A2Z CUST2MATE SOLUTIONS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2024

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
A2Z CUST2MATE SOLUTIONS CORP
Vancouver, Canada

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of A2Z CUST2MATE SOLUTIONS CORP and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of comprehensive loss, changes in equity (deficit), and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

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

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

/s/ Ziv Haft
Certified Public Accountants (Isr)
BDO Member Firm

We have served as the Company's auditor since year 2017.

Tel Aviv, Israel
March 31, 2025

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	December 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 13,526	$ 2,267
Deposits	206	77
Inventories (*note 5*)	796	250
Trade receivables, net (*note 6*)	2,024	1,477
Other accounts receivable (*note 8*)	581	660
Total current assets	17,133	4,731
Non-current assets		
Intangible asset - patent, net (*note 9*)	-	1,850
Long term financial asset at fair value (*note 10*)	200	77
Property, equipment and right of use assets, net (*note 11*)	1,545	1,861
Total non-current assets	1,745	3,788
Total Assets	$ 18,878	$ 8,519
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short term loan and current portion of long-term loans (*note 12*)	$ 826	$ 1,166
Lease liability (*note 13*)	217	190
Trade payables	1,834	1,742
Other accounts payable (*note 14*)	918	2,534
Warrant Liability *(note 17)*	7,743	-
Total current liabilities	11,538	5,632
Non-current liabilities		
Lease liability (*note 13*)	241	410
Long term loans (*note 15*)	108	228
Provision (*note 7*)	-	1,362
Warrant Liability *(note 17)*	-	3,075
Severance payment, net (*note 16*)	147	121
Total non-current liabilities	496	5,196
Total liabilities	12,034	10,828
Equity (deficit) *(note 19)*		
Share capital and additional paid in capital	83,120	55,485
Warrant Reserve	30,863	30,863
Accumulated other comprehensive loss	(549)	(1,330)
Reserve with respect to transactions with non-controlling interests	927	927
Accumulated losses	(100,452)	(83,456)
Total equity attributable to Company shareholders	13,909	2,489
Non-controlling interests *(note 21)*	(7,065)	(4,798)
Total equity (deficit)	6,844	(2,309)
Total liabilities and equity (deficit)	$ 18,878	$ 8,519

March 31, 2025	"Yonathan De Yonge"	"Gadi Graus"
Date of approval of the financial statements	Yonathan De Yonge - Director	Gadi Graus President and Chief Executive Officer

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

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

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

	Year ended December 31,		
	2024	**2023**	**2022**
Revenues (*note 22*)			
Products	$ 4,844	$ 9,212	$ 7,646
Services	2,322	2,163	1,705
Total revenues	7,166	11,375	9,351
Cost of revenues (*note 23*)			
Products	3,258	7,959	6,354
Services	1,922	1,423	1,163
Total cost of revenues	5,180	9,382	7,517
Gross profit	1,986	1,993	1,834
Expenses:			
Research and development (*note 24*)	$ 4,017	$ 4,751	$ 4,462
Sales and marketing	1,216	1,377	475
General and administration (*note 25*)	9,662	13,933	13,599
Loss on impairment (note 7,9)	1,727	1,027(*)	-
Operating loss	(14,636)	(19,095)(*)	(16,702)
Loss (gain) on revaluation of warrant liabilities *(note 17)*	4,389	(1,255)	254
Financial income	(158)	(85)	-
Financial expenses (*note 27*)	396	302	1,391
Loss for the year	$ (19,263)	$ (18,057)	$ (18,347)
Less: Net loss attributable to non-controlling interests	(2,267)	(1,996)	(1,790)
Net loss attributable to the Company's shareholders	(16,996)	(16,061)	(16,557)
Net loss for the period	$ (19,263)	$ (18,057)	$ (18,347)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Adjustments arising from translating financial statements of foreign operations	775	303	(936)
Remeasurement loss from defined benefit plans	6	1	10
Other comprehensive income (loss)	781	304	(926)
Total comprehensive loss for the year	$ (18,482)	$ (17,753)	$ (19,273)
Less: Comprehensive loss attributable to non-controlling interests	(2,267)	(1,996)	(1,790)
Comprehensive loss attributable to the Company's shareholders	$ (16,215)	$ (15,757)	$ (17,483)
Basic and diluted loss per share	$ (0.80)	$ (1.15)(**)	$ (*)(1.50)(**)
Weighted average number of shares outstanding	21,369,527	13,899,212	11,072,711

(*) An adjustment to reflect an immaterial incorrect classification.

(**) On September 24, 2024, the Board approved a 1-for-2.5 reverse stock split, (the "Reverse Split"). Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

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

A2Z CUST2MATE SOLUTIONS CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

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

	Ordinary share capital							
	Number of shares	Additional paid in capital	Warrant reserve	Accumulated Other Comprehensive loss	Reserve with respect to transactions with non-controlling interests	Accumulated losses	Non-controlling interest	Total Equity (Deficit)
Balance - January 1, 2024	**15,359,799**	**$ 55,485**	**$ 30,863**	**$ (1,330)**	**$ 927**	**$ (83,456)**	**$ (4,798)**	**$ (2,309)**
Net loss for the period	-	-	-	-		(16,996)	(2,267)	(19,263)
Remeasurement loss from defined benefit plans	-	-	-	6		-	-	6
Adjustments arising from translating financial statements of foreign operations	-	-	-	775	-	-	-	775
Total comprehensive income (loss) for the period	-	-	-	781	-	(16,996)	(2,267)	(18,482)
Issuances of shares *(note 19)*	12,136,197	24,696				-	-	24,696
Exercise of RSU's (*note 19(S))*	764,001	-				-	-	-
Exercise of warrants *(note 19(R))*	1,330,300	576				-	-	576
Share based compensation *(note 21(b))*	-	1,913		-	-	-	-	1,913
Balance - December 31, 2024	**29,590,297**	**$ 83,120**	**$ 30,863**	**$ (549)**	**$ 927**	**$ (100,452)**	**$ (7,065)**	**$ 6,844**

(*) On September 24, 2024, the Board approved the Reverse Split. Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

	Ordinary share capital							
	Number of shares	**Additional paid in capital**	**Warrant reserve**	**Accumulated Other Comprehensive Income**	**Reserve with respect to transactions with non-controlling parties**	**Accumulated deficit**	**Non-controlling interest**	**Total Equity of shareholders of the Company (Deficit)**
Balance - January 1, 2023	**12,378,129**	**$ 43,452**	**$ 30,863**	**$ (1,634)**	**$ -**	**$ (67,395)**	**$ (2,397)**	**$ 2,889**
Net loss for the period	-	-	-	-		(16,061)	(1,996)	(18,057)
Remeasurement loss from defined benefit plans	-	-	-	1		-	-	1
Adjustments arising from translating financial statements of foreign operations	-	-	-	303		-	-	303
Total comprehensive income (loss) for the period	-	-	-	304		(16,061)	(1,996)	(17,753)
Transactions with non-controlling parties	-				927	-	(405)	522
Issuances of shares *(note 19)*	2,759,047	7,129	-	-		-	-	7,129
Exercise of RSU's *(note 19(K))*	185,800			-		-	-	-
Exercise of warrants *(note 19(J))*	36,800	102		-		-	-	102
Share based compensation *(note 20(b))*	-	4,802	-	-	-	-	-	4,802
Balance - December 31, 2023	**15,359,799**	**$ 55,485**	**$ 30,863**	**$ (1,330)**	**$ 927**	**$ (83,456)**	**$ (4,798)**	**$ (2,309)**

(*) On September 24, 2024, the Board approved the Reverse Split. Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

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

A2Z CUST2MATE SOLUTIONS CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

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

	Ordinary share capital						
	Number of shares	Additional paid in capital	Warrant reserve	Accumulated Other Comprehensive Income	Accumulated deficit	Non-controlling interest	Total Equity of shareholders of the Company (Deficit)
Balance - January 1, 2022	**10,530,595**	**$ 28,297**	**$ 34,763**	**$ (708)**	**$ (50,838)**	**$ (607)**	**$ 10,907)**
Net loss for the period	-	-	-	-	(16,557)	(1,790)	**(18,347)**
Remeasurement loss from defined benefit plans				10			10
Adjustments arising from translating financial statements of foreign operations	-	-	-	(936)	-	-	**(936**
Total comprehensive loss for the period	-	-	-	(926)	(16,557)	(1,790)	**(19,273)**
Issuances of shares in respect of crowd funding *(note 19(D))*	29,958	-	-	-	-	-	**-**
Issuance of shares in respect of Isramat deal *(note 19(B))*	109,510	1,747	-	-	-	-	**1,747**
Other issuances of shares *(note 19(F))*	1,191,335	3,004	-	-	-	-	**3,004**
Exercise of warrants *(note 19(A))*	252,064	5,277	(3,900)	-	-	-	**1,377**
Exercise of options *(note 19(C))*	46,667	208	-	-	-	-	**208**
Exercise of RSU's *(note 19(E))*	218,000	-	-	-	-	-	**-**
Expiration of warrants	-	51	-	-	-	-	**51**
Share based compensation	-	4,868	-	-	-	-	**4,868**
Balance - December 31, 2022	**12,378,129**	**$ 43,452**	**$ 30,863**	**$ (1,634)**	**$ (67,395)**	**$ (2,397)**	**$ 2,889**

(*) On September 24, 2024, the Board approved the Reverse Split. Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in these consolidated financial statements for all periods presented.

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

A2Z CUST2MATE SOLUTIONS CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended December 31,		
	2024	**2023**	**2022**
Cash flows from operating activities			
Loss for the year	$ (19,263)	$ (18,057)	$ (18,347)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization and depreciation	862	1,027	786
Share based compensation	1,913	5,324	4,868
Share based compensation to service providers	1,286	-	-
Loss on impairment	1,727	1,027	-
Loss (gain) on revaluation of warrant liability	4,389	(1,255)	254
Gain from revaluation of investment in associate	(123)	-	-
Changes in employee benefits	26	88	(154)
Changes in inventory	(546)	125	690)
Changes in trade receivables	(547)	(104)	990)
Changes in other account receivables	79	1,910	(2,383)
Accrued interest on loans and leases	149	9	13
Changes in provision	(169)	(85)	1,190
Changes in accounts payable	92	(482)	860
Changes in bank overdraft	30	-	-
Changes in deferred revenues	-	(1,373)	1,439
Changes in other accounts payable	(1,616)	459	363
Cash flow used in operating activities	(11,711)	(11,387)	(9,431)
Cash flows from investing activities			
Change in deposits	(129)	(69)	48
Investment in a subsidiary	-	-	(879)
Investment in long term financial asset at fair value	-	(77)	-
Purchase of property and equipment	(140)	(174)	(727)
Cash flow used in investing activities	(269)	(320)	(1,559)
Cash flows from financing activities			
Issuance of shares and warrants, net	24,435	10,317	3,894
Change in other accounts payables	-	1,119	-
Exercise of options	-	-	208
Exercise of warrants	576	102	1,379
Repayment of contingent liability	(1,136)	-	-
Lease payments	(583)	(336)	(337)
Repayment of loans	(579)	(476)	(342)
Proceeds from receipt of loans	95	167	1,294
Cash flows from financing activities	22,808	10,893	6,096
Increase (decrease) in cash and cash equivalents	10,828	(814)	(4,894
Effect of changes in foreign exchange rates	308	465	(960
Cash at beginning of year	2,267	2,616	8,470
Cash at the end of the year	$ 13,526	$ 2,267	$ 2,616
Taxes paid during the year	-	-	74
Interest paid during the year	64	80	49
APPENDIX A: NON-CASH ACTIVITIES			
Reclassification of warrant liability to warrant reserve	-	-	51
Reclassification of other account payables to short term loans	-	-	359
Recognition of a lease liability and right-of-use asset	283	-	947
Sale of fixed asset	-	-	188
Issuance of shares in respect of Isramat deal	-	-	2,089

NON-CASH TRANSACTIONS: INVESTMENT IN CONSOLIDATED SUBSIDIARIES

	Year ended December 31,		
	2024	2023	2022
Issuance of the Company’s ordinary shares	-	-	1,747
Commitment to selling shareholders			342
Working capital other than cash and cash equivalents	-	-	(868)
Employee benefits, net	-	-	35
Property, plant and equipment	-	-	(636)
Benefit shareholder consulting agreement	-	-	(27)
Customer relations	-	-	(284)
Goodwill	-	-	(1,188)
Total cash and cash equivalents paid (*)	$ -	$ -	$ (879)

(*) See note 7.

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

NOTE 1 - DESCRIPTION OF BUSINESS:

Overview

A2Z CUST2MATE SOLUTIONS CORP. (the "Company") was incorporated on January 15, 2018 under the laws of British Columbia. The head office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3, and the records and registered office is located at 2200 HSBC Building 885 West Georgia Street, British Columbia, V6C 3E8.

The Company has been listed on the NASDAQ Stock Market LLC ("Nasdaq") starting January 22, 2022, and traded under the symbol "AZ". The Company has been listed on the TSX Venture Exchange ("TSX.V") in Toronto until February 28, 2024. Following approval for a voluntary delisting, the Company no longer trades on the TSX.V but has remained a reporting issuer in Canada.

As of December 31, 2024, and 2023, the Company had three key subsidiaries, all of which are companies incorporated under the laws of Israel: (1) Cust2mate Ltd. ("Cust2mate"); (2) A2Z Advanced Military Solutions Ltd ("A2Z MS"); and (3) Isramat Ltd., the "Subsidiaries"). On August 10, 2023, Cust2mate announced the launch of Cust2mate USA Inc. (Cust2mate USA"), a subsidiary incorporated on July 12, 2023, under the laws of Delaware.

The Company's activities through Isramat Ltd. and A2Z MS include the provision of services in the field of services to the military and security markets as well as the development of related products for the civilian markets. Such services include providing maintenance services and container leasing. The Company also provides maintenance services for complex electronic systems and products.

The Company owns 96.58% of the common shares of Cust2Mate, a technology company focused on providing retail automation solutions, in particular for large grocery stores and supermarkets. The Company's primary product is the Cust2Mate system which incorporates a "smart cart" which automatically calculates the value of the customers purchases in their smart cart, without having to unload and reload their purchases at a customer checkout point.

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

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred recurring losses and negative cash flows from operating activities since inception, such that as of December 31, 2024, the Company had accumulated losses of $100,452 and a net loss in the amount of $19,263 for the year ended December 31, 2024. As of the date of the issuance of these financial statements, the Company has not yet commenced generating sufficient revenues to fund its operations, and therefore depends on fundraising from new and existing investors to finance its activities. however, considering the cash and cash equivalent balance as of December 31, 2024, following equity issuances during 2024 and equity raised during the first quarter of 2025, the Company has sufficient funds for at least the period ending April 2, 2026 (see note 32b).

During October 2023, the Israeli government declared a state of war due to the terror attack that was launched on the State of Israel on that day, and which still continues. At the same time, the Hezbollah organization has since been carrying out missile and rocket attacks on various areas in Israel's northern regions, targeting both military and civilian locations ("the war"). The war has led to various consequences and restrictions on the Israeli economy, including, among other things, an extensive mobilization of reserves, the evacuation of many settlements, both in the area bordering the Gaza strip and near the northern border, as well as taking actions for maintaining public safety and security, such as, among other things, imposing restrictions on gatherings, depending on the proximity thereof to the combat zones, including at workplaces and in the education system. Taking such actions caused a decline and a slowdown in the activity of the Israeli economy. In addition, the ongoing operation of many companies has suffered by the reduction in workforce availability, including due to the departure of foreign workers, extensive recruitment of reserves and absence from work due to the restrictions on the activity of the education system.

The war had no material effect on the Company's financial situation and on the results of the Company's activities. Also, the Company had succeeded to maintain operational and functional continuity, including maintaining an effective staff volume and effective ongoing operations with its customers and suppliers. As of the date of the report, the war still goes on and there is uncertainty as to its duration, further development and scope.

These consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2025.

NOTE 2 – BASIS OF PREPARATION:

A. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out above. These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

B. Basis of consolidation

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

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

C. Functional and foreign currency

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES:

A. Cash and cash equivalents

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

B. Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. For the years ended December 31, 2024, and 2023, potentially dilutive common shares issuable upon the exercise of warrants and options were not included in the computation of loss per share because their effect was anti-dilutive.

C. Provisions

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

D. Fair value measurement

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

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

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

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

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

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.)

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

Classification of fair value hierarchy

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

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

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

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

1. Financial assets

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

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.):

2. Financial Liabilities

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

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

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

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

3. Allocation of Units fund raising::

The issue of a Unit of various securities (shares and warrants) involves the allocation of the proceeds received (before issue expenses) to the underlying securities issued in the Unit based on the following order: warrant derivatives at their calculated fair value and proceeds allocated to common shares are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the Unit.

4. **Warrant liabilities** - Derivatives:

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.):

5. Impairment of financial assets

ECL and their measurement

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

As of December 31, 2024, and December 31, 2023, ECL for trade and other account receivables are not material.

Definition of default, including reasons for selecting the definition

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

Write-off policy

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

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

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

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

D. Fair value measurement (cont.):

Aging Schedule based on due date

	Aging schedule	
	December 31, 2024	**December 31, 2023**
Within payment terms	**$ 2,024**	$ 1,477
Total	**$ 2,024**	$ 1,477

Three-level matrix

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

	December 31, 2024	**December 31, 2023**
Government institutions	**$ 663**	$ 483
Industrial customers	**1,361**	994
Other customers	**-**	-
Total	**$ 2,024**	$ 1,477

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

E. Operating Segment:

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

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

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

F. Share-based compensation:

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

Share based payment transactions

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

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

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at the grant date. The fair value of option granted is determined using the Black and Scholes model, which was aimed to model the value of the Company's assets over time. The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Company and the volatility of its assets, on the date of grant based on certain assumptions.

G. Deferred taxes

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

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

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

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

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

H. Defined benefit schemes

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

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

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

This liability is calculated based on actuary measurement.

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

I. Property, equipment and right of use assets

Depreciation and amortization are computed by the straight-line method, based on the estimated useful lives of the assets, as follows:

	Estimated useful lives
Computers and electronic equipment	3
Machines and manufacturing equipment	10
Furniture and equipment	7
Vehicles	6.67
ERP system	3-6
Right of use assets and leasehold improvement	over the lease periods

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

J. Revenue recognition

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

1. Identify the contracts with a customer.

2. Identify the performance obligations in the contract.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations in the contract.

5. Recognize revenue when the entity satisfies a performance obligation.

i. Revenues generated from Isramat are to Israeli customers (amounted to $4,844 in 2024) and are recognized upon delivery, which is the point in time when the control of the goods is transferred to them.

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

iii Revenue from leasing is derived from contracts with customers pursuant to which the Company leases soaking containers. Revenues on these contracts are recognized on a straight-line basis.

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

Performance obligations and timing of revenue recognition

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

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

Determining the transaction price

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

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

K. Research and development expenses

Research expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. The aforementioned criteria have not met and therefore development costs have been recognized in profit or loss.

L. New Standards

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

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements

Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial

The IASB issued amendments to IAS 1 in January 2020 Classification of Liabilities as Current or

Non-current and subsequently. In October 2022 Non-Current Liabilities with Covenants.

An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.

If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the reporting period.

The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.

In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments have no effect on the measurement of any items in the consolidated financial statements of the Company.

The following standards and amendments are effective for the annual reporting period beginning 1 January 2027:

IFRS 18 Presentation and Disclosure in Financial Statements

The Company is currently assessing the effect of these new accounting standards and amendments. IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (CONTINUED):

M. Going Concern

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

N. Functional Currency

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

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position are:

Impairment of intangible assets

Impairment tests on goodwill was undertaken annually at the financial year end. Impairment test on Patent was undertaken 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.

Determination of fair value - Warrants liabilities - derivatives and share-based payment transactions

The Company uses the Black-Scholes option-pricing model to estimate fair value. 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 instrument.

NOTE 5 - INVENTORIES:

	December 31, 2024	December 31, 2023
Raw materials	**$ 454**	$ 36
Smart cart parts	**342**	214
Inventories	**$ 796**	$ 250

NOTE 6 – TRADE RCEIVABLES, NET:

	December 31, 2024	December 31, 2023
Customers	**$ 2,039**	$ 1,487
Expected credit losses	**(15)**	(10)
Trade Receivables, net	**$ 2,024**	$ 1,477

As of December 31, 2024, the Company did not have any overdue balances and has experienced immaterial credit losses.

NOTE 7 – BUSINESS COMBINATION

On February 3, 2022, the Company completed the acquisition of all the outstanding shares of Isramat Ltd ("Isramat"), an Israeli manufacturer of precision metal parts. In connection with closing of the acquisition, the Company paid NIS 2,800,000 (approximately $879) in cash and issued the selling shareholders of Isramat 109,510 common shares in the capital of the Company at a price per share of $19.08. The Company has committed to the selling shareholders that if the aggregate proceeds received by a selling shareholder from the sale of its acquisition shares during the lockup period, together with the value of its unsold acquisition shares as of the end of such period, is lower than its pro rata portion in the equity consideration, the Company will pay the difference in cash to such selling shareholder. Such payment shall be made at the end of the lockup period after submission of a report by the selling shareholder.

In 2024, the Company repaid its commitment to the selling shareholders in the amount of $1,305.

In 2023, the Company has determined there are signs of decline in the value of Isramat and recognized a loss as a result of impairment to its goodwill of $1,027.

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

NOTE 8 - OTHER ACCOUNTS RECEIVABLE:

	December 31, 2024	December 31, 2023
Prepaid expenses	**$ 223**	323
Government institutions	**241**	253
Other	**117**	84
Total Other accounts receivable	**$ 581**	$ 660

NOTE 9 – INTANGIBLE ASSETS - PATENT, NET:

Balance, January 1, 2023	**$ 2,207**
Depreciation	(366)
Effect of changes in foreign exchange rates	9
Balance, December 31, 2023	**$ 1,850**
Depreciation	(123)
Impairment	(1,727)
Balance, December 31, 2024	**$ -**

In February 2025, the Company decided to cease the development of its patent and recognized a loss as a result of impairment to it patent in the amount of $1,727 in the consolidated statement of comprehensive loss for the year ended December 31, 2024.

NOTE 10 – LONG TERM FINANCIAL ASSET AT FAIR VALUE

On September 30, 2023, the Company entered into a Share Purchase Agreement (the "Agreement") with Shelfie-Tech Ltd. ("Shelfie") an Israeli company organized under the laws of the State of Israel, developing an innovative patented technology, a robotic retail shelf monitoring system using advanced machine learning and image processing algorithms to automatically optimize inventory management. At the closing and upon the terms and conditions set forth in the Agreement, the Company shall invest $158 in cash, in exchange for 944,217 ordinary shares, NIS 0.001 par value of Shelfie (the "Shelfie Shares") based on a price per share of $ 0.167, resulting in the Company holding 1.2% of the issued and outstanding shares of Shelfie. As of December 31, 2024, fair value of the Shelfie Shares is $200 and the Company has recorded a financial gain in the amount of $123 for the year ended December 31, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of US Dollars, except per share data)

NOTE 11 - PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET:

	Computers and electronic equipment	Machines and manufacturing equipment	Furniture and equipment	Vehicles	ERP system	Leasehold improvements	Right of use asset	Total
Cost:								
As of January 1, 2024	$ 462	$ 2,152	$ 362	$ 868	$ 206	$ 394	$ 1,144	$ 5,588
Additions	11	100	4	24	-	-	283	422
Translation adjustments	(7)	(24)	-	(3)	7	4	3	(20)
As of December 31, 2024	$ 466	$ 2,228	$ 366	$ 889	213	$ 398	$ 1,430	$ 5,990
Accumulated depreciation:								
As of January 1, 2024	$ 326	$ 1,678	$ 287	$ 412	$ 53	$ 359	$ 612	$ 3,727
Additions	50	94	13	92	55	5	417	726
Translation adjustments	(7)	(22)	6	1	8	3	3	(8)
As of December 31, 2024	$ 369	$ 1,750	$ 306	$ 505	$ 116	$ 367	$ 1,032	$ 4,445
Net Book Value:								
As of December 31, 2024	$ 97	$ 478	$ 60	$ 384	97	$ 31	$ 398	$ 1,545

	Computers and electronic equipment	Machines and manufacturing equipment	Furniture and equipment	Vehicles	ERP system	Leasehold improvements	Right of use asset	Total
Cost:								
As of January 1, 2023	$ 416	$ 2,208	$ 359	$ 858	219	$ 403	$ 1,180	$ 5,643
Additions	61	4	10	130	-	13	-	218
Disposals	-	-	-	(70)	-	-	-	(70)
Translation adjustments	(15)	(60)	(7)	(50)	(13)	(22)	(36)	(203
As of December 31, 2023	$ 462	$ 2,152	$ 362	$ 868	$ 206	$ 394	$ 1,144	$ 5,588
Accumulated depreciation:								
As of January 1, 2023	$ 290	$ 1,610	$ 289	$ 357	$ 5	$ 376	$ 360	$ 3,287
Additions	48	96	13	91	55	4	258	565)
Disposals	-	-	-	(26)	-	-	-	(26)
Translation adjustments	(12)	(28)	(15)	(10)	(7)	(21)	(6)	(99
As of December 31, 2023	$ 326	$ 1,678	$ 287	$ 412	$ 53	$ 359	$ 612	$ 3,727
Net Book Value:								
As of December 31, 2023	$ 136	$ 474	$ 75	$ 456	$ 153	$ 35	$ 532	$ 1,861

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

NOTE 12 – SHORT TERM LOANS AND CURRENT PORTION OF LONG-TERM LOANS:

	Linked to	Interest rate	December 31, 2024	December 31, 2023
Short term loans	NIS	3.2%-7.5%	$ 715	$ 1,022
Current portion of long-term loans			111	144
Short term loans and current portion of long-term loans			$ 826	$ 1,166

NOTE 13 – LEASE LIABILITY:

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

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

	working areas and office facilities
Balance January 1, 2023	$ 886
Additions	-
Accretion	(277)
Accumulated interest	68
Exchange rate differences	(77)
Balance December 31, 2023	$ 600
Additions	283
Accretion	(482)
Accumulated interest	58
Exchange rate differences	(1)
Balance December 31, 2024	$ 458

	Linked to	December 31, 2024	December 31, 2023
Long Term leases	NIS	$ 458	$ 600
Current portion of long-term leases		217	190
Non-current portion of long-term leases		$ 241	$ 410

NOTE 14 - OTHER ACCOUNTS PAYABLE:

	December 31, 2024	December 31, 2023
Employees and government authorities	$ 874	$ 1,005
Receipts on account of shares	-	1,119
Accrued expenses	-	150
Related parties (note 30)	44	103
Other	-	157
	$ 918	$ 2,534

NOTE 15 - LONG TERM LOANS:

	Linked to	Interest rate	December 31, 2024	December 31, 2023
Long term loans	NIS	1.8%-6.1%	$ 219	$ 372
Less- Current portion			(111)	(144)
Non Current Long term loans			$ 108	$ 228

The loans are from leading Israeli financial institutions and bear interest of between 1.8% - 6.1%.

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

NOTE 16 – EMPLOYEE BENEFITS, NET:

a. The plan liabilities, net:

	Year ended December 31, 2024	Year ended December 31, 2023
Defined benefit plan:		
Present value of defined benefit obligation	**$ 540**	$ 458
Fair value of plan assets	**(393)**	(337)
Total	**$ 147**	$ 121

Changes in the present value of defined benefit obligation:

	2024	2023
Balance at beginning of year	**$ 337**	$ 361
Recognized in statement of comprehensive loss:		
Interest cost	**15**	10
Current service cost	**44**	32
Currency translation	**(5)**	(10)
Recognized in other comprehensive gain:	**(6)**	(1)
Net actuarial gain	**8**	(55)
Balance at end of year	**$ 393**	$ 337

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

	2024	2023
Balance at beginning of year	**$ (337)**	$ (361)
Recognized in statement of comprehensive loss:		
Expected return	**23**	23
Recognized in other comprehensive loss /(gain):		
Net actuarial loss (gain)	**-**	-
Other:		
Contributions by employer	**(79)**	1
Balance at end of year	**$ (393)**	$ (337)

c. The principal assumptions underlying the defined benefit plan:

	December 31, 2024	December 31, 2023
Discount rate of the plan liability	3.15%	2.95%
Expected rate of return on plan assets	3.23%	2.84%
Future salary increases	4.41%	3.97%

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

NOTE 17 – WARRANT LIABILITY:

a) **January 2024 Warrants**

On January 4, 2024, the Company issued an aggregate of 561,260 January 2024 Registered Direct Offerings Warrants (as defined below) as part of registered direct offerings (see also note 4(b)). The warrants were issued with an exercise price denominated in US Dollars ($3.75) (approx. CAD5.13) rather than the functional currency of the Company – New Israeli Shekels (NIS). The January 2024 Registered Direct Offerings Warrants are exercisable for a period of 2 years from the issue date. The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 107% using the historical prices of the Company, risk-free interest rate of 3.92%, expected life of 2.00 years and share price of CAD4.50.

Level 3 for the period ended on December 31, 2024:

Balance at January 1, 2024	$	-
Issuance of January 2024 Registered Direct Offerings Warrants		1,027
Revaluation at March 31, 2024		(756)
Effect of changes in foreign exchange rates		(23)
Balance at March 31, 2024	$	248
Revaluation at June 30, 2024		(138)
Effect of changes in foreign exchange rates		(2)
Balance at June 30, 2024	$	108
Revaluation at September 30, 2024		237
Effect of changes in foreign exchange rates		1
Balance at September 30, 2024	$	346
Warrant exercise		(248)
Revaluation at December 31, 2024		1,963
Effect of changes in foreign exchange rates		(55)
Balance at December 31, 2024	$	2,006

For the year ended December 31, 2024, the Company recorded a loss on the revaluation of the January 2024 warrant liability in the amount of $1,306 (for the year ended December 31, 2023 - $nil).

b) **December 2023 Warrants**

On December 13, 2023, the Company issued an aggregate of 259,156 December 2023 Registered Direct Offerings Warrants (as defined below) as part of registered direct offerings (see also note 19(k)). The warrants were issued with an exercise price denominated in Canadian Dollars (CAD5.125) rather than the functional currency of the Company – New Israeli Shekels (NIS). The December 2023 Registered Direct Offerings Warrants are exercisable for a period of 2 years from the issue date. The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 107% using the historical prices of the Company, risk-free interest rate of 4.19%, expected life of 2.00 years and share price of CAD4.05.

Level 3 for the period ended on December 31, 2023:

Balance at December 31, 2023	$	520
Revaluation at March 31, 2024		(397)
Effect of changes in foreign exchange rates		(13)
Balance at March 31, 2024	$	110
Revaluation at June 30, 2024		(64)
Effect of changes in foreign exchange rates		(1)
Balance at June 30, 2024	$	45
Revaluation at September 30, 2024		108
Effect of changes in foreign exchange rates		1
Balance at September 30, 2024	$	156
Revaluation at September 30, 2024		882
Effect of changes in foreign exchange rates		(9)
Balance at December 31, 2024	$	1,029

For the year ended December 31, 2024, the Company recorded a loss on the revaluation of the December 2023 warrant liability in the amount of $525 (for the year ended December 31, 2023 - $110).

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

NOTE 17 – WARRANT LIABILITY (CONTINUED):

c) **June 2023 Warrants**

On June 15 and on June 20, 2023, the Company issued an aggregate of 763,654 June 2023 Registered Direct Offerings Warrants (as defined below) as part of registered direct offerings (see also note 19(j)). The warrants were issued with an exercise price denominated in Canadian Dollars (CAD7.325) rather than the functional currency of the Company – New Israeli Shekels (NIS). The June 2023 Registered Direct Offerings Warrants are exercisable for a period of 2 years from the issue date. The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 99% using the historical prices of the Company, risk-free interest rate of 4.45%, expected life of 2.00 years and share price of CAD7.475.

Level 3 for the year ended on December 31, 2024:

Balance at December 31, 2023	$	1,157
Revaluation at March 31, 2024		(972)
Effect of changes in foreign exchange rates		(28)
Balance at March 31, 2024	$	157
Revaluation at June 30, 2024		(112)
Effect of changes in foreign exchange rates		(1)
Balance at June 30, 2024	$	44
Revaluation at September 30, 2024		150
Effect of changes in foreign exchange rates		1
Balance at September 30, 2024	$	195
Warrant exercise		(108)
Revaluation at December 31, 2024		1,646
Effect of changes in foreign exchange rates		(65)
Balance at December 31, 2024	$	1,668

For the year ended December 31, 2024, the Company recorded a loss on the revaluation of the June 2023 warrant liability in the amount of $712 (for the year ended December 31, 2023 – a gain of $1,170).

d) **March 2023 Warrants**

On March 20, 2023, the Company issued an aggregate of 356,711 March 2023 Warrants as part of a private placement (see also note 19(i)). The warrants were issued with an exercise price denominated in Canadian Dollars (CAD5.875) rather than the functional currency of the Company – New Israeli Shekels (NIS). The warrants are exercisable for a period of 2 years from the issue date. The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 93% using the historical prices of the Company, risk-free interest rate of 3.62%, expected life of 2.00 years and share price of CAD4.35.

Level 3 for the year ended on December 31, 2024:

Balance at December 31, 2023	$	562
Revaluation at March 31, 2024		(470)
Effect of changes in foreign exchange rates		(13)
Balance at March 31, 2024	$	79
Revaluation at June 30, 2024		(58)
Effect of changes in foreign exchange rates		(1)
Balance at June 30, 2024	$	19
Revaluation at September 30, 2024		38
Effect of changes in foreign exchange rates		-
Balance at September 30, 2024	$	57
Warrant exercise		(91)
Revaluation at December 31, 2024		865
Effect of changes in foreign exchange rates		(14)
Balance at December 31, 2024	$	817

For the year ended December 31, 2024, the Company recorded a loss on the revaluation of the March 2023 warrant liability in the amount of $375 (for the year ended December 31, 2023 - $74).

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

NOTE 17 – WARRANT LIABILITY (CONTINUED):

e) **November 2022 Warrants**

On November 2, 2022, the Company issued an aggregate of 595,666 warrants (November 2022 Warrants) as part of a private placement. The warrants were issued with an exercise price denominated in Canadian Dollars (CAD5.875) rather than the functional currency of the Company – New Israeli Shekels (NIS). The warrants are exercisable for a period of 2 years from the issue date. The Black-Scholes option pricing model was used to measure the warrant liability with the following assumptions: volatility of 110% using the historical prices of the Company, risk-free interest rate of 3.94%, expected life of 2.00 years and share price of CAD3.90.

Level 3 for the year ended on December 31, 2024:

Balance at December 31, 2023	$	836
Revaluation at March 31, 2024		(736)
Effect of changes in foreign exchange rates		(21)
Balance at March 31, 2024	$	79
Revaluation at June 30, 2024		(69)
Effect of changes in foreign exchange rates		(1)
Balance at June 30, 2024	$	9
Revaluation at September 30, 2024		2
Effect of changes in foreign exchange rates		-
Balance at September 30, 2024	$	11
Warrant exercise		(3)
Revaluation at December 31, 2024		2,269
Effect of changes in foreign exchange rates		(52)
Balance at December 31, 2024		2,225

For the year ended December 31, 2024, the Company recorded a loss on the revaluation of the November 2022 warrant liability in the amount of $1,466 (for the year ended December 31, 2023 – a gain in the amount of $193).

NOTE 18 – LIENS, COMMITMENTS AND PROVISIONS:

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

NOTE 19 – SHAREHOLDERS' EQUITY (DEFICIT):

A. During the year ended December 31, 2022, the Company issued 252,064 shares in respect of 252,064 warrants that were exercised. (See Note 20 (a))

B. On February 3, 2022, the Company issued the shareholders of Isramat 109,510 shares in respect of the acquisition of Isramat (see Note 7).

C. During the year ended December 31, 2022, the Company issued 46,667 shares in respect of 46,667 stock options that were exercised. (See Note 21 (b))

D. On February 11, 2022, the Company issued 29,958 shares to a trustee in respect of a crowd funding transaction that was completed in 2019, for which shares were not immediately issued until the completion of an Israeli tax ruling which was only finalized in late 2021.

E. During the year ended December 31, 2022, the Company issued 218,000 shares in respect of 218,000 RSU's that were exercised. (See Note 21 (c))

F. On November 2, 2022, the Company completed a private placement ("November 2022 Private Placement") that resulted in the issuance of 1,191,335 units ("Unit"), at a price per unit of $3.375 (CAD$4.65), for gross proceeds of $4,021. Each Unit consists of one common share and one half of one common share purchase warrant. An aggregate of 595,668 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 $3.75 (CAD$5.10), which will result in the issuance of an additional 238,267 common shares ("November 2022 Private Placement Warrants"). The warrants are exercisable for a period of 24 months. A finder's fee of $260 (CAD$349,000) was paid and 94,880 November 2022 Private Placement Warrants were issued in connection with the November 2022 Private Placement.

   The fair value of the November 2022 Private Placement Warrants granted was $894 and was initially classified as a liability (see note 17(e)). The Company accounted for the remaining $3,127 as additional paid in capital and share issue expenses.

G. On March 20, 2023, the Company closed a private placement for gross proceeds of $2,604 through the issuance of 713,424 units ("March 2023 Units") at a price per March 2023 Unit of US$3.65 (CAD$4.875). Each March 2023 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "Warrant"). An aggregate of 356,711 Warrants were issued with an exercise price of CAD$5.875 (US$4.375) The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 356,711 Common Shares ("March 2023 Private Placement Warrants"). A finder's fee of $208 (CAD$290) was paid and 57,074 March 2023 Private Placement Warrants were issued in connection with the private placement.

H. On June 15 and on June 20, 2023, the Company closed registered direct offerings for gross proceeds of $6,873 through the issuance of 1,527,310 units ("June 2023 Units") at a price per Unit of US$2.875 (CAD$3.90). Each December 2023 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "Warrant"). An aggregate of 763,654 Warrants were issued with an exercise price of CAD$7.325 (US$5.50) The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 763,654 Common Shares ("June 2023 Registered Direct Offerings Warrants"). A finder's fee of $550 (CAD$733) was paid and 122,185 non-registered warrants were issued in connection with the Registered Direct Offerings.

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

I. On December 13, 2023, the Company closed registered direct offerings for gross proceeds of $1,490 through the issuance of 518,313 units ("December 2023 Units") at a price per Unit of US$2.875 (CAD$3.40). Each December 2023 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "Warrant"). An aggregate of 259,156 Warrants were issued with an exercise price of CAD$5.125 (US$3.75) The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 259,156 Common Shares ("December 2023 Registered Direct Offerings Warrants"). A finder's fee of $119 (CAD$162) was paid and 41,465 non-registered warrants were issued in connection with the Registered Direct Offerings.

J. During the year ended December 31, 2023, the Company issued 36,800 Common Shares in respect of 36,800 warrants that were exercised for gross proceeds of $140 (note 20 (a)).

K. During the year ended December 31, 2023, the Company issued 185,800 Common Shares in respect of 185,800 RSUs that were exercised (note 20 (c)).

L. On January 4, 2024, the Company closed a registered direct offering for gross proceeds of $3,227 through the issuance of 1,122,521 units ("January 2024 Units") at a price per Unit of $2.88 (CAD$3.40). Each January 2024 Unit consists of one Common Share and one half of one Common Share purchase warrant (each whole such warrant a "January 2024 Warrant"). An aggregate of 561,260 January 2024 Warrants were issued with an exercise price of CAD$5.13 ($3.75) per share. The Warrants have a term of two years and if fully exercised, will result in the issuance of an additional 561,260 Common Shares ("January 2024 Registered Direct Offerings Warrants"). A finder's fee of $258 (CAD$348 thousand) was paid and 89,802 January 2024 Registered Direct Offerings Warrants were issued in connection with the registered direct Offering.

M. On April 2, 2024, the Company closed a registered direct offering for gross proceeds of approximately $3,300 at a purchase price of $0.875 per share and issued an aggregate of 3,792,200 common shares in the registered direct offering. The Company issued 293,776 common shares as finders' fee.

N. On August 12, 2024, the Company closed its previously announced private placement for gross proceeds of approximately $2,502, at a purchase price of $0.875 per common share and $0.875 per pre-funded warrant. The Company issued a total of 1,839,554 common shares and pre-funded warrants to purchase up to 1,200,000 common shares, with each pre-funded warrant having an exercise price of $0.0001 per share. Each pre-funded warrant has an exercise price of $0.00025 per share and will expire when exercised in full.

Certain directors and officers of the Company purchased $420 value of common shares in the private placement. In connection with the closing, the Company has issue certain non-U.S. residents 180,624 common shares as finders fees.

O. On October 2, 2024, the Company closed its previously announced securities purchase agreement with certain accredited investors to issue, in a registered direct offering, 2,165,200 common shares at a purchase price of US$1.875 per share, for gross proceeds of $4,060. The Company paid $325 and issued 134,720 common shares and 21,333 warrants as finders' fees.

P. On October 15, 2024, the Company closed its previously announced securities purchase agreement with certain accredited investors to issue, in a registered direct offering, 642,858 common shares at a purchase price of US$2.80 per share, for gross proceeds of $1,800, The Company paid $144 and issue 51,428 common shares as finders' fees.

Q. On December 16, 2024, the Company issued in a registered direct offering 1,947,000 common shares at a purchase price of $6.40 per share, for gross proceeds of $12,460. We paid $997 in cash and issued 146,940 common shares as finders' fees.

R. During the year ended December 31, 2024, the Company issued 1,330,300 Common Shares in respect of 1,330,300 warrants that were exercised for gross proceeds of $576 (note 20 (a)).

S. During the year ended December 31, 2024, the Company issued 764,001 Common Shares in respect of 764,001 RSUs that were exercised (note 20 (c)).

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

NOTE 20 – WARRANTS AND OPTIONS:

a) Warrants

(i) Warrant transactions for the years ended December 31, 2024, and 2023 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, 2023	**2,822,789**	$ 8.85
Warrants issued in the March 2023 Private Placement	413,785	
Exercise of warrants	(36,800)	
Warrants issued in the June 2023 Direct Offering	885,838	
Warrants issued in the December 2023 Direct Offering	300,622	
Balance, December 31, 2023	**4,386,234**	$ 6.58
Warrants issued in the January 2024 Private Placement	651,062	
Warrants issued in the July 2024 Private Placement	1,200,000	
Exercise of warrants	(1,330,300)	
Warrants issued in the October 2024 Private Placement	21,333	
Balance, December 31, 2023	**4,928,329**	$ 6.17

(ii) As of December 31, 2024, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

December 31, 2024	Expiry date	Exercise price		Exercise price (USD)
1,063,325	November 10, 2025	ILS	17.8545	$ 4.90
546,653	December 24, 2025	ILS	17.8545	$ 4.90
88,440	April 18, 2026	ILS	72.563	$ 19.90
433,825	May 28, 2026	ILS	72.563	$ 19.90
652,546	November 6, 2024	CAD	5.10	$ 3.67
383,785	March 13, 2025	CAD	5.88	$ 4.375
846,738	June 12, 2025	CAD	7.33	$ 5.50
300,621	December 12, 2025	CAD	5.13	$ 3.75
591.062	January 4, 2026	CAD	5.13	$ 3.75
21,333	October 2, 2026	CAD	2.70	$ 1.875
4,928,329				

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

NOTE 20 – WARRANTS AND OPTIONS (CONTINUED):

b) Stock Options

Stock option transactions for the years ended December 31, 2024, and 2023 are as follows:

	Number	Weighted Average Exercise Price (CAD)	Weighted Average Exercise Price (USD)
Balance January 1, 2023	753,337	$ 7.93	$ 6.13
Exercise of options	-		
Expiry of options	(31,600)		
Options granted (i)(ii)(iii)(iv)(v)	694,100		
Balance December 31, 2023	1,422,887	$ 6.33	$ 4.78
Expiry of options	(206,500)		
Options granted (vi)	552,000		
Balance December 31, 2024	1,761,337	$ 5.39	$ 3.75

(i) On January 4, 2023, 326,600 stock options were issued to directors and consultants with an exercise price of CAD$4.125. The options expire on January 4, 2033. The fair value of the options granted was estimated at $1,017 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$4.50; Expected option life 10 years; Volatility 112%; Risk-free interest rate 3.28%; Dividend yield 0%.

(ii) On February 8, 2023, 40,000 stock options were issued to a consultant with an exercise price of CAD$3.75. The options expire on November 25, 2027. The fair value of the options granted was estimated at $135 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$5.45; Expected option life 4.8 years; Volatility 112%; Risk-free interest rate 3.16%; Dividend yield 0%.

(iii) On April 18, 2023, 169,500 stock options were issued to employees with an exercise price of CAD$4.00. The options expire on April 18, 2033. The fair value of the options granted was estimated at $420 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$3.55; Expected option life 10 years; Volatility 111%; Risk-free interest rate 3.57%; Dividend yield 0%.

(iv) On June 28, 2023, 98,000 stock options were issued to officers with an exercise price of CAD$6.125. The options expire on June 28, 2033. The fair value of the options granted was estimated at $443 using the Black-Scholes option pricing model, using the following assumptions: Share Price: CAD$7.30; Expected option life 5 years; Volatility 111%; Risk-free interest rate 4.14%; Dividend yield 0%.

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

NOTE 20 – WARRANTS AND OPTIONS (CONTINUED):

b) Stock Options (continued)

(v) On September 20, 2023, 60,000 stock options were issued to consultants with an exercise price of $3.82. The options expire on September 20, 2033. The fair value of the options granted was estimated at $217 using the Black-Scholes option pricing model, using the following assumptions: Share Price: $1.54; Expected option life 10 years; Volatility 112%; Risk-free interest rate 4.35%; Dividend yield 0%.

(vi) On August 14, 2024, 552,000 stock options were issued to employees, consultants and officers with an exercise price of $1.78. The options expire on August 13, 2029. The fair value of the options granted was estimated at $779 using the Black-Scholes option pricing model, using the following assumptions: Share Price: $1.78; Expected option life 5 years; Volatility 109%; Risk-free interest rate 3.67%; Dividend yield 0%.

(vii) As of December 31, 2024, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Outstanding as of December 31, 2024	Exercisable as of December 31, 2024	Expiry date	Exercise price (CAD)		Exercise price (USD)	
217,333	217,333	August 20, 2025	CAD	3.75	$	2.61
13,333	13,333	January 28, 2025	CAD	7.50	$	5.21
20,000	20,000	June 3, 2026	CAD	21.00	$	14.60
6,671	6,671	October 28, 2026	CAD	20.00	$	13.90
360,000	270,000	August 2, 2032	CAD	8.90	$	6.19
120,000	120,000	August 21, 2032	CAD	10.00	$	6.95
220,000	220,000	January 4, 2033	CAD	4.13	$	2.87
100,000	100,000	January 4, 2033	CAD	4.13	$	2,87
40,000	40,000	November 25, 2027	CAD	5.03	$	3.49
114,000	48,000	April 18, 2033	CAD	4.00	$	2.78
18,000	8,000	June 28, 2028	CAD	6.13	$	4.26
60,000	52,000	September 20, 2033	CAD	5.50	$	3.82
472,000	-	August 14, 2034	CAD	2.55	$	1.78
1,761,337	1,115,337					

(vii) Share-based compensation expense is recognized over the vesting period of options. During the year ended December 31, 2024, share-based compensation of $729 was recognized and charged to the Consolidated Statement of Comprehensive Loss (December 31, 2023 - $4,245, December 31, 2022 – $4,868). As of December 31, 2024, share-based expenses related to share options that have yet to be recognized amounted to $515, and will be recognized in the years 2025-2027.

c) RSU's

On August 4, 2022, the Company granted 506,000 RSUs to directors, officers and advisers, of which 236,000 RSUs are to executives and directors, pursuant to the Company's RSU Plan and in acknowledgment of the Company's management recent success and increased future workload. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 506,000 common shares of no-par value in the Company.

On January 4, 2023, the Company granted 410,800 RSUs to directors, officers and advisers, of which 104,000 RSUs are to executives and directors, pursuant to the Company's RSU Plan and in acknowledgment of the Company's management recent success and increased future workload. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 410,800 common shares of no-par value in the Company.

On April 18, 2023, the Company granted 46,500 RSUs to employees, pursuant to the Company's RSU Plan. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 46,500 common shares of no-par value in the Company.

On June 28, 2023, the Company granted 66,000 Restricted Share Units ("RSUs") to officers pursuant to the Company's RSU Plan. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 66,000 common shares of no-par value in the Company ("Common Shares").

On August 14, 2024, the Company granted 326,000 Restricted Share Units ("RSUs") to officers and advisors, pursuant to the Company's RSU Plan. The RSUs will vest at each recipient's discretion and taking into account personal tax implications and convert into 326,000 common shares of no-par value in the Company ("Common Shares").

RSU's transactions for the year ended December 31, 2024, and for the year ended December 31, 2023, are as follows:

	Number
Balance, January 1, 2023	288,000
RSU's granted	523,300
Expiry of RSU's	(36,666)
Exercise of RSU's	(185,800)
Balance, December 31, 2023	588,834
RSU's granted	326,000
Expiry of RSU's	(40,166)
Exercise of RSU's	(764,001)
Balance, December 31, 2024	110,667

Total exercisable RSU's as at December 31, 2024, are 8,000. During the year ended December 31, 2024, share-based compensation in respect of RSU's of $1,184 was charged to the Consolidated Statement of Comprehensive Loss (December 31, 2023 – $1,079, December 31, 2022 – $2,475). As of December 31, 2024, share-based expenses related to RSU's that have yet to be recognized amounted to $344, and will be recognized in the years 2025-2026.

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

NOTE 21 – NON-CONTROLLING INTERESTS

The following Company subsidiaries which have non-controlling interests:

	December 31, 2024	December 31, 2023
Cust2mate	$ (7,065)	$ (5,167)
AAI	-	369
	$ (7,065)	$ (4,798)

NOTE 22 – REVENUES:

Revenue streams:

	Year Ended December 31		
	2024	2023	2022
Revenues from services:			
Revenues from services	$ 1,432	$ 1,730	$ 1,364
Revenues from leasing	358	433	341
Precision metal parts:			
Revenues from sales of precision metal parts	4,844	3,084	3,958
Smart Carts:			
Revenues from smart carts project	532	6,128	3,688
	7,166	11,375	9,351

NOTE 23 – COST OF REVENUES:

	Year Ended December 31		
	2024	2023	2022
Payroll and related expenses	$ 2,593	$ 2,274	$ 2,383
Subcontractor and outsourced work	108	224	103
Materials and components consumed	1,725	5,854	4,650
Depreciation	117	118	131
Motor vehicle fleet costs	255	226	165
Smart cart maintenance	41	429	-
Other	341	257	85
	$ 5,180	$ 9,382	$ 7,517

NOTE 24 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year Ended December 31		
	2024	2023	2022
Payroll and related expenses	$ 2,417	$ 1,758	$ 867
Subcontractor and outsourced work	1,245	2,331	3,362
Share-based compensation	191	532	-
Legal fees	-	-	20
Pilot expenses and other	164	130	212
	$ 4,017	$ 4,751	$ 4,462

NOTE 25 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Year Ended December 31		
	2024	2023	2022
Payroll and related	$ 2,891	$ 4,007	$ 3,990
Professional fees	2,728	2,370	2,233
Share-based compensation	1,632	4,531	4,868
Depreciation and amortization	552	591	420
Office maintenance	440	369	437
Investor relations	258	-	-
Rent and related expenses	200	360	126
Travel	239	156	150
Public company related expenses	144	824	316
Directors & officers’ insurance	228	253	267
Doubtful debts	-	-	382
Other	350	472	410
	9,662	13,933	13,599

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

NOTE 26 - LOSS PER SHARE:

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

	Year Ended December 31		
	2024	2023	2022
Net loss for the year attributable to A2Z's shareholders	$ 16,996	$ 16,061	$ 16,557
Weighted average number of ordinary shares	21,369,527	13,899,212	11,072,711
Basic and diluted loss per share	$ 0.80	$ 1.15(*)	$ 1.50(*)

(*) An adjustment to reflect an immaterial incorrect classification.

NOTE 27 – FINANCIAL EXPENSES, NET:

	Year Ended December 31		
	2024	2023	2022
Bank fees and interest	$ 196	$ 170	$ 136
Interest expenses from lease liabilities	47	62	97
Exchange rate differences, net	141	70	-
Revaluation of long-term financial asset at fair value	(123)	-	-
Revaluation of provision	(23)	(85)	1,158
Financial expenses	$ 238	$ 217	$ 1,391

NOTE 28 – INCOME TAX EXPENSE:

A. Taxes on income:

The combined Canadian federal and provincial statutory income tax rate is 26.5% in 2024, 2023 and 2022.

Israeli corporate tax rates is 23% in 2024, 2023 and 2022.

B. Tax reconciliation:

	Year Ended December 31		
	2024	2023	2022
Loss before income tax	$ (19,263)	$ (18,057)	$ (18,347)
Statutory tax rate	23%	23%	23%
Income tax benefit at the statutory tax rate	4,430	4,153	4,220
Current period tax losses carried forward (unrecognized)	(4,430)	(4,153)	(4,220)
Income tax expense	$ -	$ -	$ -

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

NOTE 29- RELATED PARTIES AND SHAREHOLDERS:

The following transactions arose with related parties:

	Year ended December 31, 2024				Amounts owing by (to) as of December 31, 2024
	Directors Fees	Consulting Fees/ Salaries	Share based awards	Total	
Chairman and former CEO	$ -	$ 730	$ -	$ 730	$ (44)
Director and CEO	-	543	249	792	(27)
Former CFO	-	90	-	90	-
CFO and director	14	19	34	67	(2)
Directors	19		63	82	(4)
	$ 33	$ 1,382	$ 346	$ 1,761	$ (76)

	Year ended December 31, 2023				Amounts owing by (to) as of December 31, 2023
	Directors Fees	Consulting Fees/ Salaries	Share based awards	Total	
Director and CEO	$ -	$ -	$ -	$ -	$ 462
Company controlled by CEO	-	$ 1,235	$ -	$ 1,235	$ (103)
CFO	-	96	-	96	(9)
Directors	32	325	263	620	(30)
	$ 32	$ 1,656	$ 263	$ 1,951	$ (142)

	Year ended December 31, 2022				Amounts owing by (to) as of December 31, 2022
	Directors Fees	Consulting Fees/ Salaries	Share based awards	Total	
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)

(1) The Company's chairman (formerly CEO as well) has a consulting agreement with the Company pursuant to which he earns $70 per month. On July 1, 2024, the Company and the Company's chairman agreed that the fees due for the consulting agreement would be reduced to approx. $55 per month. In addition, the compensation committee approved a bonus of $260 and a milestone-based bonus of up to $240 during the year ended December 31, 2023. During the year ended December 31, 2022, the compensation committee approved a milestone-based bonus of up to $260.

(2) The Company's CFO has a consulting agreement with the Company pursuant to which he earns $2,000 per month.

(3) The Company's CEO has a consulting agreement with the Company pursuant to which he earns $27 per month. On November 8, 2024, the Company agreed to raise his monthly fee to $50, as well as to grant him a one-time bonus in the amount of $150.

(4) Three non-executive directors, of which two earn directors' fees of $1,000 per month.

(5) The CEO participated in the April 2024 registered direct offering in an amount of $105,000 and in the August 2024 private placement in an amount of $80.

(6) The chairman participated in the April 2024 private placement in an amount of $340.

(7) A director participated in the October 2024 registered direct offering tranche 1 in an amount of $1,750 and in the December 2024 registered direct offering in the amount of $5,000.

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

NOTE 30 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

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

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

A. Credit risk:

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

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

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

	December 31, 2024	December 31, 2023
Cash and Cash Equivalents	**$ 13,526**	$ 2,267
Deposits	**206**	77
Trade receivables	**2,024**	1,477
Other accounts receivable	**581**	660
Total	**$ 16,337**	$ 4,481

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

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

B. Liquidity risks:

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

	Contractual		
	Carrying amounts	Within 1 year	over 1 year
Trade payables	$ 1,834	$ 1,834	$ -
Other accounts payable	$ 918	$ 918	$ -
Loans	$ 934	$ 826	$ 108
Lease liability	$ 458	$ 217	$ 241

C. Market risks:

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

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

As of December 31, 2024, if the Company's functional currency (ILS) had strengthened/ weakened by 5% against the USD, with all other variables held constant, the loss for the year would decrease /increase by approximately $574.

D. Interest rate risks:

The Company is exposed to cash flow interest rate risk from long-term borrowings at variable rate, which is immaterial.

E. Capital management

The Company considers its capital to be comprised financial assets and inventory net of financial liabilities excluding warrant liabilities. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2024. There are no externally imposed restrictions on the Company's capital.

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

NOTE 31 – OPERATING SEGMENTS:

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

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

b. Retail automation solutions – Smart Carts ("Smart Carts")

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

	Year Ended December 31, 2024			
	Precision Metal Parts	Advanced Engineering	Smart Carts (*)	**Total (**)**
Revenues				
External	$ 4,844	$ 1,835	$ 532	$ 7,211
Inter-segment	-	(45)	-	(45)
Total	4,844	1,790	532	7,166
Cost of revenues				
External	3,258	1,692	275	5,225
Inter-segment	-	-	(45)	(45)
Total	3,258	1,692	230	5,180
Segment operational loss (gain)	(182)	1,735	13,083	14,636
Loss on revaluation of warrant liability				4,389
Finance expense, net				238
Tax expenses				-
Loss				$ 19,263

(*) All revenues from the smart cart segment are generated from one customer, and accounts for 7% of the Company's revenues for the year ended December 31, 2024. Revenues from the precision metal parts and advanced engineering segments are generated from dozens of customers, which do not represent more than 10% of the total revenues of the Company.

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

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

	Year Ended December 31, 2023			
	Precision Metal Parts	Advanced Engineering	Smart Carts (*)	**Total (**)**
Revenues				
External	$ 3,084	$ 2,619	$ 6,128	$ 11,831
Inter-segment	-	(456)	-	(456)
Total	3,084	2,163	6,128	11,375
Cost of revenues				
External	2,867	1,423	5,548	9,838
Inter-segment	-	-	(456)	(456)
Total	2,867	1,423	5,092	9,382
Segment operational loss (gain)	2,416	317	16,362	19,095
Gain on revaluation of warrant liability				(1,255)
Finance expense, net				217
Tax expenses				-
Loss				$ 18,057

(*) All revenues from the smart cart segment are generated from one customer, which is the main customer of the Company, and accounts for 51.5% of the Company's revenues for the year ended December 31, 2023. Revenues from the precision metal parts and advanced engineering segments are generated from dozens of customers, which do not represent more than 10% of the total sales of the Company.

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

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

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

NOTE 31 – OPERATING SEGMENTS (CONTINUED):

	Year Ended December 31, 2022			
	Precision Metal Parts	Advanced Engineering	Smart Carts (*)	**Total (**)**
Revenues				
External	$ 3,958	$ 1,705	$ 3,688	$ 9,351
Total	3,958	1,705	3,688	9,351
Cost of revenues				
External	3,462	1,163	2,892	7,517
Total	3,462	1,163	2,892	7,517
Segment operational loss (gain)	761	(60)	16,001	16,702
Loss on revaluation of warrant liability				254
Finance expense, net				1,391
Tax expenses				-
Loss				$ 18,347

(*) All revenues from the smart cart segment are generated from one customer, which is the main customer of the Company, and accounts for 39.4% of the Company's revenues for the year ended December 31, 2022. Revenues from the precision metal parts and advanced engineering segments are generated from dozens of customers, which do not represent more than 10% of the total sales of the Company.

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

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

	As at December 31, 2024				
	Precision Metal Parts	Advanced Engineering	Smart Carts	Adjustment & Elimination	Total
Segment assets	$ 3,017	$ 1,043	$ 14,818	$ -	$ 18,878
Segment liabilities	$ 2,138	$ 717	$ 9,179	$ -	$ 12,034

	As at December 31, 2023				
	Precision Metal Parts	Advanced Engineering	Smart Carts	Adjustment & Elimination	Total
Segment assets	$ 2,316	$ 1,249	$ 4,954	$ -	$ 8,519
Segment liabilities	$ 3,507	$ 832	$ 6,489	$ -	$ 10,828

NOTE 32 – SUBSEQUENT EVENTS:

a. On January 15, 2025, the Company granted an employee (i) 20,000 RSUs, vested immediately and (ii) 105,000 share options to purchase common shares of the company with an exercise price of $6.40 per share. The share options vest quarterly starting on January 15, 2026, and expire on January 15, 2035.

b. On January 29, 2025, the Company announced the pricing of an underwritten public offering of 3,281,250 common shares at a public offering price of $6.40 per share. The Company concurrently announced the pricing of a registered direct offering of 1,406,250 common shares at a purchase price of $6.40 per share. All securities to be sold in the offering are being sold by the Company. The offerings closed on January 29. The total gross proceeds to the company were $30M. The Company intends to use the proceeds for continued development and expansion of existing business, and for working capital purposes. Titan Partners Group, a division of American Capital Partners, is acting as sole bookrunner for the underwritten public offering. The Company paid $2.4 million in cash and issued 60,650 common shares and 229,688 warrants as finders' fees.

c. On February 2, 2025, the Company granted the CEO (i) a bonus in the amount of $400, (ii) 500,000 share options to purchase common shares with an exercise price of $6.40 per share, vested immediately and expiring on February 2, 2035, and (iii) 400,000 RSUs vesting immediately upon the Company entering into one or more contracts for the binding supply of at least 10,000 smart carts.

d. On February 12, 2025, the Company and minority shareholders of Cust2Mate Ltd. entered into a share purchase agreement pursuant to which the Company exercised a Call Option and acquired 66,194 ordinary shares of Cust2Mate, together constituting 19.81% of the issued and outstanding shares of Cust2Mate for the aggregate purchase price of $1,850. After the acquisition of the 66,194 shares in Cust2Mate, the Company holds a total of 322,743 shares of Cust2Mate, constituting 96.58% of Cust2Mate's issued and outstanding share capital.

c. During the period between January 1, 2025, through to March 31, 2025, the Company issued 528,508 ordinary shares in respect of 528,508 exercised warrants.