*) On August 13, 2021, the Board and the TSX-V approved a 1-for-3 reverse stock split, (the "Reverse Split"). Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

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

A2Z SMART TECHNOLOGIES CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(Expressed in Thousands of US Dollars, except per share data)

	Ordinary share capital						
	Number of shares	**Additional paid in capital**	**Warrant reserve**	**Accumulated Other Comprehensive Income**	**Accumulated deficit**	**Non-controlling interest**	**Total Equity of shareholders of the Company (Deficit)**
Balance - January 1, 2020	**(*)15,692,126**	**$ 6,555**	**$ -**	**$ (70)**	**$ (5,678)**	**$ 552**	**$ 1,359**
Net loss for the period	-	-	-	-	(5,921)	(32)	**(5,953)**
Adjustments arising from translating financial statements of foreign operations	-	-	-	(1,269)	-	-	(1,269)
Net comprehensive loss for the period	-	-	-	(1,269)	(5,921)	(32)	(7,222)
Issuance of shares in private placement, net	277,779	163	-	-	-	-	163
Exercise of warrants	182,142	98	-	-	-	-	98
Exercise of stock options *(note 19 (A)(D)(G))*	123,386	39	-	-	-	-	39
Issuance of shares in private placement, net *(note 19 (H)(I))*	5,816,784	2,570	-	-	-	-	2,570
Issuance of warrants for services	-	52	-	-	-	-	52
Issuance of shares for services *(note 19 (C)(E)(J))*	127,693	168	-	-	-	-	168
Issuance of stock options for services *(note 20 (B)(ix))*	-	800	-	-	-	-	800
Balance - December 31, 2020	**(*) 22,219,910**	**$ 10,445**	**$ -**	**$ (1,339)**	**$ (11,599)**	**$ 520**	**$ (1,973)**

(*) On August 13, 2021, the Board and the TSX-V approved a 1-for-3 reverse stock split, (the "Reverse Split"). Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

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

A2Z SMART TECHNOLOGIES CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Thousands of US Dollars, except per share data)

	Year ended December 31, 2022	2021	2020
Cash flows from operating activities			
Loss for the year	$ (18,347)	$ (40,290)	$ (5,953)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization and depreciation	786	251	213
Share based compensation	4,868	843	601
Loss on revaluation of warrant liability	254	30,895	3,228
Increase in provisions	1,190	-	-
Change in severance liability	(154)	(20)	28
Change in inventory	690	(1,128)	19
Change in trade receivables	990	(661)	35
Change in other account receivables	(2,383)	(81)	719
Accrued interest on loans and leases	13	36	73
Changes in deferred taxes	-	-	16
Change in accounts payable	860	448	43
Change in deferred revenues	1,439	-	-
Change in other accounts payable	363	329	(25)
	(9,431)	(9,378)	(1,003)
Cash flows from investing activities			
Change in deposits	48	132	(192)
Investment in subsidiary	(879)	-	-
Intangible assets	-	-	(6)
Purchase of property, plant and equipment	(727)	(412)	(227)
	(1,559)	(280)	(425)
Cash flows from financing activities			
Issuance of shares and warrants, net	3,894	8,358	8,249
Investment in subsidiary	-	-	(1,566)
Exercise of options	208	742	39
Exercise of warrants	1,379	3,386	98
Lease payments	(337)	(111)	(43)
Long term deposits	-	-	30
Repayment of loans	(342)	(316)	(100)
Proceeds from receipt of loans	1,294	296	494
	6,096	12,355	7,201
Increase (decrease) in cash and cash equivalents	(4,894)	2,697	5,773
Effect of changes in foreign exchange rates	(960)	376	(738)
Cash at beginning of year	8,470	5,397	362
Cash at the end of the year	$ 2,616	$ 8,470	$ 5,397
Taxes paid during the year	74	-	-
Interest paid during the year	49	34	12
APPENDIX A: NON-CASH ACTIVITIES			
Reclassification of warrant liability to warrant reserve	51	43,964	-
Reclassification of other account payables to short term loans	359	-	-
Recognition of a lease liability and right-of-use asset	947	-	-
Sale of fixed asset	188	-	-
Issuance of share in respect of Isramat deal	2,089	-	-

NON-CASH TRANSACTIONS: INVESTMENT IN NEWLY CONSOLIDATED SUBSIDIARIES

	Year ended December 31, 2022	2021	2020
Issuance of the Company's ordinary shares	1,747	-	-
Commitment to selling shareholders	343		
Working capital other than cash and cash equivalents	(869)	-	-
Liability for severance pay fund, net	35	-	-
Property, plant and equipment	(636)	-	-
Benefit shareholder consulting agreement	(27)	-	-
Customer relations	(284)	-	-
Goodwill	(1,188)	-	-
Total cash and cash equivalents paid (*)	$ (879)	$ -	$ -

(*) See note 7.

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

NOTE 1 - DESCRIPTION OF BUSINESS:

Overview

A2Z SMART TECHNOLOGIES CORP. (the "Company" or "A2ZST") was incorporated on January 15, 2018 under the laws of British Columbia. The head office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3, and the records and registered office is located at 2200 HSBC Building 885 West Georgia Street, British Columbia, V6C 3E8.

The Company was listed on the NASDAQ Stock Market LLC ("Nasdaq") starting January 22, 2022, and trades under the symbol "AZ" and on the TSX Venture Exchange ("TSX Venture") and trades under the symbol "AZ.V".

The Company owns 79.49% of the common shares of Cust2Mate Ltd ("Cust2Mate"), a technology company focused on providing retail automation solutions, in particular for large grocery stores and supermarkets. The Company's primary product is the Cust2Mate system which incorporates a "smart cart" which automatically calculates the value of the customers purchases in their smart cart, without having to unload and reload their purchases at a customer checkout point.

The Cust2Mate system offers various features for shoppers and retailers such as product information and location, an on-cart scale to weigh items and automatically calculate costs, bar-code scanner and on-board payment system to bypass checkout lines. In addition, the product includes big data smart algorithms and computer vision capabilities, allowing for customer specific targeted advertising. ("The Cust2Mate Platform").

The Cust2Mate Platform is being rolled out in Israel and is being marketed throughout the world, with pilots in North and South America and in the Middle East.

The Company's other activities include the provision of maintenance services utilizing the application of advanced engineering capabilities to the military and security markets as well as the development of related products for the civilian markets. Such services include providing maintenance services and container leasing. The Company also provides maintenance services for complex electronic systems and products.

On February 3, 2022, the Company completed the acquisition of Isramat Ltd. This strategic acquisition vertically integrates certain manufacturing capabilities for the production of A2Z's Cust2Mate smart cart while complementing existing contract manufacturing partnerships to support anticipated worldwide growth. See also note 6.

The Company, through its 80% owned subsidiary, Advanced Automotive Innovations Inc., ("AAI") continues the development of a product for the automotive market - the FTICS or Fuel Tank Inertia Capsule System which activates automatically in the event of a vehicle collision. This eliminates the danger of fuel tank combustion thereby saving lives and reducing damage.

As of December 31, 2022, the Company had four subsidiaries, all of which are companies incorporated under the laws of Israel: (1) Cust2mate Ltd. ("Cust2mate"); (2) A2Z Advanced Military Solutions Ltd ("A2Z MS"); (3) A2Z Advanced Solutions ("A2Z AS"); and (4) Isramat Ltd, the "Subsidiaries").

The Company had a net loss of approximately $19.3 million for the year ended December 31, 2022, $39.8 million for the year ended December 31, 2021, and $7.2 million for the year ended December 31, 2020. The Company has an accumulated deficit of $67 million as of December 31, 2022. The Company has incurred negative cash from operation and net losses for current and recent years. The Company financed its operation up do date by issuance of shares and warrants, The Company does not have any material financial obligations as of the balance date The company believes that it has sufficient resources to operate in the foreseeable future with the support of its officers.

On March 13, 2023, the Company closed, in escrow, the issuance of 1,783,561 units ("Units") at a price per Unit of US$1.46 (CAD$1.95), for gross proceeds of US$2,604 (See also note 32(b)).

These consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2023.

NOTE 2 – BASIS OF PREPARATION:

A. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out above. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except for certain derivatives. The Company has elected to present the statement of comprehensive income using the function of expense method.

B. Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commenced until the date control ceases. The Company controls an investee if all three elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements of the Company include the accounts of the Company and its Subsidiaries as if they formed a single entity. Any intercompany transactions were eliminated in full.

C. Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments which have been measured at fair value.

D. Functional and foreign currency

The Company's functional currency is the New Israeli Shekel ("NIS"), since the Company's primary economic environment is in Israel. However, the presentation currency is in US Dollars ("USD") due to expected future expansion. Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Accordingly, transactions and balances have been converted as follows:

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES:

A. Cash and cash equivalents

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

B. Short term deposits

A short term deposit is cash held in a short-term deposit (between three months and one year) or in a long-term deposit (with a maturity of more than one year from the date of investment). Short term deposits are deposits designated to secure the Company's car lease agreements and its credit cards.

C. Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. For the years ended December 31, 2021, and 2020, potentially dilutive common shares issuable upon the exercise of warrants and options were not included in the computation of loss per share because their effect was anti-dilutive.

D. Provisions

Provisions are recognized when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

E. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

2. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Fair value measurement (cont.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

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

1. Financial assets

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

Amortized cost: These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade accounts receivable are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within general and administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Fair value measurement (cont.):

2. Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss: Warrants are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at fair value through profit or loss.

Other financial liabilities include the following items: Bank borrowings are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade accounts payable and other accounts payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Another financial liability recognized at fair value is due to a commitment to the selling shareholders of Isramat (See also note 7) that if the aggregate proceeds received by a selling shareholder from the sale of its acquisition shares during the lockup period, together with the value of its unsold acquisition shares as of the end of such period, is lower than its pro rata portion in the equity consideration, the Company will pay the difference in cash to such selling shareholder.

3. 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. Then fair value is 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.

4. Derivative liability - Warrants:

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss. Accordingly, these warrants are measured at fair value and the changes in fair value in each reporting period are recognized in profit or loss.

5. Derecognition

- Financial assets - The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

- Financial Liabilities - The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Fair value measurement (cont.):

6. Impairment of financial assets

ECL and their measurement

ECL are measured as the unbiased probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, ECL are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default. The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios).

As of December 31, 2022, and December 31, 2021, ECL for trade and other account receivables are not material, and as such are not disclosed, in accordance IFRS 9.

Definition of default, including reasons for selecting the definition

Prior to commencing a business relationship, the Company will enter into an agreement with the customer. The agreement or contract typically includes details of the terms of payment to which the customer is entitled. In most cases, the customer updates the Company if there is a delay in the payment beyond the terms of the agreement. Any delays in payment for more than two months are subject to approval of management. If a customer's scheduled payment is delayed by more than two months and such delay is not approved by the Company's management, the CEO will typically make direct contact with the customer's management and inform them of the overdue obligation and that Company will pursue remedies available to collect the overdue payment. If the customer and the Company are not able to resolve the matter at that time, the receivable is considered to be in default as the collectability is no longer certain. If the collection effort is not successful, the Company will retain legal counsel in the applicable country to assist with collection and sends a demand letter to that effect.

Write-off policy

The Company writes off its financial assets if any of the following occur:

- Inability to locate the debtor.
- Discharge of the debt in a bankruptcy.
- It is determined that the efforts to collect the debt are no longer cost effective given the size of receivable.

The collections department must comply with the collection efforts outlined in the policy to collect on delinquent customer accounts before any write-offs are made.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Fair value measurement (cont.):

Aging Schedule based on due date

	Aging schedule	
	December 31, 2022	**December 31, 2021**
Within payment terms	**$ 1,373**	$ 857
Total	**$ 1,373**	$ 857

Three-level matrix

Based on its past experience and historical data along with a consideration of future projections of factors, such as the economic environment, the Company has established a three-level matrix. The three-level matrix contains the following groups and balances:

	December 31, 2022	**December 31, 2021**
Government institutions	**$ 279**	$ 296
Industrial customers	**1,052**	-
Other customers	**42**	561
Total	**$ 1,373**	$ 857

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Operating Segment:

n operating segment is a component of the Company that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Company's financial income and expenses and income tax. The Company has three operating segments; Precision Metal Parts, Advanced Engineering and Smart Carts.

G. Share-based compensation:

Where equity settled share options are awarded to employees and service providers, the fair value of the options calculated at the grant date is based on the market share price and is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

H. Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed based on tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred taxes are recognized in Profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized or reassessed are recognized to the extent that their recoverability is probable. Any resulting reduction or reversal is recognized as "income tax" within the statement of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively.

Deferred taxes are offset in the statement of financial position 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.

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

Deferred tax assets in respect to carryforward losses have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Defined benefit schemes

The Company contributes towards the state pension in accordance with local legislation where required. The only obligation of the Company is to make the required contributions. Costs related to such contributions are expensed in the period in which they are incurred.

The Company has several employee benefits plans as to its employees:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan 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 classified as defined contribution plans or as defined benefit plans.

This liability is calculated based on actuary measurement.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution. The Company also operates for some employees an immaterial defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. The Company presents the accrued severance pay liability net from severance pay fund.

J. Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Depreciation is computed by the straight-line method, based on the estimated useful lives of the assets, as follows:

	Estimated useful lives
Computers and electronic equipment	3
Machines and manufacturing equipment	10
Furniture and equipment	7
Vehicles	6.67
ERP system and R&D expenses	3-6
Leasehold Improvement	10

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers. IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework:

1. Identify the contracts with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when the entity satisfies a performance obligation.

i. Revenue from services is derived from contracts with customers pursuant to which the Company provides maintenance for various electronic systems. Revenues on these contracts are recognized using the straight-line method, based on the period of time passed.

ii. Revenues generated in Isramat are recognized from sale of goods 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.

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from selling goods with revenue recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The Company has a segment which carries out maintenance and leasing services for clients, with revenue recognized typically on an over time basis. This is because the designs created have no alternative use for the Company and the contracts would require payment to be received for the time and effort spent by the Company on progressing the contracts in the event of the customer cancelling the contract prior to completion for any reason other than the Company's failure to perform its obligations under the contract. On partially complete service contracts, A Layout (International) recognizes revenue based on stage of completion of the project which is estimated by comparing the number of hours actually spent on the project with the total number of hours expected to complete the project (i.e. an input based method). This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of anticipated hours to complete the projects and therefore also represents the amount to which the Company would be entitled based on its performance to date.

Determining the transaction price

A substantial amount of the Company's revenue is derived from Smart Cart segment – fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Exceptions are as follows:

● For one key customer, the Company accepts orders and is paid up in advance of delivering the products.

K. Share based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or 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 date includes the Group's best estimate of the number of equity instruments that will ultimately vest.

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 of option granted is determined using the Binomial Lattice option-pricing model ("Binomial model"). The Binomial model takes into account variables such as volatility, dividend yield rate, and risk-free interest rate and also allows for the use of dynamic assumptions and considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

L. Research and development expenses

Research expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate all of the following: 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 Company's 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 Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. Through December 31, 2022, costs in the amount of $219 have been capitalized and relate to the Company's ERP system. All other development expenses have not met all the aforementioned criteria and therefore all development costs have been recognized in profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Standard not yet effective

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

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

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

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

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

Changes in accounting policies

The following amendments are effective for the period beginning 1 January 2022:

Leases

The majority of the Company's accounting policies for leases are set out in note 12.

Identifying leases

The Company accounts for a contract as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Company obtains substantially all the economic benefits from use of the asset; and
- The company has the right to direct use of the asset

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

IAS - 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023.

The Company evaluated the expected impact of the IAS 1 amendments on its financial position as December 31, 2022, as a reclassification of its derivative liability - warrants in the amount of $1,142 from Non – Current Liabilities to Current Liabilities.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g., direct labor and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Company, prior to the application of the amendments, did not have any onerous contracts. The Company estimates that the initial application of the Amendments is not expected to have a material impact on its financial statements.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position are the useful life of property and equipment and income tax.

The useful life of property, plant and equipment

Property and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the consolidated statement of comprehensive income in specific periods.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED):

Intangible assets

Intangible assets are tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangibles with definite lives is reviewed each reporting period to determine whether there is any indication of impairment. If there are indications of impairment the impairment analysis is completed and if the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and impairment loss is recognized.

Going concern

In order to assess whether it is appropriate for the company to continue as a going concern, management is required to apply judgment and make estimates with respect to future cash flow projections. In arriving at this judgment, there were several assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing to raising additional financing.

Functional currency

The Company and its subsidiaries are required to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that, management has to analyze several factors, including which currency mainly influences the cost of undertaking the business activities, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities. Management uses its judgment to determine which factors are most important when the above indicators are mixed and the functional currency is not obvious.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e., the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (‘CGUs’). Goodwill is allocated on initial recognition to each of the Company’s CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company’s interest in the net fair value of the identifiable assets, liabilities and Contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Derivative liability - Warrants

The Company uses the Black-Scholes option-pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company’s shares and the expected life of the warrants.

Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined upon initial recognition by the Binomial model. The Binomial model is based on share price and exercise price and assumptions regarding expected volatility, term of share option, dividend yield and risk-free interest rate.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 5 - INVENTORIES:

	December 31, 2022	December 31, 2021
Raw materials	$ **38**	$ 93
Smart cart electrical equipment	**-**	909
Smart cart parts	**337**	145
	$ **375**	$ 1,147

NOTE 6 – TRADE RCEIVABLES, NET:

	December 31, 2022	December 31, 2021
Customers	$ **1,383**	$ 857
Expected credit losses	**(10)**	-
	$ **1,373**	$ 857

NOTE 7 – ACQUISITION

On February 3, 2022, the Company announced it has completed the acquisition of all the outstanding shares of Isramat Ltd ("Isramat"), an Israeli manufacturer of precision metal parts. In connection with closing of the acquisition, the Company paid NIS 2,800,000 (approximately $879) in cash and issued the selling shareholders of Isramat 273,774 common shares in the capital of the Company at a price per share of $7.6311. The company has committed to the selling shareholders that if the aggregate proceeds received by a selling shareholder from the sale of its acquisition shares during the lockup period, together with the value of its unsold acquisition shares as of the end of such period, is lower than its pro rata portion in the equity consideration, the Company will pay the difference in cash to such selling shareholder. Such payment shall be made at the end of the lockup period after submission of a report by the selling shareholder.

IFRS 13 favors the use of quoted prices and limits the inclusion of restrictions (such as lockup) in the calculated fair value. Based on the provisions of IFRS 13, the Company has recognized a provision for the commitment to the selling shareholders on the day of the acquisition in the amount of $343. On December 31, 2022, the Company revaluated the commitment to the selling shareholders in the amount of $1,447, and finance expenses in the amount of $1,105 were recognized and charged to the Consolidated Statement of Comprehensive Loss.

The table below summarizes the fair value of the commitment at the purchase date:

Balance at January 1, 2022	$ -
Acquisition date February 3, 2022	343
Revaluation	1,190
Effect of changes in foreign exchange rates	(86)
Balance at December 31, 2022	$ 1,447

The purchase consideration has been allocated between the acquired tangible assets and intangible assets, based on their fair values.

Management is fully responsible for the valuation made of the assets. The fair value assigned to identifiable intangible assets acquired has been determined by using valuation methods that accounts for replacement costs, using estimates and assumptions determined by management.

Based on the above, the Company has initially determined that the purchase price exceeds the fair values of identifiable net assets acquired by approximately $1,188, which is recognized as goodwill.

NOTE 7 – ACQUISITION (CONTINUED)

The table below summarizes the fair value of assets acquired at the purchase date:

		February 3, 2022
Working capital other than cash and cash equivalents	$	869
Liability for severance pay fund, net		(35)
Property, plant and equipment		636
Benefit shareholder consulting agreement		27
Customer relations		284
Goodwill (*)		1,188
Total consideration paid (**)	$	2,969
Consideration paid in cash	$	879
Commitment to the selling shareholders		343
Consideration paid in common shares in the capital of the Company		1,747
Total consideration paid (**)	$	2,969

(*) Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. The goodwill is attributed to the expected benefits arising from the synergies of the combination of the activities of the Company and acquired company, and to the value of assembled workforce.

Isramat manufactures and sells precision metal parts. Revenue from these sales is recognized when Isramat has delivered the parts to locations specified by its customers and the customers have accepted the parts in accordance with the sales contract.

(**) Consideration paid in cash for the purchase of Isramat shares was $879, and the balance of the consideration was settled by the issuance of 273,774 common shares in the capital of the Company at a value of $1,747.

The contribution of Isramat's results to the Company's consolidated revenues were $3,958. The contribution of Isramat's results to the Company's consolidated net loss during the year ended December 31, 2022, was a net loss of $875.

The pro forma financial information presented below is for information purposes only, is subject to a number of estimates, assumptions and other uncertainties, and is not indicative of the results of operations that would have been achieved had the transaction taken place at January 1, 2022. The pro forma financial information is as follows:

		For the year ended December 31, 2022 (in thousands) unaudited
Total revenues	$	9,594
Net loss attributable to the Company	$	17,635

NOTE 8 - OTHER ACCOUNTS RECEIVABLE:

		December 31, 2022		December 31, 2021
Related parties	**$**	**-**	$	126
Advances to suppliers		**918**		-
Prepaid expenses		**751**		50
Government institutions		**151**		251
Other		**750**		7
	$	**2,570**	$	434

(Expressed in Thousands of US Dollars, except per share data)

NOTE 9 – INTANGIBLE ASSETS - PATENT, NET:

Balance, January 1, 2021	**$ 2,239**
Depreciation	(123)
Effect of changes in foreign exchange rates	(25)
Balance, December 31, 2021	**$ 2,091**
Additions	311
Depreciation	(200)
Effect of changes in foreign exchange rates	5
Balance, December 31, 2022	**$ 2,207**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Computers and electronic equipment	Machines and manufacturing equipment	Furniture and equipment	Vehicles	ERP system and R&D expenses	Leasehold Improvements	Right of use Asset	Total
Cost:								
As of January 1, 2022	$ 440	$ -	$ 201	$ 968	$ -	$ 59	$ 362	$ 2,030
Additions	29	174	28	316	223	14	-	784
Disposals	-	-	-	(380)	-	-		(380)
Additions from newly acquired subsidiary	-	2,242	178	34	-	367	859	3,681
Translation adjustments	(53)	(208)	(48)	(80)	(4)	(37)	(42)	(472)
As of December 31, 2022	$ 416	$ 2,208	$ 359	$ 858	219	$ 403	$ 1,180	$ 5,642
Accumulated depreciation:								
As of January 1, 2022	$ 288	$ -	$ 142	$ 368	$ -	$ 59	$ 101	$ 958
Additions	37	116	16	88	5	3	107	371
Disposals	-	-	-	(58)	-	-	-	(58)
Additions from newly acquired subsidiary	-	1,657	158	6	-	350	164	2,335
Translation adjustments	(35)	(163)	(27)	(47)	-	(36)	(13)	(321)
As of December 31, 2022	$ 290	$ 1,610	$ 289	$ 357	$ 5	$ 376	$ 360	$ 3,286
Net Book Value:								
As of December 31, 2022	$ 126	$ 598	$ 70	$ 501	214	$ 27	$ 820	$ 2,357
As of December 31, 2021	$ 152	$ -	$ 59	$ 600	-	$ -	$ 261	$ 1,072

	Computers and electronic equipment	Furniture and equipment	Vehicles	Leasehold Improvements	Right of use Asset	Total
Cost:						
As of January 1, 2021	$ 370	$ 139	$ 625	$ 57	$ 40	$ 1,231
Additions	52	62	298	-	362	774
Translation adjustments	18	-	45	2	(40)	25
As of December 31, 2021	$ 440	$ 201	$ 968	$ 59	$ 362	$ 2,030
Accumulated depreciation:						
As of January 1, 2021	$ 268	$ 133	$ 294	$ 57	$ 23	$ 775
Additions	22	7	92	-	101	222
Translation adjustments	(2)	2	(18)	2	(23)	(39)
As of December 31, 2021	$ 288	$ 142	$ 368	$ 59	$ 101	$ 958
Net Book Value:						
As of December 31, 2021	$ 152	$ 59	$ 600	$ -	$ 261	$ 1,072
As of December 31, 2020	$ 102	$ 6	$ 331	$ -	$ 17	$ 456

(Expressed in Thousands of US Dollars, except per share data)

NOTE 11 – SHORT TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS:

	Linked to	Interest rate	December 31, 2022	December 31, 2021
Short term loans	NIS	3.2%-7.5%	$ **1,114**	$ -
Current portion of long-term loans			**289**	158
			$ 1,403	$ 158

NOTE 12 – LEASE LIABILITY:

The Company has lease contracts for industrial areas and office facilities used in its operations. Leases of industrial areas and office facilities generally have lease terms of between 2 and 5. The Group has several lease contracts that include termination option, which are valid after a minimal lease period. The Group has several lease contracts that include extension options.

Set out below are the carrying amounts of lease liabilities recognized and the movements during the period:

	Industrial areas and office facilities
Balance January 1, 2021	$ 21
Additions	362
Disposals	(107)
Accumulated interest	25
Exchange rate differences	(24)
Balance December 31, 2021	$ 277
Additions	859
Disposals	(335)
Accumulated interest	107
Exchange rate differences	(22)
Balance December 31, 2022	$ 886

	Linked to	December 31, 2022	December 31, 2021
Long Term leases	NIS	$ **886**	$ 277
Current portion of long-term leases		**281**	126
		$ 605	$ 151

NOTE 13 – DEFERRED REVENUES:

The Company has invoiced its one major customer in the Smart Cart segment a sum amount of $1,373 for smart carts that as of December 31, 2022, have yet to be delivered. Throughout the year ended December 31, 2022, the balance of deferred revenues has changed each time the Company invoiced the aforementioned customer. The amount has been set off against total revenues and credited to deferred revenues.

NOTE 14 - OTHER ACCOUNTS PAYABLE:

	December 31, 2022	December 31, 2021
Employees and government authorities	**$ 681**	$ 362
Accrued expenses	**93**	169
Other	**182**	568
	$ 956	$ 1,099

NOTE 15 - LONG TERM LOANS:

	Linked to	Interest rate	December 31, 2022	December 31, 2021
Long term loans	NIS	1.8%-6.1%	**$ 1,385**	$ 641
Less- Current portion			**(1,044)**	(158)
			$ 341	$ 483

The loans are from leading Israeli financial institutions and bear interest of between 1.8% - 6.1%. $1,044 of the loans are repayable within in one year and $341 are repayable between two to five years.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 16 – SEVERANCE PAYMENT, NET:

a. The plan liabilities, net:

	Year ended December 31, 2022	Year ended December 31, 2021
Defined benefit plan:		
Present value of defined benefit obligation	**$ 394**	$ 541
Fair value of plan assets	**(361)**	(374)
Total	**$ 33**	$ 167

Changes in the present value of defined benefit obligation:

	2022	2021
Balance at beginning of year	**$ 541**	$ 563
Recognized in statement of comprehensive loss:		
Interest cost	**9**	10
Current service cost	**30**	39
Currency translation	**(111)**	(71)
Recognized in other comprehensive gain :	**(10)**	-
Net actuarial gain	**(98)**	-
Balance at end of year	**$ 361**	$ 541

b. The movement in the fair value of the plan assets:

	2022	2021
Balance at beginning of year	**$ (374)**	$ (376)
Recognized in statement of comprehensive loss:		
Expected return	**24**	28
Recognized in other comprehensive loss /(gain):		
Net actuarial loss (gain)	**-**	-
Other:		
Contributions by employer	**(11)**	(26)
Balance at end of year	**$ (361)**	$ (374)

c. The principal assumptions underlying the defined benefit plan:

	December 31, 2022	December 31, 2021
Discount rate of the plan liability	2.75%	2.24%
Expected rate of return on plan assets	2.64%	2.36%
Future salary increases	3.82%	3.47%

(Expressed in Thousands of US Dollars, except per share data)

NOTE 17 – WARRANT LIABILITY:

a) **November 2022 Warrants**

On November 2, 2022, the Company issued an aggregate of 1,489,166 warrants (November 2022 Warrants) as part of a private placement (see also note 19 (s)). The warrants were issued with an exercise price denominated in Canadian Dollars (CAD2.04) rather than the functional currency of the Company – New Israeli Shekels (NIS). The warrants are exercisable for a period of 2 years from the issue date. The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 110% using the historical prices of the Company, risk-free interest rate of 3.94%, expected life of 2.00 years and share price of CAD1.56.

These warrants were valuated at their fair value at the end of each reporting period and classified as a liability.

Balance at January 1, 2022	$	-
Issuance of November 2022 Warrants		894
Revaluation at December 31,2022		248
Balance at December 31, 2022	$	1,142

b) **April and May 2021 Warrants**

Certain warrants were issued with an exercise price denominated in Canadian Dollars (CAD) rather than the functional currency of the Company – New Israeli Shekels (NIS). These warrants were recorded at their fair value at the end of each reporting period and classified as a derivative liability.

As of June 30, 2021, the warrant liability was $7,093 and the Company recorded a loss on the revaluation of the total warrant liability for the year ended December 31, 2021, of $2,307 in the Consolidated Statement of Comprehensive Loss. The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions: volatility of 111% using the historical prices of the Company, risk-free interest rate of 0.41%, expected life of 1.79 years and share price of $11.91.

On June 30, 2021, warrant holders owning 583,703 warrants, exercisable at CAD$11.04, and the Company, agreed that the exercise price of CAD$11.04 would be payable in NIS (based on a NIS 2.63 to CAD$1.00 exchange rate) and therefore the Company reclassified the balance of the warrant liability in respect of these warrants, as equity ($6,846). The Company also entered into a foreign currency hedge contract to protect against any negative currency fluctuation against the CAD.

As of August 29, 2021, the warrant liability was $247 and the Company recorded a gain on the revaluation of the total warrant liability for the year ended December 31, 2021, of $124 in the Condensed Consolidated Interim Statement of Comprehensive Loss. The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions: volatility of 134% using the historical prices of the Company, risk-free interest rate of 0.41%, expected life of 1.62 years and share price of $6.69. As of December 31, 2021, all the April and May 2021 warrants are classified as equity.

The following is the reconciliation of the fair value that are categorized within Level 3 of the fair value hierarchy in financial instruments:

Balance at January 1, 2021	$	-
Issuance at June 4, 2021		4,786
Revaluations		2,183
Reclassification to Warrant Reserve		(6,969)
Balance at December 31, 2021	$	-
Balance at December 31, 2022	$	-

(Expressed in Thousands of US Dollars, except per share data)

NOTE 17 – WARRANT LIABILITY (CONTINUED):

c) **November 2020 and December 2020 Warrants**

Certain warrants issued in November and December 2020 were issued with an exercise price denominated in Canadian Dollars (CAD) rather than the functional currency of the Company – New Israeli Shekels (NIS). These warrants were recorded at their fair value at the end of each reporting period and classified as a derivative liability.

As of March 31, 2021, the warrant liability was $35,175 and the Company recorded a loss on the revaluation of the total warrant liability on March 31, 2021, of $26,816 in the Consolidated Statement of Comprehensive Loss. The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions: volatility of 79% using the historical prices of the Company, risk-free interest rate of 1.002%, expected life of 4.63 years and share price of $9.30.

On March 31, 2021, warrant holders, owning 5,816,785 warrants, exercisable at CAD$2.70, and the Company, agreed that the exercise price of CAD$2.70 would be payable in New Israeli Shekels (based on a NIS 2.65 to CAD$1.00 exchange rate) and therefore the Company reclassified the balance of the warrant liability in respect of these warrants as equity ($35,065). The Company also entered into a foreign currency hedge contract to protect against any negative currency fluctuation against the CAD. As of December 31, 2021, all the November 2020 and December 2020 warrants are classified as equity.

The following is the reconciliation of the fair value that are categorized within Level 3 of the fair value hierarchy in financial instruments:

Balance at January 1, 2021	$	8,391
Revaluation at March 31, 2021		26,816
Reclassification to Warrant Reserve		(35,207)
Balance at December 31, 2021	$	-
Balance at December 31, 2022	$	-

d) **January 2020 Warrants**

Certain warrants issued in January 2020 were issued with an exercise price denominated in Canadian Dollars (CAD) rather than the functional currency of the Company - New Israeli Shekels (NIS). These warrants were recorded at their fair value at the end of each reporting period and classified as a derivative liability.

On June 30, 2021, warrant holders, owning 220,589 warrants, exercisable at CAD$1.95, and the Company, agreed that the exercise price of CAD$1.95 would be payable in New Israeli Shekels (based on a NIS 2.65 to CAD$1.00 exchange rate) and therefore the Company reclassified the balance of the warrant liability in respect of these warrants as equity ($1,788). The Company also entered into a foreign currency hedge contract to protect against any negative currency fluctuation against the CAD.

As of December 31, 2021, the warrant liability was $51 and the Company recorded a loss on the revaluation of the total warrant liability for the year ended December 31, 2021, of $1,788 in the Consolidated Statement of Comprehensive Loss. The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions: volatility of 82% using the historical prices of the Company, risk-free interest rate of 0.064%, expected life of 0.08 years and share price of $13.72. As of December 31 ,2021, there are 16,312 warrants classified as a liability.

On January 31, 2022, the remaining January 2020 Warrants expired, and the Company reclassified the warrant liability to equity.

The following is the reconciliation of the fair value that are categorized within Level 3 of the fair value hierarchy in financial instruments:

Balance at January 1, 2021	$	285
Warrants exercised		(342)
Revaluations		1,896
Reclassification to Warrant Reserve	$	(1,788)
Balance at December 31, 2021		51
Expiry of warrants		(51)
Balance at December 31, 2022	$	-

NOTE 18 – LIENS, COMMITMENTS AND PROVISIONS:

A. The Company's Israeli subsidiary's fixed assets (motor vehicles) are secured against bank borrowings.

SHAREHOLDERS' EQUITY (DEFICIT):

The Company's Authorized share capital is unlimited common shares without par value ("Shares").

As of December 31, 2022, the number of shares issued and outstanding are 30,945,322 (December 31, 2021 – 26,326,488).

On August 13, 2021, the Board and the TSX-V approved a 1-for-3 reverse stock split, (the "Reverse Split"). Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

A. On January 21, 2020, 47,619 options with an exercise price of CAD0.42 were exercised for gross proceeds of $15 (CAD20 thousand).

B. On January 30, 2020, the Company completed a private placement of 277,779 units (the "Units") at a price of CAD1.80 per Unit for gross proceeds of $ 377 (CAD500 thousand) ("January 2020 Private Placement"). Each Unit consists of one share and one common share purchase warrant, with each warrant entitling the holder to acquire an additional share of the Company at a price of CAD1.95 until January 30, 2022. All securities issued in connection with the January 2020 Private Placement were subject to a hold period expiring May 31, 2020. The fair value of the warrants at issuance were $214 and were recorded as a liability – see Note 11.

C. On January 30, 2020, the Company issued 30,831 shares as compensation, valued at $50, for consulting services provided by a consultant.

D. On March 18, 2020, 75,000 options with an exercise price of CAD0.39 were exercised for gross proceeds of $23 (CAD32 thousand).

E. On April 27, 2020, the Company issued 76,701 Shares as compensation, valued at $71, for consulting services provided by two consultants.

F. During July 2020 and August 2020, 182,142 warrants with an exercise price of NIS 2.52 were exercised for gross proceeds of $98.

G. On October 28, 2020, 767 options with an exercise price of CAD1.14 were exercised for gross proceeds of $1.

H. On November 16, 2020, the Company closed a private placement (the "November 2020 Private Placement") and issued 4,450,153 units at a price of CAD1.875 per unit for gross proceeds of $6,377 CAD 8,344. Each unit is comprised of one share and one warrant (each, a "November 2020 Warrants"). Each November 2020 Warrant entitles the holder thereof to purchase one additional share at a price of CAD2.70 at any time prior to November 10, 2025. In connection with the November 2020 Private Placement, the Company paid finders' fees of $417.

The fair value of the November 2020 Private Placement Warrants was $3,537 at the issuance date and were recorded as a liability

NOTE 19 – SHAREHOLDERS' EQUITY (DEFICIT) (CONTINUED):

I. On December 29, 2020, the Company closed a private placement (the "December 2020 Private Placement") and issued 1,366,631 units at a price of CAD1.875 per unit for gross proceeds of $2,000 (CAD2,562). Each unit is comprised of one share of the Company and one warrant (each, a "December 2020 Warrant"). Each December 2020 Warrant entitles the holder thereof to purchase one share at a price of CAD2.70 at any time prior to December 24, 2025. In connection with the December 2020 Private Placement, the Company paid finders' fees of $128, in cash and issued 100,000 finders' warrants ("Finders' Warrants").

All securities issued in connection with the December 2020 Private Placement are subject to a four month and one day hold period expiring on April 25, 2021.

The December 2020 Warrants and Finders' Warrants and have an exercise price of CAD$2.70 and expire on December 24, 2025, and April 25, 2021. The fair value of the December 2020 Warrants was $1,698 and were recorded as a liability – see note 11.

J. On December 24, 2020, the Company issued 20,161 shares as compensation, valued at $47, for consulting services provided by a consultant.

K. During the year ended December 31, 2021, the Company issued 2,514,693 shares in respect of 2,629,343 warrants that were exercised. (See Note 14(a))

L. On June 4, 2021, the Company completed two private placements (collectively, the "Offering"). The Offering resulted in the issuance of an aggregate of 1,305,662 units at a price of CAD$8.16 per Unit, for gross proceeds of $8,590 (CAD$10.65 million). Each Unit is composed of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share of the Company at CAD$11.04 per warrant. 221,100 Warrants expire on April 14, 2023, and 1,084,562 Warrants expire on May 28, 2023. A finder's fee of $466 (CAD$578) was paid in connection with the Offering.

The fair value of the warrants granted was $4,786 and was initially classified as a liability (see note 12(c)). The Company accounted for the remaining $3,338 as additional paid in capital and share issue expenses.

M. During the year ended December 31, 2021, the Company issued 286,223 shares in respect of 286,223 stock options that were exercised. (See Note 15 (b))

N. During the year ended December 31, 2022, the Company issued 630,161 shares in respect of 630,161 warrants that were exercised. (See Note 14 (a))

O. On February 3, 2022, the Company issued the shareholders of Isramat 273,774 shares in respect of the acquisition of Isramat (see Note 6).

P. During the year ended December 31, 2022, the Company issued 116,667 shares in respect of 116,667 stock options that were exercised. (See Note 15 (b))

Q. On February 11, 2022, the Company issued 74,985 shares to a trustee in respect of a crowd funding transaction that was completed in 2019, for which shares were not immediately issued until the completion of an Israeli tax ruling which was only finalized in late 2021.

R. During the year ended December 31, 2022, the Company issued 545,000 shares in respect of 545,000 RSU's that were exercised. (See Note 15 (c))

S. On November 2, 2022, the Company completed a private placement ("November 2022 Private Placement") that resulted in the issuance of 2,978,337 units ("Unit"), at a price per unit of $1.35 (CAD$1.86), for gross proceeds of $4,021. Each Unit consists of one common share and one half of one common share purchase warrant. An aggregate of 1,489,169 warrants were issued upon final closing which when exercised in accordance with the terms of the warrant certificates, and upon payment of an exercise price of $1.5 (CAD$2.04), which will result in the issuance of an additional 1,489,169 common shares ("November 2022 Private Placement Warrants"). The warrants are exercisable for a period of 24 months. A finder's fee of $260 (CAD$349,000) was paid and 237,200 November 2022 Private Placement Warrants were issued in connection with the November 2022 Private Placement.

The fair value of the November 2022 Private Placement Warrants granted was $894 and was initially classified as a liability (see note 12(d)). The Company accounted for the remaining $3,127 as additional paid in capital and share issue expenses.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 20 – WARRANTS AND OPTIONS:

a) Warrants

(i) Warrant transactions for the years ended December 31, 2022, and 2021 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, 2021	**7,289,885**	$ 1.91
Warrants issued in the April 2021 Private Placement	221,100	
Warrants issued in the May 2021 Private Placement	1,084,562	
Exercise of warrants	(2,629,343)	
Balance, December 31, 2021	**5,966,204**	$ 3.55
Expiration of warrants	(5,437)	
Exercise of warrants	(630,161)	
Warrants issued in the November 2022 Private Placement	1,726,366	
Balance, December 31, 2022	**7,056,972**	$ 3.54

(ii) As of December 31, 2022, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

December 31, 2022	Expiry date	Exercise price		Exercise price (USD)
2,658,313	November 10, 2025	ILS	7.1418(2)	$ 2.03
1,366,631	December 24, 2025	ILS	7.1418(2)	$ 2.03
221,100	April 18, 2023	ILS	29.025(3)	$ 8.25
1,084,562	May 28, 2023	ILS	29.025(3)	$ 8.25
1,726,366	November 8, 2024	CAD	2.04	$ 1.60
7,056,972				

(1) On June 30, 2021, warrant holders and the Company, agreed that the exercise price of CAD$1.95 would be payable in New Israeli Shekels. The exercise price is NIS 5.124 per warrant (see also Note 11).

(2) On March 31, 2021, warrant holders and the Company, agreed that the exercise price of CAD$2.70 would be payable in New Israeli Shekels. The exercise price is NIS 7.1418 per warrant (see also Note 11).

(3) On June 30, 2021, warrant holders and the Company, agreed that the exercise price of CAD$11.04 would be payable in New Israeli Shekels. The exercise price is NIS 29.025 per warrant (see also Note 11).

(Expressed in Thousands of US Dollars, except per share data)

NOTE 20 – WARRANTS AND OPTIONS (CONTINUED):

a) Warrants (continued)

(iii) On December 16, 2021, 1,095,322 warrants with an exercise price of ILS2.52 were exercised in a cashless mechanism and the warrant holders were granted 980,673 shares.

b) Stock Options

Stock option transactions for the years ended December 31, 2022, and 2021 are as follows:

	Number	Weighted Average Exercise Price (CAD)	Weighted Average Exercise Price (USD)
Balance January 1, 2021	889,523	$ 1.62	$ 1.27
Options granted	333,377	3.00	
Exercise of options	(286,223)	2.25	
Expiry of options	(116,667)	3.00	
Balance December 31, 2021	820,010	$ 2.10	$ 1.78
Exercise of options	(116,667)	2.27	
Expiry of options	(20,000)	1.5	
Options granted	1,200,000	3.67	
Balance December 31, 2022	1,883,343	$ 3.17	$ 2.32

(i) On January 28, 2021, 33,333 stock options were issued to a consultant with an exercise price of CAD$3.00. The options expire on January 28, 2025. The fair value of the options granted was estimated at CAD$90 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$2.82; Expected option life 4 years; Volatility 209%; Risk-free interest rate 0.30%; Dividend yield 0%.

(ii) On January 28, 2021, 116,667 stock options were issued to a consultant with an exercise price of CAD$3.00. The options expire on December 31, 2021. The fair value of the options granted was estimated at CAD$191 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$2.82; Expected option life 0.92 years; Volatility 173%; Risk-free interest rate 0.11%; Dividend yield 0%.

(iii) On June 3, 2021, 50,000 stock options were issued to a consultant with an exercise price of CAD$8.40. The options expire on June 3, 2026. The fair value of the options granted was estimated at CAD$445 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$9.18; Expected option life 5 years; Volatility 191%; Risk-free interest rate 0.93%; Dividend yield 0%.

(iv) On August 23, 2021, 116,700 stock options were issued to consultants with an exercise price of CAD$6.00. The options expire on April 30, 2022. The fair value of the options granted was estimated at CAD$242 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$6.50; Expected option life 0.68 years; Volatility 126%; Risk-free interest rate 0.19%; Dividend yield 0%.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 20 – WARRANTS AND OPTIONS (CONTINUED):

b) Stock Options (continued)

(v) On October 28, 2021, 16,677 stock options were issued to a director with an exercise price of CAD$8.00. The options expire on October 28, 2026. The fair value of the options granted was estimated at CAD$242 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$9.37; Expected option life 5 years; Volatility 114%; Risk-free interest rate 1.43%; Dividend yield 0%.

(vi) On August 4, 2022, 900,000 stock options were issued to a director with an exercise price of CAD$3.56. The options expire on August 2, 2032. The fair value of the options granted was estimated at $2,712 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$4.12; Expected option life 10 years; Volatility 112%; Risk-free interest rate 2.67%; Dividend yield 0%.

(vii) On August 21, 2022, 300,000 stock options were issued to a consultant with an exercise price of CAD$4.00. The options expire on August 2, 2032. The fair value of the options granted was estimated at $977 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$4.00; Expected option life 10 years; Volatility 112%; Risk-free interest rate 2.99%; Dividend yield 0%.

(viii) As at December 31, 2022, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Outstanding as of December 31, 2022	Exercisable as of December 31, 2022	Expiry date	Exercise price (CAD)		Exercise price (USD)	
543,333	510,000	August 20, 2025	CAD	1.50	$	1.11
40,000	40,000	September 1, 2025	CAD	2.25	$	1.66
33,333	33,333	January 28, 2025	CAD	3.00	$	2.21
50,000	33,333	June 3, 2026	CAD	8.40	$	6.20
16,677	11,118	October 28, 2026	CAD	8.00	$	5.90
900,000	225,000	August 2, 2032	CAD	3.56	$	2.63
300,000	300,000	August 21, 2032	CAD	4.00	$	2.95
1,883,343	1,152,784					

(ix) Share-based compensation expense is recognized over the vesting period of options. During the year ended December 31, 2022, share-based compensation of $4,868 was recognized and charged to the Consolidated Statement of Comprehensive Loss (December 31, 2021 - $843, December 31, 2020 – $800).

c) RSU's

On August 4, 2022, the Company granted 1,265,000 Restricted Share Units ("RSUs") to directors, officers and advisers, of which 590,000 RSU's are to executives and directors, pursuant to the Company's RSU Plan and in acknowledgment of the Company's management recent success and increased future workload. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 1,265,000 common shares of no par value in the Company ("Common Shares").

RSU's transactions for the year ended December 31, 2022, and for the year ended December 31, 2021, are as follows:

	Number
Balance, January 1, 2021	-
RSU's granted	-
Exercise of RSU's	-
Balance, December 31, 2021	-
RSU's granted	1,265,000
Exercise of RSU's	(545,000)
Balance, December 31, 2022	720,000

Total exercisable RSU's as at December 31, 2022, are 225,832. During the year ended December 31, 2022, share-based compensation in respect of RSU's of $2,475 was charged to the Consolidated Statement of Comprehensive Loss (December 31, 2021 – $nil, December 31, 2020 – $nil).

(Expressed in Thousands of US Dollars, except per share data)

NOTE 21 – NON CONTROLLING INTERESTS

The following Company subsidiaries which have non-controlling interests:

	December 31, 2022	December 31, 2021
Cust2mate	$ (2,791)	$ (1,026)
AAI	394	419
	$ (2,397)	$ (607)

NOTE 22 – REVENUES:

Revenue streams:

	Year Ended December 31		
	2022	2021	2020
Revenues from services:			
Revenues from services	$ 1,364	$ 1,548	$ 801
Revenues from leasing	341	387	267
Precision metal parts:			
Revenues from sales of precision metal parts	3,958	-	-
Smart Carts:			
Revenues from smart carts project	3,688	750	-
	$ 9,351	$ 2,685	$ 1,068

(Expressed in Thousands of US Dollars, except per share data)

NOTE 23 – COST OF REVENUES:

	Year Ended December 31		
	2022	**2021**	**2020**
Payroll and related expenses	$ 2,383	$ 1,096	$ 493
Subcontractor and outsourced work	103	162	65
Materials and components consumed	4,650	291	90
Depreciation	131	-	-
Car maintenance	165	373	147
Other	85	107	58
	7,517	2,029	853

NOTE 24 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year Ended December 31		
	2022	**2021**	**2020**
Payroll and related expenses	$ 867	$ 510	$ 410
Subcontractor and outsourced work	3,362	2,477	-
Legal fees	20	99	-
Pilot expenses and other	212	136	8
	4,462	3,222	418

NOTE 25 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Year Ended December 31		
	2022	**2021**	**2020**
Payroll and related	$ 3,990	$ 1,027	$ 579
Professional fees	2,233	3,417	1,449
Share-based compensation	4,868	842	-
Depreciation and amortization	420	321	213
Office maintenance	437	275	23
Public company related expenses	316	254	59
Rent and related expenses	126	96	42
Travel	150	-	-
Directors & officers' insurance	267	119	-
Doubtful debts	382	-	-
Other	410	143	-
	13,599	6,494	2,365

(Expressed in Thousands of US Dollars, except per share data)

NOTE 26 - LOSS PER SHARE:

Both the basic and diluted earnings (loss) per share have been calculated using the weighted average number of shares in issue during the relevant financial periods, the weighted average number of equity shares in issue and loss for the period as follows:

	Year Ended December 31		
	2022	2021	2020
Net loss for the year	$ 19,273	$ 39,735	$ 7,222
Weighted average number of ordinary shares	27,681,778	23,340,621	16,758,323
Basic and diluted loss per share	$ 0.70	$ 1.70	$ 0.43

NOTE 27 – FINANCIAL EXPENSES:

	Year Ended December 31		
	2022	2021	2020
Bank fees and interest	$ 136	$ 77	$ 94
Interest from application of IFRS 16	97	14	13
Revaluation of provision	1,158	-	-
	1,391	91	107

NOTE 28 – INCOME TAX EXPENSE:

A. Taxes on income:

The combined Canadian federal and provincial statutory income tax rate is 26.5% (2021 and 2020 - 26.5%).

Israeli corporate tax rates are 23% in 2022 (2021 and 2020 – 23%).

B. Tax reconciliation:

	Year Ended December 31		
	2022	2021	2020
Loss before income tax	$ (18,347)	$ (40,148)	$ (5,936)
Statutory tax rate	23%	23%	23%
Income tax benefit at the statutory tax rate	4,220	9,234	1,365
Expenses not recognized for tax purposes	(4,220)	(9,234)	(876)
Recognition/Derecognition of deferred tax assets which were not recognized on prior periods	-	(142)	(506)
Income tax expense	-	(142)	(17)

C. Income tax expense:

	Year Ended December 31		
	2022	2021	2020
Current	$ -	$ -	$ 10
Prior year taxes	-	142	-
Deferred taxes, net	-	-	7
Total	$ -	142	$ 17

(Expressed in Thousands of US Dollars, except per share data)

NOTE 28 – INCOME TAX EXPENSE: (CONTINUED)

D. Deferred tax assets:

Deferred tax assets have not been recognized in respect of carryforward losses because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

RELATED PARTIES AND SHAREHOLDERS:

The following transactions arose with related parties:

	Year ended December 31, 2022				
	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing by (to) as of December 31, 2022
Director and CEO	$ -	$ -	$ -	$ -	$ 462
Company controlled by CEO	-	1,224	-	1,224	(474)
CFO	-	84	160	244	-
Directors	28	-	64	92	-
	$ 28	$ 1,308	$ 224	$ 1,560	$ (12)

	Year ended December 31, 2021				
	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing by (to) as of December 31, 2021
Director and CEO	$ -	$ 43	$ -	$ 43	$ 183
Company controlled by CEO	-	958	-	958	(57)
CFO	-	94	59	153	-
Directors	31	-	11	42	-
	$ 31	$ 1,095	$ 70	$ 1,196	$ 126

	Year ended December 31, 2020				
	Directors Fees	Consulting Fees / Salaries	Share based awards	Total	Amounts owing by (to) as of December 31, 2021
Director and CEO	$ -	$ 31	$ -	$ 31	$ -
Company controlled by CEO	-	594	-	594	-
CFO	-	30	27	57	-
Directors	31	-	10	41	-
	$ 31	$ 655	$ 37	$ 723	$ -

The CEO has an agreement with the Company pursuant to which he received a consulting fee of NIS 250,000 per month (approximately $71 per month). In addition, the compensation committee approved a milestone-based bonus of $260 during the year ended December 31, 2022. During the year ended December 31, 2021, the compensation committee approved a milestone-based bonus of up to $500.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 30 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position.

The Company's financial instruments are its cash, trade and other receivables, payables, other payables and loans. The main purpose of these financial instruments is to raise finance for the Company's operation. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risk and currency risk. The risk rate on loans is fixed. The risk management policies employed by the Company to manage these risks are discussed below.

NOTE 30 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED):

A. Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Company's main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets.

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

Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, or outbreaks of pandemic diseases, including COVID-19, we may be unable to continue our operations and may experience system interruptions and reputational harm. Acts of terrorism and other geo-political unrest, including the ongoing conflict in Ukraine, could also cause disruptions in our business or the business of our customers, partners, vendors, or the economy as a whole. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

The Company's main financial assets are cash and cash equivalents and trade accounts receivable as well as marketable securities and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions In Israel.

	December 31, 2022	December 31, 2021
Cash and Cash Equivalents	**$ 2,616**	$ 8,470
Deposits	**8**	60
Trade receivables	**1,373**	857
Other Accounts Receivable	**2,570**	434
Total	**$ 6,567**	$ 9,821

(Expressed in Thousands of US Dollars, except per share data)

NOTE 30 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED):

B. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having an available adequate amount of committed credit facilities. The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay

		Contractual	
	Carrying amounts	Within 1 year	over 1 year
Trade payables	$ 2,224	$ 2,224	$ -
Other accounts payable	$ 956	$ 956	$ -
Loans	$ 1,744	$ 1,403	$ 341
Lease liability	$ 886	$ 281	$ 605

C. Market risks:

The Company's' business of maintenance services of various electronic systems is highly competitive and involves a certain degree of risk. The Company's business operations will depend largely upon the outcome of continued sales and services to security establishments and the initiation of sales of their products to the civilian markets.

The Company's Cust2Mate business is new, and the Company is aware of competitors in the market. In addition to the regular management oversight and skills required, success in this segment will require the Company to penetrate the market as rapidly as possible.

As of December 31, 2022, if the Company's functional currency (ILS) had strengthened/ weakened by 5% against the USD, with all other variables held constant, the loss for the year would decrease /increase by approximately $97.

D. Interest rate risks:

The Company is exposed to cash flow interest rate risk from long-term borrowings at variable rate. It is currently Company policy that between 50% and 75% of Company borrowings are fixed rate borrowings. This policy is managed centrally. Although the board accepts that this policy neither protects the Company entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During 2022 and 2021, the Company's borrowings at variable rate were denominated in NIS.

The Company analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing, and hedging. Based on the simulations performed, the impact on profit and loss and net assets of a 100 basis point shift (being the maximum reasonable expectation of changes in interest rates) would be approximately $100.

E. Capital management

The Company considers its capital to be comprised of shareholders' equity. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2022. There are no externally imposed restrictions on the Company's capital.

(Expressed in Thousands of US Dollars, except per share data)

NOTE 31 – OPERATING SEGMENTS:

The Company and its subsidiaries are engaged in the following three segments:

a. Maintenance services to the military utilizing the application of advanced engineering capabilities as well as development of related products for the civilian and retail markets. (“Advanced Engineering”)

b. Retail automation solutions – Smart Carts (“Smart Carts”)

c. Manufacturing and selling of precision metal parts – “Precision Metal Parts”

	Year Ended December 31, 2022			
	Precision Metal Parts	Advanced Engineering	Smart Carts (*)	**Total (**)**
Revenues				
External	$ 3,958	$ 1,705	$ 3,688	$ 9,351
Total	3,958	1,705	3,688	9,351
Segment operational loss (gain)	761	(60)	16,001	16,702
Loss on revaluation of warrant liability				254
Finance expense, net				1,391
Tax expenses				-
Loss				$ 18,347

(*) All revenues from the smart cart segment are generated from one customer, which is the main customer of the Company, and accounts for 40% of the Company’s revenues for the year ended December 31, 2022. Revenues from the precision metal parts and advanced engineering segments are generated from dozens of customers, which do not represent more than 10% of the total sales of the Company.

(**) All revenues are generated in the state of Israel.

(**) All non-current assets are located in the state of Israel.

	Year Ended December 31, 2021			
	Precision Metal Parts	Advanced Engineering	Smart Carts (*)	**Total (**)**
Revenues				
External	$ -	$ 1,935	$ 750	$ 2,685
Total	-	1,935	750	2,685
Segment operational loss	-	1,034	8,128	9,162
Loss on revaluation of warrant liability				30,895
Finance expense, net				91
Tax expenses				142
Loss				$ 40,290

	Year Ended December 31, 2020			
	Precision Metal Parts	Advanced Engineering	Smart Carts (*)	**Total (**)**
Revenues				
External	$ -	$ 1,068	$ -	$ 1,068
Total	-	1,068	-	1,068
Segment operational loss	-	2,510	166	2,676
Loss on revaluation of warrant liability				3,228
Finance expense, net				32
Tax expenses				17
Loss				$ 5,953

(Expressed in Thousands of US Dollars, except per share data)

NOTE 31 – OPERATING SEGMENTS (CONTINUED):

	As at December 31, 2022				
	Precision Metal Parts	Advanced Engineering	Smart Carts	Adjustment & Elimination	Total
Segment assets	$ 2,741	$ 1,162	$ 8,791	$ -	$ 12,694
Segment liabilities	$ 3,575	$ 1,043	$ 5,187	$ -	$ 9,805

	As at December 31, 2021				
	Precision Metal Parts	Advanced Engineering	Smart Carts	Adjustment & Elimination	Total
Segment assets	$ -	$ 1,707	$ 12,424	$ -	$ 14,131
Segment liabilities	$ -	$ 1,786	$ 1,438	$ -	$ 3,224

NOTE 32 – SUBSEQUENT EVENTS:

a. On January 4, 2023, the Company granted 1,027,000 Restricted Share Units (“RSUs”) to directors, officers and advisers, of which 250,000 RSU’s are to executives and directors, pursuant to the Company’s RSU Plan and in acknowledgment of the Company’s management recent success and increased future workload. The RSUs vest at each recipient’s discretion and taking into account personal tax implications and convert into 1,027,000 shares. The Company also granted 816,500 stock options to s directors, officers and advisers at an exercise price of CAD$1.65. 800,000 Options vest immediately, and the remainder in eight equal installments every 3 months with the first installment on April 4, 2023. The options are exercisable for a period of 10 years from the date of issue.

b. On March 13, 2023, the Company announced that it has closed, in escrow, the issuance of 1,783,561 units (“**Units**”) at a price per Unit of US$1.46 (CAD$1.95), for gross proceeds of US$2,604,000. Each Unit consists of one common share and one half of one common share purchase warrant (each whole such warrant a “**Warrant**”). An aggregate of 891,778 Warrants will be issued upon final closing which when exercised in accordance with the terms of the warrant certificates, and upon payment of an exercise price of CAD$2.35 (US$1.75), will result in the issuance of an additional 891,778 common shares (March 2023 Private Placement Warrants”). A finder’s fee of $208 (CAD$290,000) is to be paid in respect of the closing, and 142,685 March 2023 Private Placement Warrants were issued in connection with the March 2023 Private Placement.