A2Z Smart Technologies Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Twelve Months Ended December 31, 2022

(Expressed in U.S. Dollars)

March 27, 2023

The following Amended Management's Discussion and Analysis ("**MD&A**") for A2Z Smart Technologies Corp ("**A2Z**" or the "**Company**") is prepared as of March 27, 2023 and relates to the financial condition and results of operations of the Company for year ended December 31, 2022. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the Company's audited consolidated annual financial statements for the year ended December 31, 2022, which have been prepared using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**").

All amounts are presented in United States dollars ("**USD**" or "**$**"), the Company's presentation currency, unless otherwise stated.

Statements are subject to the risks and uncertainties identified in the "Risks and Uncertainties", and "Cautionary Note Regarding Forward-Looking Statements" sections of this document. Readers are cautioned not to put undue reliance on forward-looking statements.

COMPANY OVERVIEW AND DESCRIPTION OF THE BUSINESS

A. History and Development of the Company

The Company was incorporated in British Columbia, Canada under the *Business Corporations Act* (British Columbia) ("BCBCA"), on January 15, 2018 under the name ECC Ventures 1 Corp. ("ECC1"). On July 20, 2020, the Company changed its name to "A2Z Smart Technologies Corp." to better reflect the Company's business plan.

The Company's principal place of business and its registered and records office of the Company is located at 1600 - 609 Granville Street Vancouver, British Columbia, Canada V7Y 1C3; telephone +16475585564. The Company has appointed Cogency Global Inc., with an address at 122 East 42nd Street, 18th Floor, New York, NY 10168; telephone 1-800-221-0102, as its agent for service of process in the United States. The Company's operational offices are located at Alon 2 Tower, 94 Yigal Alon St., TelAviv, Israel.

On April 18, 2018, ECC1 completed its initial public offering on the TSXV, under the trading symbol "EONE.P", by issuing 2,000,000 common shares at a price of CAD$0.10 per share for aggregate proceeds of CAD$200,000.

On September 11, 2019, the Company, its wholly owned subsidiary 1219054 B.C. Ltd ("Acquireco") and A2Z Advanced Solutions Ltd ("A2ZAS"), a company incorporated in Israel, entered into an arrangement agreement ("Arrangement Agreement"), pursuant to which ECC1, through a court-approved plan of arrangement: (i) initially acquired 99.46% of the issued and outstanding ordinary shares of A2ZAS through Acquireco, with the remaining shares of A2ZAS ("Remaining Shares") being acquired following the receipt of regulatory approvals under Section 350 of the Israel Companies Law; (ii) completed a share consolidation of its common shares on a 1.4 to 1 basis; (iii) issued 41,690,578 post-consolidation common shares of ECC1 to the shareholders of A2ZAS; and (iv) changed its name to "A2Z Technologies Canada Corp."

On December 16, 2019, Acquireco announced the completion of a non-brokered private placement of 1,000,000 subscription receipts (each a "Subscription Receipt") at a price of $0.50 per Subscription Receipt for aggregate gross proceeds of $500,000. Upon the satisfaction of the escrow release conditions, each Subscription Receipt automatically converted into common shares for no additional consideration. The offering of Subscription Receipts was completed in connection with the Company's Qualifying Transaction with A2ZAS. On December 18, 2019, the transactions contemplated by the Arrangement Agreement (except for the acquisition of the Remaining Shares) were completed. On the same day, the common shares commenced trading on the TSXV under the symbol "AZ".

A2ZAS is the parent company of Advanced Military Solutions Ltd. ("A2ZMS"). A2ZMS was incorporated under the laws of the State of Israel in November 1998 under name Eligal Laboratories Ltd., as an engineering firm providing a cost-efficient solution for organizations to outsource maintenance of critical and sophisticated equipment. In 1992, Eligal Laboratories Ltd. expanded into the production of unmanned ground vehicle robotics as a second area of operations. In 2003, Eligal Laboratories Ltd. changed its name to Intelligent Robotics, Ltd., and in 2017, the name was changed once again to "Advanced Military Solutions Ltd." During this time period, all sales were conducted in Israel and were focused on Israeli clientele.

In February 2019, A2ZAS completed the purchase of 80% of the share capital of AAI Advanced Automotive Innovations Inc. ("AAI") by way of the issuance of 7,664,788 ordinary shares of A2ZAS and warrants to purchase 3,832,394 ordinary shares of A2ZAS, exercisable at a purchase price of $0.23333 per share and with a term ending on December 31, 2021. In connection with the Arrangement Agreement, the ordinary shares and warrants issued to the sellers of AAI were exchanged for shares and warrants of the Company. AAI holds the rights to a certain technology, by way of a patent application with the U.S. Department of Commerce, number 62/801,140 titled "Device and Methodology of Anti Inflammation Capsule, regarding a capsule, "Fuel Tank Inertia Capsule System" ("FTICS"), that can be inserted into automobile gasoline tanks in order to suppress combustibility of any remaining gasoline or gasoline fumes inside the gasoline tank in the event of a collision. The FTICS technology remains in development as of the date of this Annual Report.

On December 30, 2019, A2ZAS entered into a call option agreement ("Call Option Agreement") with the Company's Chief Executive Officer, Bentsur Joseph, pursuant to which Mr. Joseph granted A2ZAS a 10 year option ("Call Option") to purchase 66,000 ordinary shares of Cust2Mate, constituting 19% of Cust2Mate's issued and outstanding share capital (on a fully diluted basis) for an aggregate purchase price of $66,000. On November 5, 2020, A2ZAS and Mr. Joseph entered into a share purchase agreement pursuant to which A2ZAS exercised the Call Option and acquired an additional 190,549 ordinary shares of Cust2Mate, together constituting 77.51% of the issued and outstanding shares of Cust2Mate (on a fully diluted basis) for an aggregate purchase price of approximately $1.56 million. The acquisition of Cust2Mate was completed on November 16, 2020 and as a result, Mr. Joseph no longer owns any securities of Cust2Mate.

On January 30, 2020, the Company announced the issuance of 833,336 units of the Company (each, a "January Unit") at a price of CAD$0.60 per unit for gross proceeds of CAD$500,001.60. Each January Unit consisted of one common share and one common share purchase warrant (each, a "January Warrant"), with each such January Warrant entitling the holder to acquire an additional common share at a price of CAD$0.65 until January 30, 2022. In addition, the Company announced that it has issued 92,493 common shares at a price of $0.726 per share, to Israel Morgenshtern ("Morgenshtern") as consideration for services rendered by Morgenshtern to the Company.

On April 29, 2020, the Company announced the issuance of 29,762 common shares to Waterside Capital Advisors Inc. ("Waterside") and 200,341 common shares to Morgenshtern as consideration for services rendered by Waterside and Morgenshtern to the Company pursuant to the terms of consulting agreements. The common shares were issued to Waterside and Morgenshtern at deemed prices of $0.42 and $0.4405 per share, respectively.

On July 20, 2020, the Company changed its name to "A2Z Smart Technologies Corp." to better reflect the Company's business plan.

On August 4, 2020, the Company announced the common shares commenced trading on the OTCQX Venture Market under the symbol "AAZZF". On September 23, 2020, the common shares commenced trading on the OTCQX® Best Market under the symbol "AAZZF". The common shares were delisted from the OTCQX in connection with the Company's uplisting to Nasdaq in January 2021.

On November 16, 2020, the Company announced the issuance of 13,350,460 units (each, a "February Unit") at a price of CAD$0.625 per unit for gross proceeds of CAD$8,344,043. Each February Unit consisted of one common share and one common share purchase warrant (each, a "February Unit Warrant"), with each February Unit Warrant entitling the holder thereof to purchase one additional common share at a price of CAD$0.90 at any time prior to November 10, 2025.

On December 29, 2020, the Company announced the issuance of 4,099,894 units (each, a "December Unit") at a price of CAD$0.625 per unit for gross proceeds of CAD$2,562,434. Each December Unit is comprised of one common share and one common share purchase warrant (each, a "December Unit Warrant"), with each December Unit Warrant entitling the holder thereof to purchase one additional common share at a price of CAD$0.90 at any time prior to December 24, 2025.

On April 9, 2021, the Company completed a private placement of units (each, an "April Unit") for aggregate gross proceeds of $1,804,170, with each April Unit consisting of one common share and one common share purchase warrant (each, an "April Unit Warrant"). Each April Unit Warrant entitles the holder to acquire one additional common share at a price of $3.68 per share until April 14, 2023.

On June 3, 2021, the Company completed a private placement of units (each, a "June Unit") for aggregate gross proceeds of $8,850,028, with each June Unit consisting of one common share and one common share purchase warrant (each, a "June Unit Warrant"). Each June Unit Warrant entitles the holder to acquire one additional common share at a price of $3.68 per share until May 28, 2023.

On August 12, 2021, the Company announced it set August 19, 2021 as the effective date for a consolidation of its common shares on the basis of one (1) post-consolidation common share for each three (3) pre-consolidation common shares (the "Consolidation").

On January 5, 2022, the common shares commenced trading on The Nasdaq Capital Market LLC ("Nasdaq") and were delisted from the OTCQX® Best Market.

On January 17, 2022, the Company announced that it entered into a share purchase agreement (the "SPA") to acquire all of the issued and outstanding shares of Isramat Ltd ("Isramat"), an Israeli manufacturer of precision metal parts (the "Isramat Acquisition"). The Isramat Acquisition vertically integrates certain manufacturing capabilities for the production of the Cust2Mate smart cart while complementing existing contract manufacturing partnerships to support anticipated worldwide growth. As consideration for the acquisition of Isramat, the Company paid an aggregate acquisition price of NIS 9.3 million (approximately US$2.989 million) (the "Consideration"). NIS 2.8 million (approximately US$0.9 million) of the Consideration will be paid in cash and the remaining Consideration in the amount of NIS 6.5 million (approximately US$2.089 million) will be paid through the issuance to the shareholders of Isramat (the "Isramat Shareholders") of 273,774 common shares (the "Acquisition Shares") at a deemed price per Acquisition Share of US$7.6311 (CAD$9.5247) (the "Equity Consideration"). The SPA also provides that in the event that the aggregate proceeds received by an Isramat Shareholder from the sale of its Acquisition Shares during the lock-up period (the "Lock-up"), 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, A2Z will pay the difference in cash to such Isramat Shareholder. The Acquisition Shares will be subject to the Lock-up and shall be released as follows: (i) during the first six months following signing of the SPA (but in any event not prior to four months and one day following the issuance of the Acquisition Shares), the holders of the Acquisition Shares will not be allowed to sell or otherwise transfer any of the Acquisition Shares, (ii) during each of the 20 months following the 6-month period detailed above, each Isramat Shareholder will be entitled to sell or otherwise transfer up to 1/20 of his pro rata portion of the Acquisition Shares, subject to applicable securities laws, and (iii) following the lapse of 26 months following the signing of the SPA, each Isramat Shareholder shall be entitled to freely trade its Acquisition Shares. The Isramat Acquisition subsequently closed on February 3, 2022.

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 approximately $4,021, 000. 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 $1.50 (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 thousand (CAD$349,000) was paid and 237,200 November 2022 Private Placement Warrants were issued in connection with the November 2022 Private Placement.

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. 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 with the same terms as the warrants issued to the investors.

Our website address is www.a2zas.com. Information contained on, or accessible through, our website is not a part of this Annual Report and the inclusion of our website address in this Annual Report is an inactive textual reference. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

B. Business Overview

	Year Ended December 31, 2022			
	Precision Metal Parts	Advanced Engineering	Smart Carts	**Total (*)**
Revenues	$ 3,958	$ 1,705	$ 3,688	$ 9,351

	Year Ended December 31, 2021			
	Precision Metal Parts	Advanced Engineering	Smart Carts	**Total (*)**
Revenues	$ -	$ 1,935	$ 750	$ 2,685

	Year Ended December 31, 2020			
	Precision Metal Parts	Advanced Engineering	Smart Carts	**Total (*)**
Revenues	$ -	$ 1,068	$ -	$ 1,068

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

Revenues from the smart cart segment are generated from one customer, and account for 40%, 28% and 0% of the Company's revenues for the years ended December 31, 2022, 2021 and 2020. Revenues from the advanced engineering segment are generated from numerous customers, and account for 18%, 72% and 100% of the Company's revenues for the years ended December 31, 2022, 2021 and 2020. Revenues from the precision metal parts segment are generated from dozens of customers, and account for 18%, 0% and 0% of the Company's revenues for the years ended December 31, 2022, 2021 and 2020.

Business of the Company

The Company is an innovative technology company specializing in the application of the Company's existing military and civilisation technology for supermarket "smart carts" (the "**Cust2Mate Carts**"). The Company, through its subsidiaries, has four main business lines: (i) the development and commercialization of retail automation solutions, in particular for large grocery stores and supermarkets, including the Cust2Mate Carts (the "**Cust2Mate Products**"); (ii) manufacturing of precision metal parts (following the acquisition of a new subsidiary, Isramat, as outlined in further detail below); (iii) the provision of maintenance services utilizing the application of advanced engineering capabilities (the "**Maintenance Services**"); and (iv) the development of the Company's FTICS technology and a vehicle device cover for the military and civilian automotive industry (collectively, the "**Automotive Products**").

Historically, the Company's revenues were principally generated from the maintenance services that are provided to the Israeli military/security market. The Company's products, which have historically been sold to the Israeli military/security markets, include unmanned remote-controlled vehicles of various sizes and capabilities designed for intricate bomb disposal, counter terrorism, and firefighting, as well as energy storage power packs, all of which are fully commercialized for military use.

During 2020, the Company began to rapidly adapt its existing technology and know-how for the civilian markets, including the development of its Cust2Mate Products. This was in addition to the continuation of the Company's existing sales to the Israeli military/security markets. The expansion into the civilian markets led to significantly increased expenditures which the Company was able to finance through a series of equity raises in 2021 and 2022. The Company has not, and does not intend to, export any military or defense related technology and accordingly, no approvals are required.

In 2022, and through 2023, the Company continues to focus its attention on its Cust2Mate Products division and aims to become the leading mobile self-checkout system in the international market, providing the optimum solution which simultaneously meets the needs of both shoppers and supermarket retailers. The Company will continue to sell its Maintenance Services in Israel only and has suspended the further development of its military products. The Maintenance Services division of the Company is self-sustaining financially. It provides a steady base for the Company's operations and the Company intends to maintain this operation and expand it to cover the maintenance and support services required by the Cust2mate Products. To the extent that future research, development and marketing expenditures are concerned, the Company currently intends on investing the majority of its resources in the smart cart industry and towards the development of the Cust2Mate Products. The Company believes its current technological and operational capabilities are most effectively focused on growing the Company's position in the smart cart industry.

During the first quarter of 2022, the Company completed the acquisition of 100% of the shares of Isramat, a privately held Israeli company. This acquisition vertically integrates certain manufacturing capabilities for the production of the Cust2Mate Products, such as precision metal fabrication of parts, while complementing existing contract manufacturing partnerships to support the Company's growth.

The raw materials required by the Company's subsidiaries are readily available from multiple suppliers worldwide and their purchase costs do not fluctuate more than standard raw materials.

Cust2Mate Products

The move to reduce consumer friction in all aspects of the shopping experience is a main driver for ongoing technology development and greater awareness of the need for an automated "smart cart" product, like the Company's Cust2Mate Products.

<u>Product and Technology</u>

Cust2Mate's solution combines scanning and computer vision technology. The solution is stackable and lightweight, with a robust recognition platform that provides a higher level of accuracy in product identification, leverages in-store Wi-Fi and utilizes cutting edge computing. Our recent partnership with SensePass Ltd. ("**SensePass**"), allowing the Company to utilize SensePass' "SensePay" Platform, a payment network connecting mobile payment applications, e-wallets and other financial and complementary services to points of sale ("**SensePay**"), also expands the accepted payment capabilities, to further reduce consumer and integration friction.

The three-layer solution integrates mobile self-checkout ("**MSCO**"), app marketplace and big data capabilities, and is designed to increase revenue opportunities from payments, personal advertisements, e-coupons, analytics, and more. The Cust2Mate Carts will be manufactured in various sizes to accommodate the needs of a varied customer base: large carts for hypermarkets, medium carts for supermarkets, and small carts for city stores. We project manufacturing costs will drop within 1-2 years.

As part of the Company's application marketplace strategy, the Company is seeking additional partnerships with applications that contribute to the retailer business in order to create additional revenue streams. In each of these partnerships, and additional partnerships the Company is seeking, the Company's MSCO is integrated into its partners' software and is jointly marketed to other types of retailers that could benefit from those combined applications with the Company and its partners, sharing the revenue generated from the ultimate customer in agreed upon percentages.

Marketing and Sales

We are currently marketing directly to targeted customers and indirectly through local partners. Our local partners take full responsibility for support, training, implementation and sales of the Cust2Mate Cart, while Cust2Mate focuses on product development and direct contact with strategic customers.

As of the date hereof, the Company's official local partners include distributors in the United States, Mexico, Germany, and Romania. In the United States, we have a non-exclusive relationship with our distributor, who provides products and services to several thousands of stores nationally. Throughout Mexico, our distributor, who we have a non-exclusive relationship with, provides information technology services and information technology consulting to stores. In Germany, our distributor, who we have a non-exclusive relationship with, is a retail produce provider throughout the country. Lastly, in Romania, we have an exclusive distributor relationship with a recognized information technology leader to the retail industry in Romania.

Our go-to-market strategy is built on the retail, grocery, and do-it-yourself ("DIY") markets, with a focus on supermarkets and hypermarket food chains within Tier 1 (thousands of stores) and Tier 2 (hundreds of stores). Cust2Mate will manage targeted customers in selected regions directly, using select local partners for sales and distribution to chains in Tier 2 and Tier 3 (tens of stores). The local partners will take full responsibility for support, training, implementation and sales, while Cust2Mate will focus on product development and direct contact with strategic customers.

Business Targets

Cust2Mate aims to generate orders of several thousand Cust2Mate Carts in 2023.[2] The penetration strategy is to run several Pilot Projects (as defined herein), of which the Phase 4 – Pilot (as described below) of each Pilot Project will consist of 10-15 Cust2Mate Carts used by shoppers in selected customer stores for a period of 30-90 days, fully integrated with the store's software. The pilots will be fully subsidized for strategic retailers and at least partially paid for by other customers.

Cust2Mate is currently running seven Pilot Projects, with one store per Pilot Project. As of the date of this annual report, Cust2Mate has completed one Pilot Project with Yochananof, which, following completion, became an order for 1,000 Cust2mate Smart Carts which the Company is in the process of delivering, and on December 11, 2022 the order was increased by an additional 300 Smart Carts. In addition, the Company entered into a Maintenance and Support Agreement with Yochananof, under which Cust2mate will supply customary maintenance and support for 36 months after delivery, the first 12 months without extra charge and thereafter against annual payment of 8% of the value of each cart. The aggregate amounts due for the purchase of the carts and maintenance and support is approximately US$13 million (including Value Added Tax). The Maintenance Services division of the Company will cover the maintenance and support services required by the Cust2mate Products in Israel.

Pilot Project Phases

As part of our strategy for proof of concept implementation, Cust2Mate will follow a multi-phase pilot project evaluation process (the "**Pilot Projects**"):

1. Phase 1 - Discovery: Conduct a workshop with the customer to review, discuss, and analyze customer business and requirements, which is key for the pilots success. Resources allocated by Cust2Mate for this phase include a project manager, product manager, and technology expert. The estimated time to complete the discovery stage is approximately 2 weeks.

2. Phase 2 - Integration: Together with customers, conduct remote integration into the retailer's store systems. The estimated time to complete the integration stage is approximately 10 weeks but depending on the customers' environment and systems, can take several months.

3. Phase 3 - Initial Evaluation: The customer, with the full support of Cust2Mate, will conduct an initial evaluation test in the customer's labs. The evaluation test will be planned and scheduled based on the customer's processes. This is the final testing phase before the pilot. The estimated time to complete the initial evaluation stage is approximately 2 weeks.

4. Phase 4 - Pilot: The customer, with the full support of Cust2Mate, will implement the solution in a single pilot store, for a period of 30-90 days and will include 10-25 Cust2Mate Carts.

5. Phase 5 - Roll Out: Following the successful completion of the pilot, rollout for the entire chain could replace between 30% and 80% of the current cart fleet.

All references herein to "Pilot Projects" relate to the above multi-phase pilot project evaluation process unless further specified by references to particular phases of the Pilot Projects or unless the context specifies otherwise.

[2] See footnote 1.

The following table details the status of each of the Company's current Pilot Projects:

Supermarket Name and/or Country	Numbers of Cust2Mate Carts in Pilot	Date Phase 1 – Discovery Began	Date Phase 4 – Pilot is Expected to Begin(1)	Length of Phase 4 – Pilot(2)	Current Status
UAE	12 Carts	January 2021	Q4 2023	45 days	Phase 1 - Discovery(3)
Evergreen	12 Carts	January 2022	Complete	90 days	Phase 4 – Pilot (4)
Morton Williams	10 Carts	July 2022	Complete	30 days	Phase 4 – Pilot(4)
Chedraui	12 Carts	March 2022	Q1 2023	60 days	Phase 4 - Pilot
Singapore	12 Carts	April 2022	Q4 2023	60 days	Phase 3 – Initial Evaluation
Migros Ticaret	10 Carts	August 2022	Q2 2023	60 days	Phase 2 - Integration
European chain	14Carts	August 2022	Q1 2023	120 days	Phase 4 – Pilot

Notes:

(1) Based on correspondence with the customers and progress to date.
(2) The length of the Phase 4 – Pilot portion of the Company's multi-phase Pilot Project evaluation process refers to the actual time period that the Cust2Mate Carts are fully operational at the client's location and open to the use of the shoppers. After this length of time, the client will decide if they want to move to Phase 5 – Roll Out. As described above, prior to Phase 4 – Pilot, there are integration and discovery phases which are aimed at analysing the clients' business and integrating the Cust2Mate Carts with the clients' systems so they can be operational.
(3) This Pilot Project is currently paused due to certain geopolitical barriers and priorities of the retailer shifting.
(4) The Phase 4 – Pilot has concluded at Evergreen and Morton Williams and the Company is waiting on a decision from the client as to whether they will proceed with Phase 5 – Roll Out.

With the slow down in development of its Automotive Products and Military/Civilian Products in order to focus on the development of its Cust2Mate Products, the Company does not currently have any ongoing programs for its Automotive Products or Military/Civilian Products.

Manufacturing

The Company, through its wholly-owned subsidiary Cust2Mate, utilizes local Israeli and international manufacturing companies to meet the demand form pilot programs and customer orders

Research and Development

For the year ended December 31, 2022, the Company incurred approximately $4,462,000 of research and development expenses. For the year ended December 31, 2021, the Company incurred approximately $3,222,000 of research and development expenses. For the year ended December 31, 2020, the Company incurred approximately $418,000 of research and development expenses.

The Company is currently conducting research and development on its Cust2Mate Carts using a combination of in-house personnel and third party contractors. The Company's Pilot Projects include the second-generation Cust2Mate Carts (Generation 2.5). The Company, over the next 4 months, will be developing the updated second-generation Cust2Mate Carts (Generation 2.9), which will include additional hardware and software features, weigh less, and will be cheaper to mass manufacture, and will be produced and manufactured by Flex pursuant to the Flex Manufacturing Agreement.

The Company expects its Generation 2.9 Cust2Mate Carts to be released in Q2 2023.

D. Property, Plants and Equipment

The corporate headquarters of A2Z Smart Technologies Corp. is located at 1600 - 609 Granville Street Vancouver, British Columbia, Canada V7Y 1C3. The office is approximately 1,200 square feet and is leased for $300 per month under a lease that expires upon 30 days advance notice. One of the Company's Israeli subsidiaries leases its facility which expires on March 1, 2024. Lease payments are approximately $11 per month ($132 annually). Another one of the Company's Israeli subsidiaries leases its facility which expires on June 30, 2023. Lease payments are approximately $3.5 per month ($45 annually).

DISCUSSION OF OPERATIONS

The following is a discussion of the results of operations which have been derived from the financial statements of the Company for the years ended December 31, 2022, 2021 and 2020 (in thousands of U.S. Dollars):

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Revenues	$ 9,351	$ 2,685	$ 1,068
Cost of revenues	7,517	2,029	853
Gross profit	1,834	656	215
Expenses:			
Research and development costs	$ 4,462	$ 3,222	$ 415
Sales and marketing costs	475	102	108
General and administration expenses	13,599	6,494	2,365
Operating loss	(16,702)	(9,162)	(2,676)
Loss on revaluation of warrant liability	254	30,895	3,228
Financial income	-	-	(75)
Financial expense	1,391	91	107
Loss before taxes on income	$ (18,347)	$ (40,148)	$ (5,936)
Income tax expense	-	(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	$ (0.63)	$ (1.70)	$ (0.43)
Weighted average number of shares outstanding	27,681,778	23,340,621	16,758,323

Year ended December 31, 2022 compared to the year ended December 31, 2021

Revenues

	Year ended December 31,	
	2022	2021
Advanced Engineering	**$ 1,705**	$ 1,935
Smart Carts	**3,688**	750
Precision Metal Parts	**3,958**	-
	$ 9,351	$ 2,685

Revenues for the year ended December 31, 2022, were $9,351 thousand as compared to $2,685 thousand for the year ended December 31, 2021. The increase is due primarily to the inclusion of revenues of Isramat ($3,958 thousand), a newly acquired subsidiary, from February 3, 2022, which provides the Company with a new operating segment – precision metal parts. Revenues from the Company's smart cart segment for the year ended December 31, 2022, were $3,688 thousand as compared to $750 thousand for the year ended December 31, 2021. The revenues in 2021 were from a one-time transaction; revenues from the supply of smart carts started in 2022, with the delivery of the first smart carts to Yochananof, the Company's first pilot project. Revenues from the Company's traditional operations remain largely consistent with the year ended December 31, 2022.

While revenues from the smart cart division is currently derived from only one customer, revenues from the Company's advanced engineering and precision metal parts segments are derived from hundreds of customers.

Cost of revenues

Cost of revenues for the year ended December 31, 2022, were $7,517 thousand as compared to $2,029 thousand for the year ended December 31, 2021. The increase is due primarily to the inclusion of cost of revenues of Isramat ($3,462 thousand). Cost of revenues in the smart cart segment for the year ended December 31, 2022, was $2,892 thousand as compared to $nil for the year ended December 31, 2021.

The Company's gross margin in the advanced engineering segment fluctuates depending on the level of revenue, since a large component relates to fixed payroll costs, and the nature of the project, as some project types have higher margins than others. The gross margin for smart carts is nil in the prior year as there were no revenues during that period.

Research and development expenses

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

Research and development expenses related to the Company's Cust2Mate product. Most of these expenses relate to outsourced software engineers that work on integrating future customers' point of sales systems to the Company's software.
Research and development expenses were $4,462 thousand for the year ended December 31, 2022, as compared to $3,222 thousand for the year ended December 31, 2021. The increase is primarily due to an increase in subcontractor and outsourced work costs for the development of the Company's Cust2Mate smart cart.

Sales and marketing

Sales and marketing expenses were $475 thousand for the year ended December 31, 2022, as compared to $102 thousand for the year ended December 31, 2021. The increase is primarily due to an increase in marketing costs for the marketing of the Company's Cust2Mate smart cart.

General and administrative expenses

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

General and administrative expenses were $13,599 thousand for the year ended December 31, 2022, as compared to $6,494 thousand for the year ended December 31, 2021. The increase is primarily due to the increase in share-based compensation which amounted to $4,868 thousand for the year ended December 31, 2022, compared to $842 thousand for the year ended December 31, 2021. Another significant factor to the rise in general and administrative expenses is the increase in payroll which amounted to $3,990 thousand for the year ended December 31, 2022, compared to $1,027 thousand for the year ended December 31, 2021. The increase in payroll is mainly due to the growth of operating activities of the Company's smart cart segment and to the inclusion of payroll expenses of Isramat ($1,165 thousand).

Loss on revaluation of warrant liability

Loss on revaluation of warrant liability for the year ended December 31, 2022, was $254 as compared to a loss of $30,895 for the year ended December 31, 2021. The loss in 2021 relates to the increase in the value of the warrant liability as of December 31, 2021, which was subsequently charged to equity as certain warrant holders agreed to change the exercise price of the warrants to the Company's functional currency.

Financial expenses

Financial expenses, net for the year ended December 31, 2022, were $1,391 thousand as compared to $91 thousand for the year ended December 31, 2021. The increase in expenses is mainly a result of revaluation of the commitment to compensate former shareholders of Isramat. Financial expenses comprise interest on loans and leases, interest and accretion in respect of application of IFRS 16, revaluation of a provision, and credit card charges.

Year ended December 31, 2021 compared to the year ended December 31, 2020

Revenues

	Year ended December 31, 2021	Year ended December 31, 2020
Advanced Engineering	**$ 1,935**	$ 1,068
Smart Carts	**750**	-
	$ 2,685	$ 1,068

Revenues for the year ended December 31, 2021 were $2,685 thousand as compared to $1,068 thousand for the year ended December 31, 2020. The increase in revenues from the advanced engineering segment is due in part by the recovery from the effects of the COVID-19 pandemic and initial revenues from the Cust2Mate smart cart segment which amounted to $750 thousand in the year ended December 31, 2021. While revenues from the smart cart division is currently derived from only one customer, revenues from the Company's advanced engineering segment are derived from up to dozens of customers.

Cost of revenues

Cost of revenues for the year ended December 31, 2021 were $2,029 thousand as compared to $853 thousand for the year ended December 31, 2020. Cost of revenues in the advanced engineering segment for the year ended December 31, 2021 were $1,794 thousand as compared to $853 thousand for the year ended December 31, 2020. The increase is due to the increase in revenues. Cost of revenues in the smart cart segment for the year ended December 31, 2021 was $235 thousand as compared to nil for the year ended December 31, 2020, as there were no revenues in this segment in the prior year.

The Company's gross margin in the advanced engineering segment fluctuates depending on the level of revenue, since a large component relates to fixed payroll costs and the nature of the project, as some project types have higher margins than others.

Research and development expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Payroll and related expenses	**$ 510**	$ 410
Subcontractor and outsourced work	**2,477**	-
Legal fees	**99**	-
Other	**136**	8
	$ 3,222	$ 418

Research and development expenses are for two projects. The primary project is the continued development of the Company's Cust2Mate product. Most of these expenses relate to outsourced software engineers that work on integrating future customers' point of sales systems to the Company's software. The second project relates to the Company's Automotive Products, the development of which is expected to be completed in 2023.

Research and development expenses were $3,222 thousand for the year ended December 31, 2021, as compared to $418 thousand for the year ended December 31, 2020. The increase is primarily due to an increase in subcontractor and outsourced work costs for the development of the Company's Cust2Mate smart cart.

Sales and marketing

Sales and marketing expenses were $102 thousand for the year ended December 31, 2021, as compared to $108 thousand for the year ended December 31, 2020.

General and administrative expenses

	Year ended December 31,	
	2021	**2020**
Payroll and related	**$ 1,027**	$ 579
Professional fees	**3,417**	1,449
Share-based compensation	**842**	-
Depreciation and amortization	**321**	213
Office maintenance	**275**	23
Investor relations	**254**	101
Other	**358**	-
	$ 6,494	$ 2,365

General and administrative expenses were $6,494 thousand for the year ended December 31, 2021, as compared to $2,365 thousand for the year ended December 31, 2020. The increase is primarily due to the increase in professional fees which amounted to $3,417 thousand for the year ended December 31, 2021, compared to $1,449 thousand for the year ended December 31, 2020. The increase in professional fees is due to the listing of the common shares on Nasdaq. Other reasons for the increase in general and administrative expenses for the year ended December 31, 2021, as compared to the year ended December 31, 2020, is the increase in payroll and share-based expenses. The increase in payroll ($1,027 thousand in 2021 compared to $579 thousand in 2020) is mainly due to the growth of operating activities of the Company's smart cart segment.

Loss on revaluation of warrant liability

Loss on revaluation of warrant liability for the year ended December 31, 2021 was $30,895 thousand as compared to $3,228 for the year ended December 31, 2020. The loss relates to an increase in the value of the warrant liability as of December 31, 2021.

Financial expenses

Financial expenses, net for the year ended December 31, 2021, were $91 thousand as compared to $32 thousand for the year ended December 31, 2020. Financial expenses comprise interest on loans and leases, interest and accretion in respect of application of IFRS 16, and credit card charges.

Additional annual financial information

	Year Ended December 31		
	2022	**2021**	**2020**
Total assets	**$ 12,694**	$ 14,131	$ 8,852
Total non-current financial liabilities	**3,568**	852	9,529
Distributions or cash dividends declared per-share	**-**	-	-

REVIEW OF QUARTERLY RESULTS

(In Thousands)	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Total revenues	$ 3,825	$ 2,650	$ 1,430	$ 1,446
Gross profit (loss)	$ 917	$ 430	$ 211	$ (276)
Total comprehensive loss	$ (5,600)	$ (6,009)	$ (2,955)	$ (2,919)
Basic and diluted loss per share	$ (0.19)	$ (0.21)	$ (0.11)	$ (0.09)

	31/12/2021	30/09/2021	30/06/2021	31/03/2021
Total revenues	$ 487	$ 278	$ 1,404	$ 516
Gross profit	$ (554	$ 34	$ 901	$ 275
Total comprehensive loss	$ (3,380)	$ (1,747)	$ (4,518)	$ (29,724)
Basic and diluted loss per share	$ (0.14)	$ (0.07)	$ (0.18)	$ (1.35)

The loss per quarter and related net loss per share is a function of the level of activity that took place during the relevant quarter. Operating losses in the fourth quarter of 2022 and throughout four quarters in 2021 remained consistent. The reason for the losses is due to increased research and development expenses and general and administrative costs, largely due to the Company's expansion ahead of expected increased revenues in future periods.

Analysis of Fourth quarter results

Revenues for the fourth quarter of 2022 were $3,825 thousand as compared to $2,650 thousand for third quarter of 2022. The increase in revenues is mainly due to larger delivery of Smart Carts to Yochananof. Total sales in the Smart Cart segment amount to $2,273 thousand in the fourth quarter of 2022, as compared to $1,218 thousand in the third quarter of 2022. Gross profit for the fourth quarter of 2022 was $917 thousand as compared to $430 thousand for the third quarter of 2022. The increase is gross profit is mainly due to the increase in sales in the Smart Cart segment.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure of a company's ability to meet potential cash requirements. The Company has historically met its capital requirements through the issuance of Common Shares and securing bank loans.

The Company had an accumulated deficit of $67,395 thousand as of December 31, 2022 ($50,838 thousand as of December 31, 2021), and the Company had negative cash flows from operations of $9,883 thousand for the year ended December 31, 2022 ($9,378 thousand for the year ended December 31, 2021).

Working capital

	December 31, 2022	December 31, 2021
Cash and cash equivalents	2,616	8,470
Restricted cash	8	60
Inventories	375	1,147
Trade receivables	1,373	857
Other accounts receivable	2,570	434
Total current assets	6,942	10,968
Short term loan and current portion of long-term loans	1,403	158
Lease liability	281	126
Trade payables	2,224	989
Deferred revenues	1,373	-
Other accounts payable	956	1,099
Total current liabilities	6,237	2,372
Working capital	705	8,596

Cash flow

	Year ended December 31,	
	2022	2021
Net cash used in operating activities	(9,431)	(9,378)
Net cash used in investing activities	(1,559)	(280)
Net cash provided from financing activities	5,681	12,355
Increase (decrease) in cash	(6,096)	2,697

Year ended December 31, 2022, compared to the year ended December 31, 2021

During the year ended December 31, 2022, the Company's overall position of cash decreased by $4,894 as compared to an increase of $2,697 thousand for the year ended December 31, 2021. This decrease can be attributed to the following activities:

Operating activities

The Company's net cash used in operating activities during the year ended December 31, 2022, was $9,431 thousand as compared to $9,378 thousand for the year ended December 31, 2021. The increase is due primarily to the increase in the research and development and general and administrative expenses for the period.

Investing activities

Cash used in investing activities for the year ended December 31, 2022, was $1,559 thousand as compared to $280 thousand used in investing activities during the year ended December 31, 2021. The increase is due primarily to the acquisition of Isramat, a newly purchased subsidiary.

Financing activities

Cash provided from financing activities for the year ended December 31, 2022, was $6,096 thousand, and was mainly due to the issuance of share and warrants in the amount of $3,894 thousand, and the exercise of warrants in the amount of $1,379 thousand and proceeds from receipt of loans in the amount of $1,294 thousand, offset by repayment of loans in the amount of $342 thousand. Cash provided from financing activities for the year ended December 31, 2021, was $12,355 thousand, and was mainly due an issuance of shares and warrants in a private placement which closed in June 2021 in the amount of $8,358 thousand, and the exercise of warrants in the amount of $3,386 thousand.

Capital Resources

The Company is an early-stage technology company focused on research and development of its products, and currently does not generate significant cash flows from some areas of its operations. However, following the acquisition of the Isramat during the first quarter of 2022, the Company expects to generate profits and cash flows from this segment (Isramat generated revenues during the years ended December 31, 2020, and 2021 of $5 million and $4.9 million, respectively, and profits of $500 thousand and $735 thousand, respectively).

As at December 31, 2022, the Company had an estimated positive working capital of $0.7 million including a cash balance of $2,616 thousand. As of the date of this report, 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 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. 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 with the same terms as the warrants issued to the investors.

Short-term borrowings

Short term borrowing relates to bank loans which will be repaid in over the following 12 months. The Company requires short-term borrowing from time to time to accommodate urgent requests from customers that require an initial outlay of cash by the Company.

Long-term borrowings

Long-term borrowing relates to bank loans which will be repaid after the following 12 months. Currently, the nature of cash requirements by the Company can fluctuate greatly from year to year as the Company is reliant on a relatively small pool of customers that have shifting needs. As contracts can vary greatly from year to year the Company is sometimes required to take on long term debt.

No History of Dividends

Since incorporation, the Company has not paid any cash or other dividends on its Common Shares and does not expect to pay such dividends in the foreseeable future.

Management of Capital

The Company's main use for liquidity is to fund the development of its programs and working capital purposes. These activities include staffing, preclinical studies, clinical trials and administrative costs. The primary source of liquidity has been from financing activities to date. The ability to fund operations, to make planned capital expenditures and execute the growth/acquisition strategy depends on the future operating performance and cash flows, which are subject to prevailing economic conditions, regulatory and financial, business and other factors, some of which are beyond the Company's control.

The Company intends to grow rapidly and expand its operations within the next 12 to 24 months. This growth, along with the expectation of operating at a loss for at minimum the next 12 months, will diminish the Company's working capital. As such, substantial additional financing may be required if the Company is to be successful in continuing to develop its business, meet ongoing obligations and discharge its liabilities in the normal course of business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to and has the ability to reduce the scope of its operations or anticipated expansion.

The Company defines its capital as share capital plus warrants. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments. The Company manages liquidity risk by reviewing, on an ongoing basis, its sources of liquidity and capital requirements. In evaluating the Company's capital requirements and its ability to fund the execution of its business strategy, the Company believes that it has adequate available liquidity to enable it to meet its working capital and other operating requirements, and other capital expenditures and settle its liabilities for at least the next 12 months. The Company's objective is to maintain sufficient cash to fund the Company's operating requirements and expansion plans identified from time to time. While the Company expects to incur losses for at minimum the next 12 months, management of the Company continues to work towards the success and eventual profitability of the business.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operations. Achieving this objective requires management to consider the underlying nature of research and development and sales and marketing activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

The Company's ability to access both public and private capital is dependent upon, among other things, general market conditions and the capital markets generally, market perceptions about the Company and its business operations, and the trading prices of the Company's securities from time to time. When additional capital is required, the Company intends to raise funds through the issuance of equity or debt securities. Other possible sources include the exercise of stock options of the Company. There can be no assurance that additional funds can be raised upon terms acceptable to the Company, or at all, as funding for early-stage companies remain challenging generally. Given the nature of the Company's business as of the date of this MD&A, and in particular, the fact that its operations are undertaken exclusively within a foreign jurisdiction, the Company may face difficulty in accessing traditional sources of financing, notwithstanding that its business operations are conducted in a regulatory environment within which the Company's activities are neither illegal nor subject to conflicting laws.

OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior Management, who are considered to be key management personnel by the Company.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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	Consult-ing 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	Consult-ing 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	$ -

Financial Instruments and Financial Risk Exposure

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.

Market risks:

That part of the Company’s’ business of providing 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 commercialization of its products and services currently in development.

The Company’s Cust2Mate smart cart platform 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.

Critical Accounting Policies and Estimates

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.

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.

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.

CURRENT SHARE DATA

A2Z is authorized to issue an unlimited number of Common Shares. As of the date of this MD&A there were 32,728,883 Common Shares issued and outstanding. In addition, the following warrants and options were outstanding:

Outstanding as of the date of this report		Date of expiry	Exercise price USD	
2,658,313	Warrants	November 10, 2025	$	2.03
1,366,631	Warrants	December 24, 2025	$	2.03
221,100	Warrants	April 18, 2023	$	8.29
1,084,562	Warrants	May 28, 2023	$	8.29
1,726,366	Warrants	November 8, 2024	$	1.60
1,020,764	Warrants	March 13, 2025	$	1.75
543,333	Options	August 20, 2025	$	1.11
40,000	Options	September 1, 2025	$	1.66
33,333	Options	January 28, 2025	$	2.21
50,000	Options	June 3, 2026	$	6.20
16,677	Options	October 28, 2026	$	5.90
900,000	Options	August 2, 2032	$	2.63
300,000	Options	August 21, 2032	$	2.95
816,500	Options	January 6, 2033	$	1.22
100,000	Options	November 25, 2027	$	1.50
10,877,579				

<u>Research and Development, Patents and Licenses etc.</u>

Our success and ability to compete depend substantially upon our core technology and intellectual property rights. We generally rely on patent, trademark and copyright laws, trade secret protection and confidentiality agreements to protect our intellectual property rights. In addition, we generally require employees and consultants to execute appropriate nondisclosure and proprietary rights agreements. These agreements acknowledge our exclusive ownership of intellectual property developed for us and require that all proprietary information remain confidential.

As of December 31, 2022, we had seven of our patent applications were protected through pending applications. We file patent applications in the United States and, when appropriate, certain other countries for inventions that we consider significant.

In addition to patents, we also possess other intellectual property, including trademarks, know-how, trade secrets, design rights and copyrights. We control access to and use of our software, technology and other proprietary information through internal and external controls, including contractual protections with employees, contractors, customers and partners. Our software is protected by U.S. and international copyright, patent and trade secret laws. Despite our efforts to protect our software, technology and other proprietary information, unauthorized parties may still copy or otherwise obtain and use our software, technology and other proprietary information. In addition, we have expanded our international operations, and effective patent, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries.

Companies in the industry in which we operate frequently are sued or receive informal claims of patent infringement or infringement of other intellectual property rights. We may receive such claims from companies, including from competitors and customers, some of which have substantially more resources and have been developing relevant technology similar to ours. As and if we become more successful, we believe that competitors will be more likely to try to develop products that are similar to ours and that may infringe on our proprietary rights. It may also be more likely that competitors or other third parties will claim that our products infringe their proprietary rights. Successful claims of infringement by a third party, if any, could result in significant penalties or injunctions that could prevent us from selling some of our products in certain markets, result in settlements or judgments that require payment of significant royalties or damages or require us to expend time and money to develop non-infringing products.

We cannot assure you that we do not currently infringe, or that we will not in the future infringe, upon any third-party patents or other proprietary rights, but will not and have never done so intentionally.

MANAGEMENTS RESPONSIBILITY FOR FINANCIAL STATEMENTS

Disclosure controls and procedures

Our management, including our chief executive officer and our chief financial officer are responsible for establishing and maintaining our disclosure controls and procedures (within the meaning of Rule 13a-15(e) of the Exchange Act). These controls and procedures were designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. We evaluated our disclosure controls and procedures under the supervision of our chief executive officer and our chief financial officer as of December 31, 2022. Based upon that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures as of December 31, 2022 were not effective.

Management's annual report on internal control over financial reporting

Our management, including our CEO, and our CFO, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;

- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles;

- provide reasonable assurance that receipts and expenditures are made only in accordance with authorizations of our management and board of directors (as appropriate); and

- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO, and our CFO, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the framework for Internal Control-Integrated Framework set forth by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013).

Our Management found our material weakness to be a result of a lack of sufficient accounting resources with relevant technical accounting skills to address issues related to the financial statement close process, and because of the size of the Company and its staff complement, we were not able to sufficiently design internal controls to provide the appropriate level of oversight regarding the financial recordkeeping and review of the Company's financial reporting and accumulate and communicate such information to our management to allow timely decisions regarding disclosure.

To remediate the material weakness in our internal controls over financial reporting described above, we have initiated remedial measures and are taking additional measures to remediate this material weakness. First, we are continuing to roll out an enhanced financial and accounting system. Second, we have hired additional personnel. Third, we are strengthening our controls financial reporting, with the assistance of outside consultants, experts in the controls and procedures over financing reporting. Consistent with our stage of development, we continue to rely on risk-mitigating procedures during our financial closing process in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

Due to the material weakness described above, our management concluded that our internal control over financial reporting were not effective as of December 31, 2022.

Changes in internal control over financial reporting

There were no material changes in our internal control over financial reporting, other than the remediation efforts described above, for the quarter ended and the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

RISKS

Risks Related to the Company's Financial Position and Capital Requirements

The Company has incurred significant losses and there can be no assurance when, or if, the Company will achieve or maintain profitability.

The Company realized 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. Because of the numerous risks and uncertainties associated with the provision of the Company's maintenance services and sale and development of the Company's products, the Company is unable to predict the extent of any future losses or when the Company will become profitable, if at all. Expected future operating losses will have an adverse effect on the Company's cash resources, shareholders' equity and working capital. The Company's failure to become and remain profitable could depress the value of the common shares and impair the Company's ability to raise capital, expand its business, maintain its development efforts, or continue its operations. A decline in the Company's value could also cause a holder of common shares to lose all or part of such holder's investment in the Company.

Our operations may not be profitable.

The Company may not be able to generate significant revenues in the future. In addition, we expect to incur substantial operating expenses in order to fund the expansion of our business. As a result, we may experience substantial negative cash flow for at least the foreseeable future and cannot predict when, or even if, the Company might become profitable.

The Company expects that it will need to raise additional capital to meet the Company's business requirements in the future, which is likely to be challenging, could be highly dilutive and may cause the market price of the common shares to decline.

Based on the Company's projected cash flows and the cash balances as of the date of this Annual Report, the Company believes that it has sufficient cash to fund the Company's obligations for at least the next twelve months. However, in order to meet the Company's business objectives in the future, the Company expects that the Company will need to raise additional capital, which may not be available on reasonable terms or at all.

Additional capital would be used to accomplish the following:

- finance the Company's current operating expenses;
- pursue growth opportunities;
- hire and retain qualified management and key employees;
- respond to competitive pressures;
- comply with regulatory requirements;
- maintain compliance with applicable laws; and
- acquire complementary businesses and technologies.

Conditions in the capital markets are such that traditional sources of capital may not be available to the Company when needed or may be available only on unfavorable terms. The Company's ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions, the impact of any potential future health crisis, such as the COVID 19 pandemic, and a number of other factors, many of which are outside the Company's control, and on its financial performance. Accordingly, the Company cannot assure that the Company will be able to successfully raise additional capital at all or on terms that are acceptable to the Company. If the Company cannot raise additional capital when needed, it may have a material adverse effect on the Company's business, results of operations and financial condition.

To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, the issuance of such securities could result in substantial dilution for the Company's current shareholders. The terms of any securities issued by the Company in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of the Company's securities then-outstanding. The Company may issue additional common shares or securities convertible into or exchangeable or exercisable for the common shares in connection with hiring or retaining personnel, option or warrant exercises, future acquisitions or future placements of the Company's securities for capital-raising or other business purposes. The issuance of additional securities, whether equity or debt, by the Company, or the possibility of such issuance, may cause the market price of the common shares to decline and existing shareholders may not agree with the Company's financing plans or the terms of such financings. In addition, the Company may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The Company may also be required to recognize non-cash expenses in connection with certain securities the Company issues, such as convertible notes and warrants, which may adversely impact the Company's financial condition. Furthermore, any additional debt or equity financing that the Company may need may not be available on terms favorable to the Company, or at all. If the Company is unable to obtain such additional financing on a timely basis, the Company may have to curtail its development activities and growth plans and/or be forced to sell assets, perhaps on unfavorable terms, or the Company may have to cease its operations, which would have a material adverse effect on the Company's business, results of operations and financial condition.

We expect that we will need to invest significant time and raise substantial additional capital before we can expect to become profitable from sales of our products. This additional capital may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We expect that we will need to invest significant time and require substantial additional capital to commercialize our products. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including but not limited to production and manufacturing costs (which are dependent on the costs of mechanical and electronic components of our products), research and development activities, sales activities including compensation for salespersons, development of additional software and hardware products for our current offerings, and marketing costs related to expansion into new markets.

We may not accurately forecast revenues, profitability and appropriately plan our expenses.

We base our current and future expense levels on our operating forecasts and estimates of future income and operating results. Income and operating results are difficult to forecast because they generally depend on the volume of sales and timing, which are uncertain. Additionally, our business is affected by general economic and business conditions around the world. A softening in income, whether caused by changes in customer preferences in the markets we serve, or a weakening in global economies, may result in decreased net revenue levels, and we may be unable to adjust our expenses in a timely manner to compensate for any unexpected shortfall in income. This inability could cause our (loss)/income after tax in a given quarter to be (higher)/lower than expected. We also make certain assumptions when forecasting the amount of expense we expect related to our share-based payments, which includes the expected volatility of our share price, and the expected life of share options granted. These assumptions are partly based on historical results. If actual results differ from our estimates, our operating results in a given period may be lower than expected.

Exchange rate fluctuations between multiple foreign currencies may negatively affect our earnings, operating cash flow.

Our reporting currency is the US Dollar and our functional currency is the New Israeli Shekel ("NIS"). Our key expenses and revenues are currently primarily payable in NIS and U.S. In addition, we receive and have received funding in CAD, U.S. dollars, and NIS. As a result, we are exposed to the currency fluctuation risks relating to the recording of our expenses and revenues in U.S. dollars, and potential cash flow shortage. We may, in the future, decide to enter into currency hedging transactions. These measures, however, may not adequately protect us from material adverse effects.

Risks Related to the Company and the Company's Business

The Company's business is subject to risks arising from a widespread outbreak of an illness or any other communicable disease, or any other public health crisis, such as the COVID-19 pandemic, which has impacted and could continue to impact the business.

In late 2019, a novel strain of COVID-19, also known as coronavirus, was reported in Wuhan, China. While initially the outbreak was largely concentrated in China, it has now spread to Israel and the United States, and infections have been reported globally. Many countries around the world, including in Israel, have significant governmental measures implemented to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of business. The nature of the Company's work in Israel is such that the Company is considered an essential service industry, and therefore, is generally able to continue all of its operations in Israel with little disruption. Initially, the Company implemented remote working and work-place protocols for its employees in accordance with Israeli government requirements. The Company has now returned to its regular work-place structure. Nevertheless, the COVID-19 pandemic has resulted in delays in receiving service orders from customers which has resulted in a decrease in revenues in recent periods.

Failure to effectively develop and expand the Company's sales and marketing capabilities could harm the ability to grow the business and achieve broader market acceptance of the Company's products.

The Company's ability to achieve customer adoption of its retail automation solutions and civilian technology will depend, in part, on the ability to effectively establish, focus and train a sales and marketing force. The Company's Cust2Mate retail automation solution only recently entered the commercialization phase. The Company's ability to achieve significant revenue growth in the future will depend, in part, on the Company's ability to recruit, train and retain a sufficient number of experienced sales professionals. In addition, even if the Company is successful in hiring qualified sales personnel, new hires require significant training and experience before they achieve full productivity, particularly for sales efforts targeted at new markets. Because the Company only recently started sales efforts for the retail automation solutions, the Company cannot predict whether, or to what extent, the sales efforts will be successful.

The Company expects the sales cycle to be long and unpredictable and require considerable time and expense before executing a customer agreement, which may make it difficult to project when, if at all, the Company will obtain new customers and when the Company will generate revenue from those customers.

In both the retail automation and civilian technology market, the decision to adopt the Company's products may require the approval of multiple technical and business decision makers, including security, compliance, procurement, operations and information technology. In addition, the Company expects that while a customer may be willing to deploy the Company's products on a limited basis, before they will commit to deploying the products at scale, they will require extensive education about the Company's products and significant customer support time, engage in protracted pricing negotiations and seek to secure readily available development resources. As a result, it is difficult to predict when the Company will obtain new customers and begin generating revenue from these customers. As part of the sales cycle, the Company may incur significant expenses before executing a definitive agreement with a prospective customer and before the Company is able to generate any revenue from such agreement. The Company has no assurance that the substantial time and money spent on the sales efforts will generate significant revenue. If conditions in the marketplace generally or with a specific prospective customer change negatively, it is possible that no definitive agreement will be executed, and the Company will be unable to recover any of these expenses. If the Company is not successful in targeting, supporting and streamlining the sales processes and if revenue expected to be generated from a prospective customer is not realized in the time period expected or not realized at all, the Company's ability to grow its business, and its operating results and financial condition may be adversely affected. If the sales cycles lengthen, the Company's future revenue could be lower than expected, which would have an adverse impact on the operating results and could cause the Company's share price to decline.

If the Company is not able to enhance the brand and increase market awareness of the Company and products, then the business, results of operations and financial condition may be adversely affected.

The Company believes that enhancing the "A2Z" and "Cust2Mate" brand identity and increasing market awareness of the Company and products is critical to achieving widespread acceptance of the Company's products. The Company's ability to penetrate its target markets may be adversely affected by a lack of awareness or acceptance of the brand. To the extent that the Company is unable to foster name recognition and affinity for the brand, the growth may be significantly delayed or impaired. The successful promotion of the Company's brand will depend largely on the marketing efforts, market adoption of the products, and the ability to successfully differentiate the Company's products from competing products and services. The Company's brand promotion may not be successful or result in revenue generation. Any incident that erodes consumer affinity for the brand could significantly reduce the brand value and damage the Company's business. If consumers perceive or experience a reduction in quality, or in any way believe the Company may fail to deliver a consistently positive experience, the brand value could suffer, and the business may be adversely affected.

If the Company does not develop enhancements to the technology and introduce new products that achieve market acceptance, the business, results of operations and financial condition could be adversely affected.

The Company's ability to attract new customers depends in part on the ability to enhance and improve the existing technology, increase adoption and usage of the solutions and introduce new products. The success of any enhancements or new products depends on several factors, including timely completion, adequate quality testing, actual performance quality, and overall market acceptance. Enhancements and new products that the Company develops may not be introduced in a timely or cost-effective manner, may contain errors or defects, may have interoperability difficulties with other products or may not achieve the broad market acceptance necessary to generate significant revenue. Furthermore, the ability to increase the usage of the Company's solutions and technology depends, in part, on the development of new use cases and may be outside of the Company's control. If the Company is unable to successfully enhance the existing solutions and technology to meet evolving customer requirements, increase adoption and usage, develop new products, then the business, results of operations and financial condition would be adversely affected.

The technology markets in which the Company competes are both subject to rapid technological change and, to compete, the Company must continually enhance its products and services.

The Company must continue to enhance and improve the performance, functionality and reliability of its technology. The technology markets in which the Company competes are characterized by rapid technological change, changes in user requirements and preferences, frequent new product and services introductions embodying new technologies and the emergence of new industry standards and practices that could render its products obsolete. The Company's success will depend, in part, on the ability to both internally develop and enhance existing technology, develop new products that address the increasingly sophisticated and varied needs of the Company's customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of the Company's technology involves significant technical and business risks. The Company may fail to use new technologies effectively or to adapt its proprietary technology and systems to customer requirements or emerging industry standards. If the Company is unable to adapt to changing market conditions, customer requirements or emerging industry standards, the Company may not be able to increase its revenue and expand its business.

The Company depends on one customer for the smart-cart sales, a major source of the Company's current revenues; the loss of this customer may have a material adverse effect on the Company's operating results.

Currently, one customer is responsible for a significant portion of the Company's smart-cart revenues. During the years ended December 31, 2022, 2021 and 2020, this customer constituted 40%, 0% and 0% of the total revenues, respectively. The percentage of the Company's sales to the Company's major customers may fluctuate from period to period, and the Company's principal customers may also vary from year to year. Significant reduction in sales to any of the major customers, or the loss of a major customer, could have a material adverse effect on the results of operations and financial condition.

The Company's growth depends, in part, on the success of the strategic relationships with third parties.

To grow the business, the Company anticipates that the Company will continue to depend on relationships with third parties, such as the Company's customers, suppliers and software providers. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. If the Company is unsuccessful in establishing or maintaining its relationships with third parties, the Company's ability to compete in the marketplace or to grow the Company's revenue could be impaired, and the results of operations may suffer. Even if the Company is successful, the Company cannot assure you that these relationships will result in increased customer usage of the products or increased revenue.

The Company's future profitability depends, in part, on subcontractor and supplier performance and financial viability as well as component availability and pricing.

The Company relies on other companies to provide components and subsystems for its technology and to produce hardware elements and sub-assemblies, provide software and intellectual property, provide information about the parts they supply to the Company, and to do so in compliance with all applicable laws, regulations and contract terms. Disruptions or performance problems caused by the Company's subcontractors and suppliers, or a misalignment between the Company's contractual obligations and the agreement with its subcontractors and suppliers, could have various impacts on the Company, including on the ability to meet the Company's commitments to customers.

The Company's ability to perform its obligations on time could be adversely affected if one or more of the Company's subcontractors or suppliers were unable to provide the agreed-upon products, materials or information, or perform the agreed-upon services in a timely, compliant and cost-effective manner or otherwise to meet the requirements of the contract. Changes in political or economic conditions, including changes in defense budgets or credit availability or sanctions, or other changes impacting a subcontractor or supplier (including changes in ownership or operations), as well as their ability to retain talent and other resources, and requirements or changes in requirements imposed on them by other customers, could adversely affect the financial stability of the Company's subcontractors and suppliers and/or their ability to perform. The inability of the Company's suppliers to perform, or their inability to perform adequately, could also result in the need for the Company to transition to alternate suppliers, which could result in significant incremental cost and delay or the need for the Company to provide other resources to support its existing suppliers.

This risk may increase as the demands grow for the Company's subcontractors and suppliers to meet extensive government-related cyber and other requirements.

If the Company's subcontractors or suppliers fail to perform or the Company is unable to procure, or experience significant delays in deliveries of, needed products, materials or services; or if they do not comply with all applicable laws, regulations, requirements and contract terms, including if what the Company received is counterfeit or otherwise improper, the Company's financial position, results of operations and/or cash flows could be materially adversely affected.

Information technology system failures or breaches of the Company's network security could interrupt the operations and adversely affect the business.

The Company's operations depend upon the ability to protect the Company's computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, worms and other disruptive problems. Any damage or failure of the computer systems or network infrastructure that causes an interruption in the operations could have a material adverse effect on the business and subject the Company to litigation or actions by regulatory authorities. Although the Company employs both internal resources and external consultants to conduct auditing and testing for weaknesses in the systems, controls, firewalls and encryption and intend to maintain and upgrade the Company's security technology and operational procedures to prevent such damage, breaches or other disruptive problems, there can be no assurance that these security measures will be successful.

Real or perceived errors, failures, or bugs in the technology could adversely affect the Company's operating results and growth prospects.

The Company has discovered and expects that the Company will continue to discover errors, failures and bugs in its technology and anticipate that certain of these errors, failures and bugs will only be discovered and remediated after deployment. Real or perceived errors, failures or bugs in the platform could result in negative publicity, government inquiries, loss of or delay in market acceptance of the Company's technology, loss of competitive position, or claims by customers for losses sustained by them. In such an event, the Company may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem.

The Company could be harmed by improper disclosure or loss of sensitive or confidential Company, employee, or customer data, including personal data.

In connection with the operation of the business, the Company stores, processes and transmits data, including personal and payment information, about the Company's employees and customers, a portion of which is confidential and/or personally sensitive. Unauthorized disclosure or loss of sensitive or confidential data may occur through a variety of methods. These include, but are not limited to, systems failure, employee negligence, fraud or misappropriation, or unauthorized access to or through the information systems, whether by the Company's employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and/or state-sponsored organizations, who may develop and deploy viruses, worms or other malicious software programs. Such disclosure, loss or breach could harm the Company's reputation and subject the Company to government sanctions and liability under the contracts and laws that protect sensitive or personal data and confidential information, resulting in increased costs or loss of revenues. It is possible that security controls over sensitive or confidential data and other practices the Company and its third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. The potential risk of security breaches and cyberattacks may increase as the Company introduces new products and offerings. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions in which the Company provides services. Any failure or perceived failure to successfully manage the collection, use, disclosure, or security of personal information or other privacy related matters, or any failure to comply with changing regulatory requirements in this area, could result in legal liability or impairment to the Company's reputation in the marketplace.

A material breach in security relating to the Company's information systems and regulation related to such breaches could adversely affect the Company.

Information security risks have generally increased in recent years, in part because of the proliferation of new technologies and the use of the Internet, and the increased sophistication and activity of organized crime, hackers, terrorists, activists, cybercriminals and other external parties, some of which may be linked to terrorist organizations or hostile foreign governments. Cybersecurity attacks are becoming more sophisticated and include malicious software, ransomware, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data, substantially damaging the Company's reputation. Any person who circumvents the security measures could steal proprietary or confidential customer information or cause interruptions in the Company's operations. The Company incurs significant costs to protect against security breaches and may incur significant additional costs to alleviate problems caused by any breaches. The Company's failure to prevent security breaches, or well-publicized security breaches affecting the Internet in general, could significantly harm the Company's reputation and business and financial results.

The Company's contracts may contain performance obligations that require innovative design capabilities, are technologically complex, require state-of-the-art manufacturing expertise or are dependent upon factors not wholly within the Company's control. Failure to meet the contractual obligations could adversely affect the Company's profitability, reputation and future prospects.

The Company designs and develops advanced and innovative products and services, which are applied by the customers in a variety of environments, including some under highly demanding operating conditions. Problems and delays in development or delivery, or system failures, as a result of issues with respect to design, technology, intellectual property rights, labor, inability to achieve learning curve assumptions, inability to manage effectively a broad array of programs, manufacturing materials or components, or subcontractor performance could prevent the Company from meeting requirements and create significant risk and liabilities. Similarly, failures to perform on schedule or otherwise to fulfill the contractual obligations could negatively impact the Company's financial position, reputation and ability to win future business. If the Company is unable to meet its obligations, including due to issues regarding the design, development or manufacture of the products or services, it could have a material adverse effect on the Company's reputation, the ability to compete for other contracts and the financial position, results of operations and/or cash flows.

The Company's insurance coverage, customer indemnifications or other liability protections may be unavailable or inadequate to cover all of the significant risks or the insurers may deny coverage of or be unable to pay for material losses the Company incurs, which could adversely affect the Company's profitability and overall financial position.

The Company endeavors to obtain insurance agreements from financially solid, responsible, highly rated counterparties in established markets to cover significant risks and liabilities. Not every risk or liability can be insured, and for risks that are insurable, the policy limits and terms of coverage reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. Even if insurance coverage is available, the Company may not be able to obtain it at a price or on terms acceptable to the Company. Disputes with insurance carriers, including over policy terms, reservation of rights, the applicability of coverage (including exclusions), compliance with provisions (including notice) and/or the insolvency of one or more of the insurers may significantly affect the availability or timing of recovery, and may impact the Company's ability to obtain insurance coverage at reasonable rates in the future.

In some circumstances the Company may be entitled to certain legal protections or indemnifications from its customers through contractual provisions, laws, regulations or otherwise. However, these protections are not always available, can be difficult to obtain, are typically subject to certain terms or limitations, including the availability of funds, and may not be sufficient to cover all losses or liabilities incurred. If insurance coverage, customer indemnifications and/or other legal protections are not available or are not sufficient to cover the risks or losses, it could have a material adverse effect on the Company's financial position, results of operations and/or cash flows.

The Company may face intense competition and expects competition to increase in the future, which could prohibit the Company from developing a customer base and generating revenue.

The Company faces significant competition in every aspect of the business. Many companies that the Company competes with may already have an established market in the industries in which the Company competes and most of these companies have significantly greater financial and other resources than the Company and have been developing their products and services longer than the Company has been developing theirs. In addition, some of the Company's larger competitors have substantially broader product offerings and leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages potential customers from purchasing the Company's products. Potential customers may also prefer to purchase from their existing solution providers rather than a new solution provider regardless of product performance or features. These larger competitors often have broader product lines and market focus and will therefore not be as susceptible to downturns in a particular market. Conditions in the Company's market could change rapidly and significantly as a result of technological advancements, partnering by the Company's competitors or continuing market consolidation. New start-up companies that innovate and large competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with the Company's products. In addition, some of the Company's competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships. Any such consolidation, acquisition, alliance or cooperative relationship could lead to pricing pressure and the loss of any future market share and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm the Company's ability to compete. Furthermore, organizations may be more willing to incrementally add solutions to their existing infrastructure from competitors than to replace their existing infrastructure with the Company's products. Any failure to meet and address these factors could harm the Company's business, results of operations and financial condition.

The Company's business operations and future development could be significantly disrupted if the Company loses key members of its management team.

The success of the business continues to depend to a significant degree upon the continued contributions of the Company's senior officers and key employees, both individually and as a group. The Company's future performance will be substantially dependent in particular on the ability to retain and motivate Bentsur Joseph, the Chief Executive Officer, senior officers or other key employees could have a material adverse effect on the business and plans for future development. The Company has no reason to believe that the Company will lose the services of any of these individuals in the foreseeable future; however, the Company currently has no effective replacement for any of these individuals due to their experience, reputation in the industry and special role in the Company's operations. The Company also does not maintain any key man life insurance policies for any of its employees.

The Company's ability to meet the needs of its customers depends, in part, on the Company's ability to maintain a qualified workforce.

The Company's operating results and growth opportunities are heavily dependent upon the ability to attract and retain sufficient personnel with security clearances and requisite skills in multiple areas, including science, technology, engineering and math. Additionally, as the Company grows its international business, it is increasingly important that the Company is able to attract and retain personnel with relevant local qualifications and experience. In addition, in a tightened labor market, the Company is facing increased competition for talent, both with traditional defense companies and commercial companies. If qualified personnel are scarce or difficult to attract or retain or if the Company experiences a high level of attrition, generally or in particular areas, or if such personnel are unable to obtain security clearances on a timely basis, the Company could experience higher labor, recruiting or training costs in order to attract and retain necessary employees.

If the Company is able to expand the operations, the Company may be unable to successfully manage its future growth.

The Company's growth may strain the Company's infrastructure and resources. Any such growth could place increased strain on the Company's management, operational, financial and other resources, and the Company will need to train, motivate, and manage employees, as well as attract management, sales, finance and accounting, international, technical, and other professionals. Any failure to expand these areas and implement appropriate procedures and controls in an efficient manner and at a pace consistent with the Company's business objectives could have a material adverse effect on the business, results of operations and financial condition.

We are subject to certain Israeli, U.S. and foreign anti-corruption anti-money laundering and other trade laws and regulations. We can face serious consequences for violations.

Among other matters, Israeli, U.S. and foreign anticorruption, anti-money laundering and other trade laws and regulations, which are collectively referred to as Trade Laws, prohibit companies and their employees, agents, legal counsel, accountants, consultants, contractors and other partners from authorizing, promising, offering, providing, soliciting or receiving, directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of Trade Laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated entities. We can be held liable for the corrupt or other illegal activities of our personnel, agents or partners, even if we do not explicitly authorize or have prior knowledge of such activities.

The Company may become subject to various investigations, claims, disputes, enforcement actions, litigation, arbitration and other legal proceedings that could ultimately be resolved against the Company.

The size, nature and complexity of the business make the Company susceptible to investigations, claims, disputes, enforcement actions, prosecutions, litigation and other legal proceedings, particularly those involving governments (including federal, state and outside the U.S.). The Company may become subject to investigations, claims, disputes, enforcement actions and administrative, civil or criminal litigation, arbitration or other legal proceedings globally and across a broad array of matters, including, but not limited to, government contracts, commercial transactions, false claims, false statements, antitrust, mischarging, contract performance, fraud, procurement integrity, products liability, privacy, warranty liability, the use of hazardous materials, personal injury claims, environmental, shareholder derivative actions, prior acquisitions and divestitures, intellectual property, tax, employees, export/import, anti-corruption, labor, health and safety, accidents, launch failures and employee benefits and plans, including plan administration, and improper payments. These matters could divert financial and management resources; result in administrative, civil or criminal fines, penalties or other sanctions (which terms include judgments or convictions and consent or other voluntary decrees or agreements), compensatory, treble or other damages, non-monetary relief or actions, or other liabilities; and otherwise harm the business and the Company's ability to obtain and retain awards. Government regulations provide that certain allegations against a contractor may lead to suspension or debarment from government contracts or suspension of export privileges for the company or one or more of its components. Suspension or debarment or criminal resolutions in particular could have a material adverse effect on the company because of its reliance on government contracts and export authorizations. An investigation, claim, dispute, enforcement action or litigation, even if not substantiated or fully indemnified or insured, could also negatively impact the Company's reputation among its customers and the public, and make it substantially more difficult for the Company to compete effectively for business, obtain and retain awards or obtain adequate insurance in the future. Investigations, claims, disputes, enforcement actions, litigation or other legal proceedings could have a material adverse effect on the Company's financial position, results of operations and/or cash flows.

The Company's reputation, the ability to do business and the Company's financial position, results of operations and/or cash flows may be impacted by the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which the Company participates.

The Company has implemented policies, procedures, and other compliance controls, and have negotiated terms designed to prevent misconduct by employees, agents or others working on the Company's behalf or with the Company that would violate the applicable laws of the jurisdictions in which the Company operates, including laws governing the protection of classified information, procurement integrity, information security and data privacy, or the terms of the Company's contracts. However, the Company cannot ensure that the Company will prevent all such misconduct committed by its employees, agents, subcontractors, suppliers, business partners or others working on the Company's behalf or with the Company. This risk of improper conduct may increase as the Company continues to expand globally and do business with new partners. Improper actions by those with whom or through whom the Company does business (including the Company's employees, agents, subcontractors, suppliers, business partners and joint ventures) could subject the Company to administrative, civil or criminal investigations and enforcement actions; monetary and non-monetary penalties; liabilities; and the loss of privileges and other sanctions, including suspension and debarment, which could negatively impact the Company's reputation and ability to conduct business and could have a material adverse effect on the Company's financial position, results of operations and/or cash flows.

The Company may not generate the expected benefits of the acquisition of Cust2Mate and Isramat, and the acquisition of same could disrupt the Company's ongoing business, distract management and increase the Company's expenses.

The Company acquired a controlling interest in Cust2Mate and all of the issued and outstanding shares of Isramat with the expectation that the acquisition of such entities will result in various benefits. Achieving the anticipated benefits of the acquisition of Cust2Mate and Isramat is subject to a number of uncertainties, including whether the Company's business and the businesses of Cust2Mate and Isramat can be integrated in an efficient and effective manner. The Company may not be able to accurately forecast the performance or ultimate impact of the acquisition of Cust2Mate and Isramat. It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, additional and unforeseen expenses, the disruption of the Company's ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect the Company's ability to achieve the anticipated benefits of the acquisition of Cust2Mate and Isramat. There may be increased risk due to integrating financial reporting and internal control systems. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits, expense savings and synergies will be realized or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect the Company's future business, financial condition, operating results and prospects.

The success of the acquisition of Cust2Mate and Isramat, depends upon effective integration and management of the acquired business into the Company's operations, which is subject to risks and uncertainties, including realizing the anticipated synergies and cost savings, the ability to retain and attract personnel, the diversion of management's attention for other business concerns, and undisclosed or potential legal liabilities of the Cust2Mate and Isramat business or assets. The Company will be required to devote significant management attention and resources to integrate the business and operations of Cust2Mate and Isramat.

The Company may also in the future engage in further acquisitions to expand its product and service offerings. These acquisitions involve risks and uncertainties such as:

- the Company's pre-acquisition due diligence may fail to identify material risks;
- significant acquisitions may negatively impact the Company's financial results, including cash flow and financial liquidity;
- significant goodwill assets recorded on the Company's consolidated balance sheet from prior acquisitions are subject to impairment testing, and unfavorable changes in circumstances could result in impairment to those assets;

- acquisitions may result in significant additional unanticipated costs associated with price adjustments or write-downs;

- the Company may not integrate newly acquired businesses and operations in an efficient and cost-effective manner;

- relocation or combination of facilities of acquired businesses may be more costly or time consuming than planned;

- the Company may fail to achieve the strategic objectives, synergies, cost savings and other benefits expected from acquisitions;

- the technologies acquired may not prove to be those needed to be successful in the Company's markets or may not have adequate intellectual property rights protection;

- the Company may assume significant liabilities and exposures that exceed the enforceability or other limitations of applicable indemnification provisions, if any, or the financial resources of any indemnifying parties, including indemnity for tax or regulatory compliance issues, such as anti-corruption and environmental compliance, that may result in the Company incurring successor liability;

- the Company may fail to retain key employees of the acquired businesses;

- the attention of senior management may be diverted from its existing operations;

- the Company may be exposed to potential shareholder claims if the Company acquires a significant interest in a publicly traded company; and

- the Company could be subject to more restrictive regulations by the local authorities after the acquisition, including regulations relating to foreign ownership of local companies.

The Company cannot assure that these risks or other unforeseen factors will not offset the intended benefits of the acquisitions, and such risks could have a material adverse effect on the Company's financial condition and results of operation.

If the Company expands its operations into other parts of the world, the Company will face certain additional risks and challenges.

The Company may expand its operations into other jurisdictions around the world as part of the Company's business expansion plans, which will subject the Company to a variety of risks, including fluctuations in foreign currencies, changes in the economic strength or greater volatility in the economies of foreign countries in which the Company does business, difficulties in enforcing contractual rights and intellectual property rights, theft or vandalism, economic instability, taxes or government royalties by foreign governments, adverse changes in the regulatory environments, including in tax laws and regulations, of the foreign countries in which the Company does business, compliance with anti-corruption and anti-bribery laws, restrictions on the withdrawal of foreign investments, the ability to identify and retain qualified local managers and the challenge of managing a culturally and geographically diverse operation. The Company cannot guarantee compliance with all applicable laws and regulations, and violations could result in substantial fines, sanctions, civil or criminal penalties, competitive or reputational harm, litigation or regulatory action and other consequences that might adversely affect the Company's results of operations.

There are tax risks we may be subject to in carrying on business in Israel and Canada.

We are incorporated in British Columbia, with subsidiaries in Israel. Since we are operating in a new and developing industry there is a risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to traditional brick and mortar businesses. There is no guarantee that governments will not impose such additional adverse taxes in the future.

Our products may be subject to the recall or return.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, safety concerns, packaging issues and inadequate or inaccurate labeling disclosure. If any of our products were to be recalled due to an alleged product defect, safety concern or for any other reason, we could be required to incur unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management time and attention. Additionally, product recalls may lead to increased scrutiny of our products by our customers and regulators, requiring further management time and attention and potential legal fees, costs and other expenses.

If we release defective products or services, our operating results could suffer.

Products designed and released by us involve testing and verification, assembly processes, and quality and functionality inspection and are difficult to develop and manufacture. While we have quality controls in place to detect and prevent defects in our products and services before they are released, these quality controls are subject to human error, overriding, and reasonable resource constraints. Therefore, these quality controls and preventative measures may not be effective in detecting and preventing defects in our products before they have been released into the marketplace. In such an event, we could be required, or decide voluntarily, to suspend the availability of the product or services, which could significantly harm our business and operating results.

Our products and services are complex and could have unknown defects or errors, which may give rise to legal claims against us, diminish our brand or divert our resources from other purposes.

Our products are comprised of and rely on complex and sensitive electronic hardware, algorithms, software, user-friendly interfaces and tightly integrated, electromechanical designs. Despite testing, our products could contain defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by our customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in our service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to our reputation, any of which could materially harm our results of operations and ability to achieve market acceptance. In addition, increased development and warranty costs could be substantial and could significantly reduce tour operating margins.

The existence of any defects, errors, or failures in our products or the misuse of our products could also lead to product liability claims or lawsuits against it. A defect, error or failure in one of our products could result in failure or damage to the products it is embedded in, or property damage, injury, death and/or significant damage our reputation and support for our services in general. We anticipate this risk will grow as more and more products using our products are deployed.

We cannot provide any assurance that we have or will have insurance adequate to protect us from material judgments and expenses related to potential future claims or that such insurance will be available in the future at economical prices or at all. Even if we are fully insured as it relates to a particular claim, the claim could nevertheless diminish our brand and divert management’s attention and resources, which could have a negative impact on our business, financial condition and results of operations.

Our senior management team has limited experience managing a public company listed on a U.S. or Canadian exchange, and regulatory compliance may divert its attention from the day to day management of our business.

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

Failure to adhere to our financial reporting obligations and other public company requirements could adversely affect the market price of our common shares.

The reporting and other obligations related to being a public company will place significant demands on our management, administrative, operational and accounting resources. If we are unable to meet such demands in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the trading price of our common shares.

In addition, we do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to errors or fraud may occur and may not be detected in a timely manner or at all.

Failure to remediate material weakness in internal accounting controls could result in material misstatements in our financial statements.

Our management has identified a material weakness in our internal control over financial reporting related to lack of sufficient accounting resources with relevant technical accounting skills to address issues related to the financial statement close process, and because of the size of the Company and its staff complement, we were not able to sufficiently design internal controls to provide the appropriate level of oversight regarding the financial recordkeeping and review of the Company's financial reporting. Our management has concluded that, due to such material weakness, our internal controls over financial reporting were not effective as of December 31, 2022.

To remediate the material weakness in our internal controls over financial reporting described above, we have initiated remedial measures and are taking additional measures to remediate this material weakness. First, we are continuing to roll out an enhanced financial and accounting system. Second, we have hired additional personnel. Third, we are strengthening our controls financial reporting, with the assistance of outside consultants, experts in the controls and procedures over financing reporting. Consistent with our stage of development, we continue to rely on risk-mitigating procedures during our financial closing process in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

Such changes may not, however, be effective in establishing the adequacy of our internal control over financial reporting. If the material weakness is not adequately remedied, or if we identify further material weaknesses in our internal controls, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our securities. In addition, investors' perceptions that our internal control over financial reporting is inadequate or that we are unable to produce accurate financial statements may materially adversely affect the price of our securities.

We may experience adverse effects on our reported results of operations as a result of adopting new accounting standards or interpretations.

Our implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, could adversely affect our reported financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

We are an emerging growth company as defined in the JOBS Act and the reduced disclosure requirements applicable to emerging growth companies may make our common shares less attractive to investors and, as a result, adversely affect the price of our common shares and result in a less active trading market for our common shares.

We are an emerging growth company as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. For example, we have elected to rely on an exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act relating to internal control over financial reporting, and we will not provide such an attestation from our auditors for so long as we qualify as an emerging growth company.

We may avail ourselves of these disclosure exemptions until we are no longer an emerging growth company. We cannot predict whether investors will find our common shares less attractive because of our reliance on some or all of these exemptions. If investors find our common shares less attractive, it may cause the trading price of the common shares to decline and there may be a less active trading market for our common shares.

We will cease to be an emerging growth company upon the earliest of:

- the last day of the fiscal year in which we have more than $1.235 billion in annual revenue;
- the last day of the fiscal year in which we qualify as a "large accelerated filer";
- the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; and
- the last day of the fiscal year in which the fifth anniversary of the completion of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act.

We will be affected by operational risks and may not be adequately insured for certain risks.

We will be affected by a number of operational risks and we may not be adequately insured for certain risks, including: product liability litigation, as we do not have product liability insurance; labor disputes; further workforce reductions; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; cyber-attacks and ransom requests; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, our technologies, personal injury or death, environmental damage, adverse impacts on our operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on our future cash flows, earnings and financial condition. Also, we may be subject to or affected by liability or sustain loss for certain risks and hazards against which we cannot insure or which we may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

The markets in which we compete are characterized by rapid technological change, which requires us to develop new products and product enhancements, and could render our existing products and technologies obsolete.

Continuing technological changes in the market for our products could make our products less competitive or obsolete, either generally or for particular applications. Our future success will depend upon our ability to develop and introduce a variety of new technologies, innovations, capabilities and enhancements to our existing product and service offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which we offer products. Delays in introducing new products, technologies and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase our competitors' products.

If we are unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products or enhancements that meet customer requirements on a timely basis, our products could lose market share, our revenue and profits could decline, and we could experience operating losses.

If critical components or raw materials used to manufacture our products become scarce or unavailable, then we may incur delays in manufacturing and delivery of our products, which could damage our business.

We obtain materials, mechanical parts, hardware and electronics components, various subsystems and manufacturing and assembly services from a limited group of suppliers and sub-contractors. We do not have long-term agreements with any of these suppliers or sub-contractors that obligate them to continue to sell materials, components, subsystems, or provide manufacturing services to us. Our reliance on these suppliers or sub-contractors involves significant risks and uncertainties, including whether our suppliers or sub-contractors will provide an adequate supply of required components, subsystems, or services of sufficient quality, will increase prices for the components, subsystems or services and will perform their obligations on a timely basis. As of the date of this report, the Company has not experienced any delays or shortages in the supply of critical components or raw materials used for manufacturing its products.

In addition, certain raw materials and components used in the manufacture of our products are periodically subject to supply shortages, and our business is subject to the risk of price increases and periodic delays in delivery. Specifically, the electronics components shortage crisis, a unique result of the COVID-19 pandemic, negatively affected our market segment by increased delivery lead time and increased purchase prices of components used under certain of our products, which resulted in delay in delivery time of our products to our customers, and had negative effect on our revenues and profitability. Please see Risk Factors – *The Company's business is subject to risks arising from a widespread outbreak of an illness or any other communicable disease, or any other public health crisis, such as the COVID-19 pandemic, which has impacted and could continue to impact the business*. Similarly, the market for electronic components is subject to cyclical reductions in supply, outside of COVID-19. If we are unable to obtain components from third-party suppliers in the quantities and of the quality that we require, on a timely basis and at acceptable prices, then we may not be able to deliver our products on a timely or cost-effective basis to our customers, which could cause customers to terminate their contracts with us, increase our costs and seriously harm our business, results of operations and financial condition. Moreover, if any of our suppliers or sub-contractors become financially unstable, then we may have to find new suppliers or sub-contractors. It may take several months to locate alternative suppliers or sub-contractors, if required, or to redesign our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources or are required to redesign our products. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an affordable cost, if at all.

If we fail to successfully promote our product and brand, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

We believe that brand recognition is an important factor to our success. If we fail to promote our brands successfully, or if the expenses of doing so are disproportionate to any increased net sales we achieve, it would have a material adverse effect on our business, prospects, financial condition and results of operations. This will depend largely on our ability to maintain trust, be a technology leader, and continue to provide high-quality and secure technologies, products and services. Any negative publicity about us or our industry, the quality and reliability of our technologies, products and services, our risk management processes, changes to our technologies, products and services, our ability to effectively manage and resolve customer complaints, our privacy and security practices, litigation, regulatory activity, and the experience of sellers and buyers with our products or services, could adversely affect our reputation and the confidence in and use of our technologies, products and services. Harm to our brand can arise from many sources, including; failure by us or our partners to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; employee misconduct; and misconduct by our partners, service providers, or other counterparties. If we do not successfully maintain a strong and trusted brand, our business could be materially and adversely affected.

Risks Related to our Intellectual Property

If we fail to protect, or incur significant costs in defending, our intellectual property and other know-how or proprietary rights, our business, financial condition, and results of operations could be materially harmed.

Our success depends, in large part, on our ability to protect our intellectual property, know-how and other proprietary rights. We rely primarily on patents, trademarks, copyrights, trade secrets other contractual provisions, to protect our intellectual property and other proprietary rights. However, most of our technology and know-how is not patented, and we may be unable or may not seek to obtain patent protection for this technology. Moreover, existing U.S. legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide us with any competitive advantages, and may be challenged by third parties. The laws of countries other than the U.S. may be even less protective of intellectual property rights. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property or otherwise gaining access to our technology. Unauthorized third parties may try to copy or reverse engineer our products or portions of our products or otherwise obtain and use our intellectual property. Moreover, many of our employees have access to our trade secrets and other intellectual property. If one or more of these employees leave to work for one of our competitors, then they may disseminate this proprietary information, which may as a result damage our competitive position. If we fail to protect our intellectual property and other proprietary rights, then our business, results of operations or financial condition could be materially harmed. From time to time, we may have to initiate lawsuits to protect our intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact our results of operations.

In addition, affirmatively defending our intellectual property rights and investigating whether we are pursuing a product or service development that may violate the rights of others may entail significant expense. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to us and divert the attention and efforts of our management and technical employees, even if we prevail.

The Company may not be able to adequately protect its intellectual property, which, in turn, could harm the value of the brands and adversely affect the business.

Patent applications in prosecuting have no guarantee that they will be granted, or if granted that the scope of protection will be adequate. A Freedom to Operate search has not been performed and there is no guarantee that the company is not infringing other patents. The Company's ability to implement the business plan successfully depends in part on the ability to build brand recognition using the Company's trademarks, service marks and other proprietary intellectual property, including the Company's names and logos. The Company currently has no registered trademarks. While the Company plans to register a number of its trademarks; no assurance can be given that the Company's trademark applications will be approved. No assurance can be given that the Company's patent applications which are in process will be approved. If the Company's patent applications are not approved, the ability to expand or develop the business may be negatively affected.

Third parties may also oppose the Company's trademark or patent applications, or otherwise challenge the use of the trademarks or patents. In the event that the trademarks or patents are successfully challenged, the Company could be forced to rebrand its goods and services or redesign its technology, which could result in loss of brand recognition, and could require the Company to devote resources to advertising and marketing new brands and products.

If the Company's efforts to register, maintain and protect its intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on the intellectual property, the value of the Company's brands may be harmed, which could have a material adverse effect on the business and might prevent the Company's brands from achieving or maintaining market acceptance. The Company may also face the risk of claims that the Company has infringed third parties' intellectual property rights. If third parties claim that the Company infringes upon their intellectual property rights, the Company's operating profits could be adversely affected. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, require the Company to rebrand its services, if feasible, divert management's attention and resources or require the Company to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property.

Any royalty or licensing agreements, if required, may not be available to the Company on acceptable terms or at all. A successful claim of infringement against the Company could result in the Company being required to pay significant damages, enter into costly license or royalty agreements, or stop the sale of certain products or services, any of which could have a negative impact on the operating profits and harm the Company's future prospects.

The Company also relies significantly upon proprietary technology, information, processes and know-how. The Company typically seeks to protect this information, including by entering into confidentiality agreements with its employees and other parties such as consultants, teammates and subcontractors. These agreements and other measures may not provide adequate protection for the Company's trade secrets and other proprietary information. In the event of an infringement of such intellectual property rights, a breach of a confidentiality agreement, a misuse or theft of the Company's intellectual property or divulgence of proprietary information, the Company may not have adequate legal remedies. In addition, the Company's trade secrets, or other proprietary information may otherwise become known or be independently developed by competitors.

If the Company is unable to adequately exploit its intellectual property rights, to protect its intellectual property rights, or to obtain rights to intellectual property of others, it could have a material adverse effect on the Company's reputation, ability to compete for and perform on contracts, financial position, results of operations and/or cash flows.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The United States Patent and Trademark Office (the "USPTO") and various foreign national or international patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Periodic maintenance fees on any issued patent are due to be paid to the USPTO and various foreign national or international patent agencies in several stages over the lifetime of the patent. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of patent rights include, but are not limited to, failure to timely file national and regional stage patent applications based on our international patent application, failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. If we fail to maintain the patents and patent applications covering our products, our competitors might be able to enter the market, which would have a material adverse effect on our business.

While a patent may be granted by a national patent office, there is no guarantee that the granted patent is valid. Options exist to challenge the validity of a patent which, depending upon the jurisdiction, may include re-examination, opposition proceedings before the patent office, and/or invalidation proceedings before the relevant court. Patent validity may also be the subject of a counterclaim to an allegation of patent infringement.

Pending patent applications may be challenged by third parties in protest or similar proceedings. Third parties can typically submit prior art material to patentability for review by the patent examiner. Regarding Patent Cooperation Treaty applications, a positive opinion regarding patentability issued by the International

Searching Authority does not guarantee allowance of a national application derived from the Patent Cooperation Treaty application. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and the patent's scope can be modified after issuance. It is also possible that the scope of claims granted may vary from jurisdiction to jurisdiction.

The grant of a patent does not have any bearing on whether the invention described in the patent application would infringe the rights of earlier filed patents. It is possible to both obtain patent protection for an invention and yet still infringe the rights of an earlier granted patent.

We may be sued by third parties for alleged infringement of their proprietary rights, which could be costly, time-consuming and limit our ability to use certain technologies in the future.

We may become subject to claims that our technologies infringe upon the intellectual property or other proprietary rights of third parties. Any claims, with or without merit, could be time-consuming and expensive, and could divert our management's attention away from the execution of our business plan. Moreover, any settlement or adverse judgment resulting from these claims could require us to pay substantial amounts or obtain a license to continue to use the disputed technology, or otherwise restrict or prohibit our use of the technology. We cannot assure that we would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all, that we would be able to develop alternative technology on a timely basis, if at all, or that we would be able to obtain a license to use a suitable alternative technology to permit us to continue offering, and our customers to continue using, our affected product. An adverse determination also could prevent us from offering our products to others. Infringement claims asserted against us may have a material adverse effect on our business, results of operations or financial condition.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, and defending patents on all of our products throughout the world would be prohibitively expensive. Therefore, we have filed applications and/or obtained patents only in the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and their products may compete with our products.

Risks Related to the Company's Operations in Israel

The Company's principal offices and customers are located in Israel and, therefore, the business, financial condition and results of operation may be adversely affected by political, economic and military instability in Israel.

The Company's operational offices and customers are located in Israel. In addition, all of the Company's employees and officers, and one of the directors, are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect the business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect the Company's operations and results of operations.

During the Second Lebanon War of 2006, between Israel and Hezbollah, a militant Islamic movement, rockets were fired from Lebanon into Israel, including into the Haifa area, where the Company's facility is located, causing casualties and major disruption of economic activities in northern Israel. An escalation in tension and violence between Israel and the militant Hamas movement (which controls the Gaza Strip) and other Palestinian Arab groups, culminated with Israel's military campaign in Gaza in December 2008, in November 2012 and again in July and August 2014 in an endeavor to prevent continued rocket attacks against Israel's southern towns, as well as other tension and violence between Israel and Palestinian Arab groups and individuals. It is unclear whether any negotiations that may occur between Israel and the Palestinian Authority will result in an agreement. In addition, Israel faces threats from more distant neighbors, in particular, Iran, an ally of Hezbollah and Hamas, and the militant group known as the Islamic State of Iraq and Syria.

Popular uprisings in various countries in the Middle East and North Africa are affecting the political stability of those countries. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and these countries. Furthermore, several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in the region continue or intensify. Such restrictions may seriously limit the Company's ability to sell its products to customers in those countries. Similarly, Israeli corporations are limited in conducting business with entities from several countries. Parties with whom the Company may do business could decline to travel to Israel during periods of heightened unrest or tension. In addition, the political and security situation in Israel may result in parties with whom the Company may have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. In addition, any hostilities involving Israel could have a material adverse effect on the Company's facilities including the corporate office or on the facilities of the Company's local suppliers, in which event all or a portion of the Company's inventory may be damaged, and the ability to deliver products to customers could be materially adversely affected.

Furthermore, the war and terrorism insurance the Company maintains may not be adequate to cover the losses associated with armed conflicts and terrorist attacks. Although the Israeli government in the past covered the reinstatement value of certain damages that were caused by terrorist attacks or acts of war, the Company cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate the Company fully for damages incurred. Any losses or damages incurred by the Company could have a material adverse effect on the business.

Any hostilities involving Israel, terrorist activities or political instability in the region or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturns in the economic or financial condition of Israel, could adversely affect the Company's operations and product development, cause the Company's revenues to decrease and adversely affect the share price.

The Company's operations may be disrupted as a result of the obligation of management or key personnel to perform military service.

The Company's operations could also be disrupted by the obligations of personnel to perform military service. Some of the Company's employees and independent contractors may be called upon to perform up to 54 days in each three-year period (and in the case of military officers, up to 84 days in each three-year period) of military reserve duty until they reach the age of 40 (and in some cases, depending on their specific military profession up to 45 or even 49 years of age) and, in certain emergency circumstances, may be called to immediate and unlimited active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists and it is possible that there will be similar large-scale military reserve duty call-ups in the future. The Company's operations could be disrupted by the absence of a significant number of employees related to military service, which could materially adversely affect the business and results of operations.

It may be difficult to enforce a judgment of a Canadian court against the Company, certain of the Company's officers and directors or the Israeli experts named in this Annual Report are in Israel, to assert Canadian securities laws claims in Israel or to serve process on certain of the officers and directors and these experts.

The Company is incorporated in British Columbia, Canada. Other than Alan Rootenberg, all of the executive officers and directors reside in Israel, and substantially all of the Company's assets and a substantial portion of the assets of these persons are located in Israel. Therefore, a judgment obtained against the Company, or any of these persons, including a judgment based on the civil liability provisions of Canadian securities laws, may not be collectible in the Canada and may not be enforced by an Israeli court. It also may be difficult to effect service of process on these persons in Israel or to assert Canadian securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against the Company in Israel, one may not be able to collect any damages awarded by either a Canadian or foreign court.

The Company may become subject to claims for payment of compensation for assigned service inventions by the Company's current or former employees, which could result in litigation and adversely affect the business.

Under the Israeli Patents Law, 5727-1967, or the Patents Law, inventions conceived by an employee during the scope of his or her employment are regarded as "service inventions" and are owned by the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. Section 134 of the Patents Law provides that if no agreement between an employer and an employee exists that prescribes whether, to what extent, and on what conditions the employee is entitled to remuneration for his or her service inventions, then such matters may, upon application by the employee, be decided by a government-appointed compensation and royalties committee established under the Patents Law, or the Committee. Although the Company's employees have agreed to assign to the Company all rights to any intellectual property created in the scope of their employment and most of the current employees, including all those involved in the development of the Company's intellectual property, have agreed to waive their economic rights with respect to service inventions, the Company cannot assure you that claims will not be brought against the Company by current or former employees demanding remuneration in consideration for assigned service inventions. If any such claims were filed, the Company could potentially be required to pay remuneration to the Company's current or former employees for such assigned service inventions, or be forced to litigate such claims, which could negatively affect the business.

Risks Related to the Common Shares

An investment in the common shares is speculative and there can be no assurance of any return on any such investment.

An investment in the Company's common shares is speculative, and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in an investment in the Company, including the risk of losing their entire investment.

A more active, liquid trading market for the common shares may not develop, and the price of the common shares may fluctuate significantly.

Although the common shares are listed on the TSX Venture Exchange ("TSXV") and the Nasdaq Capital Market, they have only been traded on such platforms for a relatively short period of time. There has been relatively limited trading volume in the market for the common shares, and a more active, liquid public trading market may not develop or may not be sustained. Limited liquidity in the trading market for the common shares may adversely affect a shareholder's ability to sell its common shares at the time it wishes to sell them or at a price that it considers acceptable. If a more active, liquid public trading market does not develop, the Company may be limited in its ability to raise capital by selling common shares and the Company's ability to acquire other companies or assets by using common shares as consideration. In addition, if there is a thin trading market or "float" for the common shares, the market price for the common shares may fluctuate significantly more than the stock market as a whole. Without a large float, the common shares would be less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of the common shares may be more volatile, and it would be harder to liquidate any investment in the common shares. Furthermore, the stock market is subject to significant price and volume fluctuations, and the price of the common shares could fluctuate widely in response to several factors, including:

- the Company's quarterly or annual operating results;
- changes in the Company's earnings estimates;
- investment recommendations by securities analysts following the Company's business or the industry;
- additions or departures of key personnel;
- changes in the business, earnings estimates or market perceptions of the Company's competitors;
- the Company's failure to achieve operating results consistent with securities analysts' projections;
- changes in industry, general market or economic conditions;
- announcements of legislative or regulatory changes; and
- natural disasters and political and economic instability, including wars, terrorism, political unrest, results of certain elections and votes, emergence of a pandemic, or other widespread health emergencies (or concerns over the possibility of such an emergency, including for example, the COVID-19 pandemic), boycotts, adoption or expansion of government trade restrictions, and other business restrictions.

The stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies. The changes often appear to occur without regard to specific operating performance. The price of the common shares could fluctuate based upon factors that have little or nothing to do with the Company and these fluctuations could materially reduce the share price.

If we are not able to comply with the applicable continued listing requirements or standards of the TSX Exchange or Nasdaq, then the TSX Exchange or Nasdaq could delist our common shares.

In order to maintain the listing of our common shares on the TSX Exchange and the Nasdaq Capital Market, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, minimum share price, and certain corporate governance requirements. There can be no assurances that we will be able to comply with such applicable listing standards.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in credit and capital markets.

Additionally, Russia's prior annexation of Crimea, recent recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic, including agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication, or SWIFT, payment system. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets.

Any of the abovementioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this prospectus. As of the date of this report the Company has not experienced any impact or effect to its business, prospects, financial condition and operating results from the conflict in Ukraine.

Concentration of ownership of the common shares may enable one shareholder or a small number of shareholders to significantly influence matters requiring shareholder approval.

As of the date of this Annual Report, members of the Company's management team beneficially own approximately 31.36% of the issued and outstanding common shares, of which 31.26% are beneficially owned by Bentsur Joseph, the Company's Chief Executive Officer. As a result, Mr. Joseph may have the ability to control substantially all matters submitted to the shareholders for approval including:

- election of the board of directors;
- removal of any of the directors;
- amendment of the articles; and
- adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination involving the Company.

In addition, the above ownership composition may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could reduce the share price or prevent the Company's shareholders from realizing a premium over the share price. Any additional investors will own a minority percentage of the common shares and will have minority voting rights.

Sales by the Company's shareholders of a substantial number of the common shares in the public market could adversely affect the market price of the common shares.

A substantial portion of the total outstanding shares may be sold into the market at any time. A substantial portion of these shares are held by Mr. Joseph, the Company's Chief Executive Officer. Although the Company believes that Mr. Joseph has no current intention to sell a significant number of common shares, the Company cannot provide any such assurance. If Mr. Joseph was to decide to sell large amounts of common shares over a short period of time (presuming such sales were permitted) such sales could cause the market price of the common shares to drop significantly, even if the business is doing well. Further, the market price of the common shares could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

The exercise of outstanding warrants and options will have a dilutive effect on the percentage ownership of the common shares by existing shareholders.

As of the date of this Annual Report, the Company had outstanding warrants to acquire 8,077,737 of common shares and options to purchase 2,799,844 common shares. Warrants and options are exercisable for prices ranging between $1.18 and $9.33. The expiration of the term of such options and warrants ranges from November 8, 2024, to August 21, 2032. If a significant number of such warrants and stock options are exercised by the holders, the percentage of common shares owned by the Company's existing shareholders will be diluted.

The common shares will be traded on more than one market and this may result in price variations.

The common shares have been trading on the TSXV and Nasdaq. Trading in the common shares on these markets will take place in different currencies and at different times, resulting from different trading days and different public holidays. The trading prices of the common shares on these markets may differ due to these and other factors. Any decrease in the price of the common shares on one market could cause a decrease in the trading price of the common shares on another market.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is “forward-looking information” within the meaning of the Ontario Securities Act. These statements relate to future events or the Company’s future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward looking terminology such as “anticipates”, “plans”, “budget”, “scheduled”, “continue”, “estimates”, “forecasts”, “expect”, “is expected”, “project”, “propose”, “potential”, “targeting”, “intends”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur” or “be achieved” or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

OTHER INFORMATION

Additional information related to the Company, is available for viewing on SEDAR at **www.sedar.com**.