

# A2Z Cust2mate Solutions Corp.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended December 31, 2025

(Expressed in U.S. Dollars)

The following Management's Discussion and Analysis ("MD&A") for A2Z Cust2mate Solutions Corp ("A2Z" or the "Company") is prepared as March 31, 2026 and relates to the financial condition and results of operations of the Company for year ended December 31, 2024. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the Company's audited consolidated annual financial statements for the year ended December 31, 2025, which have been prepared using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

### OTHER INFORMATION

Additional information related to the Company, is available for viewing on SEDARPLUS at [www.sedarplus.ca/](http://www.sedarplus.ca/)

## **Risk Factors**

There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. The risks described below are not the only ones we will face. If any of these risks actually occur, our business, financial condition or results of operations may be materially and adversely affected. In that case, the trading price of our securities could decline and investors in such securities could lose all or part of their investment. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company's business, operations, financial results or prospects, should any such other events occur.

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

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

The Company realized a comprehensive loss of approximately \$39.8 million for the year ended December 31, 2025, \$18.5 million for the year ended December 31, 2024 and \$17.8 million for the year ended December 31, 2023. The Company has an accumulated deficit of \$138 million as of December 31, 2025. Because of the numerous risks and uncertainties associated with the provision of the Company's maintenance services and sale and development of the Company's products, the Company is unable to predict the extent of any future losses or when the Company will become profitable, if at all. Expected future operating losses will have an adverse effect on the Company's cash resources, shareholders' equity and working capital. The Company's failure to become and remain profitable could depress the value of the common shares and impair the Company's ability to raise capital, expand its business, maintain its development efforts, or continue its operations. A decline in the Company's value could also cause a holder of common shares to lose all or part of such holder's investment in the Company.

*Our operations may not be profitable.*

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

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

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

To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, the issuance of such securities could result in substantial dilution for the Company's current shareholders. The terms of any securities issued by the Company in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of the Company's securities then-outstanding. The Company may issue additional common shares or securities convertible into or exchangeable or exercisable for the common shares in connection with hiring or retaining personnel, option or warrant exercises, future acquisitions or future placements of the Company's securities for capital-raising or other business purposes. The issuance of additional securities, whether equity or debt, by the Company, or the possibility of such issuance, may cause the market price of the common shares to decline and existing shareholders may not agree with the Company's financing plans or the terms of such financings. In addition, the Company may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other

costs. The Company may also be required to recognize non-cash expenses in connection with certain securities the Company issues, such as convertible notes and warrants, which may adversely impact the Company's financial condition. Furthermore, any additional debt or equity financing that the Company may need may not be available on terms favorable to the Company, or at all. If the Company is unable to obtain such additional financing on a timely basis, the Company may have to curtail its development activities and growth plans and/or be forced to sell assets, perhaps on unfavorable terms, or the Company may have to cease its operations, which would have a material adverse effect on the Company's business, results of operations and financial condition.

*We expect that we may become profitable from sales of our products, however we may still need to invest significant time and capital before achieving such profitability. Certain capital has been made available from our recent capital raising. Failure to become profitable before this capital is expended and failure to obtain additional necessary capital, when needed, may force us to delay, limit or terminate our product development efforts or other operations.*

We expect that we may become profitable from sales of our products, however we may still need to invest significant time and capital before achieving such profitability. This capital has been made available from our recent capital raising. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including but not limited to production and manufacturing costs (which are dependent on the costs of mechanical and electronic components of our products), research and development activities, sales activities including compensation for salespersons, development of additional software and hardware products for our current offerings, and marketing costs related to expansion into new markets. Adequate additional financing, if needed, may not be available to us on acceptable terms, or at all. If we need additional financing, but are unable to obtain sufficient funding on a timely basis or on favorable terms, we may be required to significantly delay, reduce or eliminate one or more of our product development programs and/or commercialization efforts. We may also be unable to expand our operations or otherwise capitalize on business opportunities as desired. Any of these events could materially and adversely affect our financial condition and business prospects.

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

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

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

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

*The imposition of tariffs, sanctions, restrictions on imports or other trade barriers between the United States and various countries may impact our revenue and results of operations.*

The current political landscape has introduced significant uncertainty with respect to future trade regulations and existing international trade agreements. The new, substantial tariff increases on imports to the United States from Canada, Mexico and China announced on February 1, 2025, or other tariffs should they be implemented and sustained for an extended period of time, could have a significant adverse effect, including financial, on us, and our supply chain. Further, retaliatory tariffs imposed by other governments would exacerbate the impact.

As long as such tariffs are in effect, we expect that the costs certain products and materials would increase. It is difficult to predict what further trade-related actions governments may take, which may include additional or increased tariffs and trade restrictions, and we may be unable to quickly and effectively react to such actions, which could result in supply shortages and increased costs.

We cannot predict whether, and to what extent, there may be changes to international trade agreements or whether quotas, duties, tariffs, exchange controls or other restrictions on our products will be changed or imposed. If we are unable to source our products from the countries where we wish to purchase them, either because of regulatory changes or for any other reason, or if the cost of doing so increases, it could have a material adverse effect on our business, financial condition and results of operations. Furthermore, imposition of tariffs may result in local sourcing initiatives, or other developments that make it more difficult to sell our products in foreign countries, which would negatively impact our business and operating results.

#### **Risks Related to the Company's Operations in Israel**

*The Company's operational offices and a significant number of customers are located in Israel and, therefore, the business, financial condition and results of operation may be adversely affected by political, economic and military instability in Israel and in the Middle East.*

The Company's operational offices and a significant number of customers are located in Israel. In addition, a majority of the Company's employees, officers and directors are residents of Israel. Accordingly, political, economic and military conditions in the Middle East may directly affect the business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries and terrorist organizations active in the region, including Hamas (an Islamist militia and political group in the Gaza Strip) and Hezbollah (an Islamist militia and political group in Lebanon). Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect the Company's operations and results of operations.

In particular, in October 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in thousands of deaths and injuries, and Hamas additionally kidnapped many Israeli civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and commenced a military campaign against Hamas and these terrorist organizations in parallel continued rocket and terror attacks. As a result of the events of October 7, 2023, the Israeli government declared that the country was at war and the Israeli military began to call-up reservists for active duty. Military service call ups that result in absences of personnel from us for an extended period of time may materially and adversely affect our business, prospects, financial condition and results of operations. In October 2025, a ceasefire was brokered between Israel and Hamas. However, we cannot predict if and to what extent this ceasefire will remain in effect or upheld. In 2026, tensions between Israel and Iran escalated into another direct military conflict. Israel, United States, and Iran commenced a series of attacks and counterattacks. While there is hope talks among the parties will resume along with a ceasefire, it is not clear when an agreement will be reached and if an agreement will be upheld. The situation remains volatile, with the potential for escalation into a broader regional conflict, and future developments are unpredictable in the region. Actual or perceived political or security instability in Israel, or changes in the political environment, could adversely affect the Israeli economy and, in turn, our business, financial condition, results of operations and prospects.

The Company is continuing with its operations both in Israel and globally. However, potential changes to the security situation in Israel are difficult to predict at this stage, as are the war's economic implications on our business and operations and on Israel's economy in general. If the ceasefire collapses or the conflict expands to other fronts, such as Lebanon, Syria and the West Bank, our operations may be adversely affected.

Any hostilities, armed conflicts, terrorist activities involving Israel or the interruption or curtailment of trade between Israel and its trading partners, or any political instability in the region could adversely affect business conditions and our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face.

Continued hostilities between Israel and its neighbors and any future armed conflict, terrorist activity or political instability in the region could adversely affect our operations in Israel and adversely affect the market price of our ordinary shares. An escalation of tensions or violence might result in a significant downturn in the economic or financial condition of Israel, which could have a material adverse effect on our operations in Israel and our business.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could adversely affect our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business. A campaign of boycotts, divestment and sanctions has been undertaken against Israel, which could also adversely impact our business.

Israel's most recent general elections were held on April 9, 2019, September 17, 2019, March 2, 2020, March 23, 2021 and November 1, 2022. In addition, proposed judicial reform has sparked widespread protests across Israel. Uncertainty surrounding future elections and the outcome of the judicial reform in Israel may continue and the political situation in Israel may further deteriorate. Actual or perceived political instability in Israel or any negative changes in the political environment, may individually or in the aggregate adversely affect the Israeli economy and, in turn, our business, financial condition, results of operations and growth prospects.

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

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

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

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

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

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

## **Risks Related to the Company and the Company's Business**

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

The Company's ability to achieve customer adoption of its retail automation solutions and civilian technology will depend, in part, on the ability to effectively establish, focus and train a sales and marketing force. The Company's ability to achieve significant revenue growth in the future will depend, in part, on the Company's ability to recruit, train and retain a sufficient number of experienced sales professionals. In addition, even if the Company is successful in hiring qualified sales personnel, new hires require significant training and experience before they achieve full productivity, particularly for sales efforts targeted at new markets.

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

In both the retail automation and civilian technology market, the decision to adopt the Company's products may require the approval of multiple technical and business decision makers, including security, compliance, procurement, operations and information technology. In addition, the Company expects that while a customer may be willing to

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

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

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

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

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

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

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

*Issues related to the development and use of Artificial Intelligence ("AI") could give rise to legal and/or regulatory action, damage our reputation or otherwise materially harm our business.*

We are in the process of developing and integrating use of AI technology in certain offerings and our business operations. AI systems are complex, rapidly changing, and may not operate as intended. Use of AI could lead to unintended consequences, including exposing us to additional risks related to cybersecurity, privacy and data security, such as the risk of increased vulnerability to cybersecurity threats and exposure, impacts to the stability of our operations, the inadvertent disclosure, misuse, or corruption of intellectual property, confidential, personal, or competitively sensitive information that could affect our reputation. AI algorithms and datasets may also contain errors or biases or produce unexpected or unintended outcomes.

Our efforts to expand AI capabilities within our products and internal functions involve risks, costs and operational challenges. Although we aim to design, develop, and deploy AI responsibly and to identify and mitigate associated ethical, legal and technical risks, we may not detect or resolve issues before they occur.

AI technologies are complex and rapidly evolving, we could face significant competition in the market and from other companies regarding such technologies. Further, the legal and regulatory landscape for AI is rapidly evolving and uncertain, and requirements may differ across jurisdictions. Compliance with new or existing AI-related laws, regulations, or government guidance-including emerging frameworks such as those in the European Union-may impose significant costs, restrict our ability to integrate certain AI capabilities, or expose us to liability. Failures, deficiencies, or misuse of AI technologies could result in regulatory inquiries or actions, litigation or reputational damage, any of which could materially harm our business and operations.

*The Company currently depends on a few customers for the smart-cart sales, a major source of the Company's current revenues; the loss of these customers may have a material adverse effect on the Company's operating results.*

Currently, a few customers are responsible for a significant portion of the Company's smart-cart revenues. During the years ended December 31, 2025, 2024 and 2023, these customers constituted 41%, 10% and 67% of the total revenues, respectively. The percentage of the Company's sales to the Company's major customers may fluctuate from period to period, and the Company's principal customers may also vary from year to year. Significant reduction in sales to any of the major customers, or the loss of a major customer, could have a material adverse effect on the results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

*A material breach in security relating to the Company's information systems and regulation related to such breaches, cyber-attacks, or other disruptions could adversely affect the Company, expose us to liability and affect our business and reputation.*

Information security risks have generally increased in recent years, in part because of the proliferation of new technologies and the use of the Internet, and the increased sophistication and activity of organized crime, hackers, terrorists, activists, cybercriminals and other external parties, some of which may be linked to terrorist organizations or hostile foreign governments. Cybersecurity attacks are becoming more sophisticated and include malicious software, ransomware, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data, substantially damaging the Company's reputation. Any person who circumvents the security measures could steal proprietary or confidential customer information or cause interruptions in the Company's operations.

We are increasingly dependent on our information technology systems and infrastructure for our business. We, our collaborators and our service providers collect, store, and transmit sensitive information including intellectual property, proprietary business information, and personal information in connection with our business operations. The secure maintenance of this information is critical to our operations and business strategy. Some of this information could be an attractive target of criminal attack by third parties with a wide range of motives and expertise, including organized criminal groups, "hacktivists," disgruntled current or former employees, nation-state and nation-state supported actors, and others. Cyber-attacks are of ever-increasing levels of sophistication, and despite our security measures, our information technology and infrastructure may be vulnerable to such attacks or may be breached, including due to employee error or malfeasance.

We have implemented information security measures to protect our systems, proprietary information, and sensitive data against the risk of inappropriate and unauthorized external use and disclosure and other types of compromise. However, despite these measures, and due to the ever-changing information cyber-threat landscape, we cannot guarantee that these measures will be adequate to detect, prevent or mitigate security breaches and other incidents and we may be subject to data breaches through cyber-attacks, malicious code (such as viruses and worms), phishing attacks, social engineering schemes, and insider theft or misuse. Any such breach could compromise our networks and the information stored there could be accessed, modified, destroyed, publicly disclosed, lost or stolen. If our systems become compromised, we may not promptly discover the intrusion. The Company incurs significant costs to protect against security breaches and may incur significant additional costs to alleviate problems caused by any breaches.

Any security breach or other incident, whether real or perceived, could cause us to suffer reputational damage. Such incidents could result in costs to respond to, investigate and remedy such incidents, notification obligations to affected individuals, government agencies, credit reporting agencies and other third parties, legal claims or proceedings, and liability under our contracts with other parties and federal and state laws that protect the privacy and security of personal information. The Company's failure to prevent security breaches, or well-publicized security breaches affecting the Internet in general, could significantly harm the Company's reputation and business and financial results.

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

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

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

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

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

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

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

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

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

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

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

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

The Company's growth may strain the Company's infrastructure and resources. Any such growth could place increased strain on the Company's management, operational, financial and other resources, and the Company will need to train, motivate, and manage employees, as well as attract management, sales, finance and accounting, international, technical, and other professionals. Any failure to expand these areas and implement appropriate

procedures and controls in an efficient manner and at a pace consistent with the Company's business objectives could have a material adverse effect on the business, results of operations and financial condition.

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

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

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

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

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

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

*The Company may not generate the expected benefits of any future acquisition, and such acquisition could disrupt the Company's ongoing business, distract management and increase the Company's expenses.*

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

- the Company's pre-acquisition due diligence may fail to identify material risks;
- significant acquisitions may negatively impact the Company's financial results, including cash flow and financial liquidity;
- significant goodwill assets recorded on the Company's consolidated balance sheet from prior acquisitions are subject to impairment testing, and unfavorable changes in circumstances could result in impairment to those assets;
- acquisitions may result in significant additional unanticipated costs associated with price adjustments or write-downs;
- the Company may not integrate newly acquired businesses and operations in an efficient and cost-effective manner;
- relocation or combination of facilities of acquired businesses may be more costly or time consuming than planned;
- the Company may fail to achieve the strategic objectives, synergies, cost savings and other benefits expected from acquisitions;
- the technologies acquired may not prove to be those needed to be successful in the Company's markets or may not have adequate intellectual property rights protection;
- the Company may assume significant liabilities and exposures that exceed the enforceability or other limitations of applicable indemnification provisions, if any, or the financial resources of any indemnifying parties, including indemnity for tax or regulatory compliance issues, such as anti-corruption and environmental compliance, that may result in the Company incurring successor liability;
- the Company may fail to retain key employees of the acquired businesses;

- the attention of senior management may be diverted from its existing operations;
- the Company may be exposed to potential shareholder claims if the Company acquires a significant interest in a publicly traded company; and
- the Company could be subject to more restrictive regulations by the local authorities after the acquisition, including regulations relating to foreign ownership of local companies.

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

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

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

*There are tax risks we may be subject to in carrying on business in Israel, Canada and the United States.*

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

*Our products may be subject to recall or return.*

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

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

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

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

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

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

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

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

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

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

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

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

management override of the controls. Due to the inherent limitations in a control system, misstatements due to errors or fraud may occur and may not be detected in a timely manner or at all.

*We have identified material weaknesses in our internal control over financial reporting. Failure to remediate these material weaknesses could result in material misstatements in our financial statements*

As disclosed in Item 15 of this Annual Report, management identified material weaknesses in internal control over financial reporting relating to controls over inventory, payroll and accounts payable as of December 31, 2025. During 2025, six key control areas were tested. Controls over cash, equity, payroll and financial reporting were determined to be effective; however, material weaknesses were identified in controls over procurement to pay and inventory management and counts. As a result of these material weaknesses, management concluded that our internal control over financial reporting was not effective as of December 31, 2025.

During 2025, we initiated remediation measures, including engaging an external SOX advisor to assist with control design, documentation and testing, hiring additional personnel within our finance and operations functions to enhance segregation of duties, and preparing for the implementation of a new enterprise resource planning (ERP) system, which became effective January 1, 2026. However, the remediation measures were not fully implemented and tested as of year end.

Although management believes these remediation efforts will strengthen our overall control environment, there can be no assurance that the measures will be sufficient to remediate the identified material weaknesses or prevent additional material weaknesses from being identified in the future. Until such time as the material weaknesses are fully remediated and tested, there is a risk that material misstatements in our financial statements could occur and not be prevented or detected on a timely basis.

If we fail to remediate the material weaknesses or maintain effective internal control over financial reporting, we may experience delays in filing required reports, increased audit costs, restatements of previously issued financial statements, regulatory scrutiny, loss of investor confidence and a decline in the market price of our common shares.

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

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

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

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

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

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

- the last day of the fiscal year in which we have more than \$1.235 billion in annual revenue;
- the last day of the fiscal year in which we qualify as a “large accelerated filer”;
- the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; and
- the last day of the fiscal year in which the fifth anniversary (June 2028) of the completion of our first sale of common equity securities pursuant to an effective registration statement under the Securities Act.

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

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

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

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

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

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

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

In addition, certain raw materials and components used in the manufacture of our products are periodically subject to supply shortages, and our business is subject to the risk of price increases and periodic delays in delivery. Similarly, the market for electronic components is subject to cyclical reductions in supply. If we are unable to obtain components from third-party suppliers in the quantities and of the quality that we require, on a timely basis and at acceptable prices, then we may not be able to deliver our products on a timely or cost-effective basis to our customers, which could cause customers to terminate their contracts with us, increase our costs and seriously harm our business, results of operations and financial condition. Moreover, if any of our suppliers or sub-contractors become financially unstable, then we may have to find new suppliers or sub-contractors. It may take several months to locate alternative suppliers or sub-contractors, if required, or to redesign our products to accommodate components from different suppliers. We may experience significant delays in manufacturing and shipping our products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if we lose any of these sources or are required to redesign our products. We cannot predict if we will be able to obtain replacement components within the time frames that we require at an affordable cost, if at all.

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

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

*Environmental, social and governance matters may impact our business and reputation.*

Governmental authorities, non-governmental organizations, customers, investors, external stakeholders and employees are increasingly sensitive to environmental, social and governance, or ESG, concerns, such as diversity and inclusion, climate change, water use, recyclability or recoverability of packaging, and plastic waste. This focus on ESG concerns may lead to new requirements that could result in increased costs associated with developing, manufacturing and distributing our products. Our ability to compete could also be affected by changing customer preferences and requirements, such as growing demand for more environmentally friendly products, packaging or supplier practices, or by failure to meet such customer expectations or demand. We risk negative shareholder reaction, including from proxy advisory services, as well as damage to our brand and reputation, if we do not act responsibly, or if we are perceived to not be acting responsibly in key ESG areas, including equitable access, product quality and safety, diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency, and addressing human capital factors in our operations. If we do not meet the ESG expectations of our investors, customers and other stakeholders, we could experience reduced demand for our products, loss of customers, and other negative impacts on our business and results of operations.

## **Risks Related to our Intellectual Property**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Risks Related to the Common Shares**

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

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

*The trading price of our common shares is likely to be volatile, which could result in substantial losses to investors..*

The trading price of our common shares is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located outside of the United States that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the common shares may be highly volatile for factors specific to our own operations. Furthermore, the stock market is subject to significant price and volume fluctuations, and the price of the common shares could fluctuate widely in response to several factors, including:

- the Company's quarterly or annual operating results;
- changes in the Company's earnings estimates;
- investment recommendations by securities analysts following the Company's business or the industry;
- additions or departures of key personnel;
- changes in the business, earnings estimates or market perceptions of the Company's competitors;
- the Company's failure to achieve operating results consistent with securities analysts' projections;
- changes in industry, general market or economic conditions;

- announcements of legislative or regulatory changes; and
- natural disasters and political and economic instability, including wars, terrorism, political unrest, results of certain elections and votes, emergence of a pandemic, or other widespread health emergencies (or concerns over the possibility of such an emergency), boycotts, adoption or expansion of government trade restrictions, and other business restrictions.

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

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

In order to maintain the listing of our common shares on the Nasdaq Capital Market, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, minimum share price, and certain corporate governance requirements. There can be no assurances that we will be able to comply with such applicable listing standards. On January 13, 2026, we received a letter from Nasdaq indicating that, since we had not yet held an annual meeting of shareholders within twelve months of the prior fiscal year end, we were no longer in compliance with Nasdaq Listing Rules 5620(a) and 5810(c)(2)(G). In accordance with Nasdaq Listing Rules we submitted the plan to regain compliance, based on which Nasdaq granted 180 days or until June 29, 2026, to regain compliance. Company indicated to Nasdaq that it will hold the annual meeting on March 31, 2026. If the Nasdaq Stock Market determines to delist our Common Shares from trading on its exchange and we are unable to obtain listing on another national securities exchange, a reduction in some or all of the following may occur, each of which could have a material adverse effect on our shareholders:

- the liquidity of our Common Shares;
- the market price of our Common Shares;
- our ability to obtain financing for the continuation of our operations;
- the number of investors that will consider investing in our Common Shares;
- the number of market makers in our Common Shares;
- the availability of information concerning the trading prices and volume of our Common Shares; and
- the number of broker-dealers willing to execute trades in our Common Shares.

Further, if we were to be delisted from Nasdaq and we are unable to obtain listing on another national securities exchange, our Common Shares would cease to be recognized as covered securities and we would be subject to regulation in each state in which we offer our securities.

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

A substantial portion of the total outstanding shares may be sold into the market at any time. If a significant shareholder was to decide to sell large amounts of common shares over a short period of time (presuming such sales were permitted) such sales could cause the market price of the common shares to drop significantly, even if the business is doing well. Further, the market price of the common shares could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

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

As of the date of this Annual Report, the Company had outstanding warrants to acquire 1,033,841 common shares and options to purchase 4,228,170 common shares. Warrants and options are exercisable for prices ranging between \$1.88 and \$22.75. The expiration of the term of such options and warrants ranges from January 4, 2026, to March 27, 2036. If a significant number of such warrants and stock options are exercised by the holders, the percentage of common shares owned by the Company's existing shareholders will be diluted.

## **INFORMATION ON THE COMPANY**

### **A. History and Development of the Company**

The Company was incorporated in British Columbia, Canada under the *Business Corporations Act* (British Columbia) ("BCBCA"), on January 15, 2018 under the name ECC Ventures 1 Corp. ("ECC1"). On July 20, 2020, the Company changed its name to "A2Z Smart Technologies Corp." and on August 12, 2024, the Company changed its name to "A2Z Cust2Mate Solutions Corp." to better reflect the Company's business plan.

The Company's principal place of business and its registered and records office of the Company is located at 1600 - 609 Granville Street Vancouver, British Columbia, Canada V7Y 1C3; telephone +16475585564. The Company has appointed Cogency Global Inc., with an address at 122 East 42nd Street, 18th Floor, New York, NY 10168; telephone 1-800-221-0102, as its agent for service of process in the United States. The Company's operational offices are located at Alon 2 Tower, 4 Ariel Sharon St., Givatayim, Israel.

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

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

On December 18, 2019, the common shares commenced trading on the TSXV under the symbol "AZ".

A2ZAS was the parent company of Advanced Military Solutions Ltd. ("A2ZMS"). A2ZMS was incorporated under the laws of the State of Israel in November 1998 under name Eligal Laboratories Ltd., as an engineering firm providing a cost-efficient solution for organizations to outsource maintenance of critical and sophisticated equipment. In 1992, Eligal Laboratories Ltd. expanded into the production of unmanned ground vehicle robotics as a second area of operations. In 2003, Eligal Laboratories Ltd. changed its name to Intelligent Robotics, Ltd., and in 2017, the name was changed once again to "Advanced Military Solutions Ltd." During this time period, all sales were conducted in Israel and were focused on Israeli clientele. Effective June 30, 2025, we entered into a share purchase agreement pursuant to which we sold A2ZMS to a purchaser residing in Israel for a purchase price of 500,000 ILS. The purchaser is related to one of our directors at that time, and the agreement and related transaction were approved by all of our non-interested directors.

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

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

On July 20, 2020, the Company changed its name to “A2Z Smart Technologies Corp.” and on August 12, 2024, the Company changed its name to “A2Z Cust2Mate Solutions Corp.” to better reflect the Company’s business plan.

On January 5, 2022, the common shares commenced trading on the Nasdaq Capital Market.

On January 17, 2022, the Company announced that it entered into a share purchase agreement (the “SPA”) to acquire all of the issued and outstanding shares of Isramat Ltd (“Isramat”), an Israeli manufacturer of precision metal parts (the “Isramat Acquisition”). The Isramat Acquisition vertically integrates certain manufacturing capabilities for the production of the Cust2Mate smart cart while complementing existing contract manufacturing partnerships to support anticipated worldwide growth. As consideration for the acquisition of Isramat, the Company paid an aggregate acquisition price of NIS 9.3 million (approximately US\$2.989 million) (the “Consideration”). NIS 2.8 million (approximately US\$0.9 million) of the Consideration will be paid in cash and the remaining Consideration in the amount of NIS 6.5 million (approximately US\$2.089 million) will be paid through the issuance to the shareholders of Isramat (the “Isramat Shareholders”) of 109,510 common shares (the “Acquisition Shares”) at a deemed price per Acquisition Share of US\$19.0777 (CAD\$27.812) (the “Equity Consideration”). The SPA also provides that in the event that the aggregate proceeds received by an Isramat Shareholder from the sale of its Acquisition Shares during the lock-up period (the “Lock-up”), together with the value of its unsold Acquisition Shares as of the end of such period, is lower than its pro rata portion in the Equity Consideration, A2Z will pay the difference in cash to such Isramat Shareholder. As of the date of this report, the Company has fully paid this difference. The Acquisition Shares will be subject to the Lock-up and shall be released as follows: (i) during the first six months following signing of the SPA (but in any event not prior to four months and one day following the issuance of the Acquisition Shares), the holders of the Acquisition Shares will not be allowed to sell or otherwise transfer any of the Acquisition Shares, (ii) during each of the 20 months following the 6-month period detailed above, each Isramat Shareholder will be entitled to sell or otherwise transfer up to 1/20 of his pro rata portion of the Acquisition Shares, subject to applicable securities laws, and (iii) following the lapse of 26 months following the signing of the SPA, each Isramat Shareholder shall be entitled to freely trade its Acquisition Shares. The Isramat Acquisition subsequently closed on February 3, 2022.

On April 12, 2023, the Company filed with the Securities and Exchange Commission (the “Commission”) a shelf-registration statement on Form F-3 (File No. 333-271226) (“Registration Statement”) for the sale of its securities from time to time, in one or more offerings for an aggregate of US\$200,000,000 (or the equivalent thereof in other currencies). The Registration Statement was declared effective by the SEC on April 21, 2023.

On February 20, 2024, the Company announced that it had applied and received approval for a voluntary delisting of the common shares from the TSXV. Effective as at the close of trading on February 28, 2024, the common shares were no longer listed and posted for trading on the TSXV. The delisting from the TSXV has not affected the Company's listing on the Nasdaq Capital Market and the common shares continued to trade on the Nasdaq Capital Market under the symbol "AZ".

On August 12, 2024, the Company announced the appointment of Mr. Alan Rootenberg to the position of Chief Financial Officer, effective immediately. Mr. Rootenberg has over 45 years of accounting and financial services experience, having also served as the chief financial officer of other publicly listed companies. In addition, Mr. Rootenberg has a BCom CPA designation. In connection with his appointment as Chief Financial Officer, Mr. Rootenberg resigned from the audit committee of the board of directors and was replaced by director Adi Vazan.

On December 11, 2024, A2ZAS and Cust2Mate entered into a Loan Repayment and Option Grant Agreement ("Loan and Option Agreement") with Smart Cart Ltd. ("Smart Cart") and Oren Orlitsky ("Orlitsky" and, together with Smart Cart, the "Sellers"), pursuant to which Cust2Mate agreed to pay back to the Sellers their loan to Cust2Mate in the amount of \$363,714. The Sellers also granted Cust2Mate an option to purchase their combined 19.33% interest (on an as issued but not fully diluted basis) in Cust2Mate (the "Transaction Shares") for \$2,000,000 (the "CL Option"). On February 13, 2025, Cust2Mate and Sellers agreed to amend the Loan and Option Agreement and Cust2Mate exercised the CL Option and paid \$1.85 million for the Transaction Shares.

After the acquisition of the 66,194 shares in Cust2Mate the Company now holds in aggregate 322,743 shares of Cust2Mate, constituting 96.58% of Cust2Mate's issued and outstanding share capital.

On February 12, 2025, A2ZAS and the shareholders entered into a share purchase agreement pursuant to which A2ZAS exercised the Call Option and acquired an additional 66,194 ordinary shares of Cust2Mate, together constituting 19.81% of the issued and outstanding shares of Cust2Mate (on a fully diluted basis) for the aggregate purchase price of \$1.85 million. After the acquisition of the 66,194 shares in Cust2Mate the Company now holds in aggregate 322,743 shares of Cust2Mate, constituting 96.58% of Cust2Mate's issued and outstanding share capital.

On January 2, 2026, the Company announced that Bentsur Joseph stepped down from his role as director and Chairman of the Board of Directors of the company and all its subsidiaries, effective December 31, 2025. Gadi Graus was appointed as Interim Chairman immediately following Mr. Joseph's resignation.

Our website address is [www.cust2mate.com](http://www.cust2mate.com). Information contained on, or accessible through, our website is not a part of this Annual Report and the inclusion of our website address in this Annual Report is an inactive textual reference. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Similar information can also be found under the Company's profile on SEDAR+ at <https://www.sedarplus.ca/home/>.

## B. Business Overview

	Precision Metal		Total (*)
	Parts	Smart Carts	
<i>Revenues (in thousands of \$US)</i>			
Year ended December 31, 2025	\$ 4,693	\$ 3,208	\$ 7,901
Year ended December 31, 2024	\$ 4,844	\$ 532	\$ 5,376
Year ended December 31, 2023	\$ 3,084	\$ 6,128	\$ 9,212

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

Revenues from the smart cart segment are generated from one customer, and account for 41%, 10%, and 67% of the Company's revenues for the years ended December 31, 2025, 2024, and 2023. Revenues from the precision metal parts segment are generated from dozens of customers, and account for 59%, 90%, and 33% of the Company's revenues for the years ended December 31, 2025, 2024, and 2023.

## **Business of the Company**

We are an innovative technology company operating the following four complementary business lines through our subsidiaries: (i) development and commercialization of retail “smart cart” solutions designed primarily for use in large grocery stores and supermarkets (“Cust2Mate Carts” or “Cust2Mate Products”); (ii) manufacture of precision metal parts; (iii) provision of maintenance services in Israel, including for Cust2Mate Products deployed in Israel; and (iv) development of our Fuel Tank Inertia Capsule System technology, or FTICS, a vehicle device cover for the military and civilian automotive industry.

In 2020, we began to rapidly develop smart carts for the retail industry, with the aim of becoming the leading mobile checkout system in the international market by providing the optimal solution for shoppers and supermarket retailers. We have since focused the majority of our strategic planning, investment, research, development and marketing efforts on our Cust2Mate Products, as management currently believes our operational capabilities are most effectively leveraged by growing market share in the smart cart industry.

On February 3, 2022, we completed the acquisition of precision metal parts manufacturer Isramat.

As of the date of this annual report, the Company has two key operating subsidiaries, both incorporated under the laws of Israel: (1) Cust2mate Ltd. and (2) Isramat Ltd. On August 10, 2023, Cust2mate announced the launch of Cust2mate USA Inc. (Cust2mate USA”), its subsidiary incorporated on July 12, 2023, under the laws of Delaware.

### **Smart Cart Products and Services**

Cust2Mate is a mobile self-checkout shopping cart solution that streamlines the retail shopping experience. With a user-friendly smart algorithm, touch screen and proprietary software, our Cust2Mate smart cart scans, recognizes and adds to a displayed shopping list, each item placed in the cart, providing the shopper with real-time information regarding items in the cart and tabulating the total cost of purchase. Our in-cart solution also enables shoppers to use the cart as the point of sale by use of mobile payment applications, e-wallets and other financial services. Cust2Mate’s point of sale feature effectively increases overall efficiency of the shopping experience, by expanding payment options for shoppers and retailers alike, reducing the need for cashiers, and reducing checkout wait times, which ultimately leads to improved customer engagement and satisfaction.

We combine scanning, computer vision, security scales and other anti-fraud/theft technologies, with a large screen tablet capable of relaying real-time shopping information and value-added digital services. Our solution is stackable and lightweight, with a robust recognition platform that provides a higher level of accuracy in product identification, leveraging in-store Wi-Fi and cutting-edge software.

For retailers, Cust2Mate enables improved inventory management, increased efficiency, reduced labor costs, increased anti-fraud protection, reduced theft, larger spend by shoppers, improved product mix and real-time data analytics and insights regarding consumer behavior. Our solutions are designed to easily integrate with existing store systems.

The Cust2Mate touch screen allows for the display of advertisements, promotions and other digital services which can bring added value to shoppers and additional revenue sources to retailers.

We have launched a modular version of the Cust2Mate smart cart, allowing local set-up with modular parts, making mass production and deployment of our smart carts faster and more efficient. With a detachable control unit, our new generation cart will employ the same technologies as our previous offerings, presently deployed in the Yochananof retail chain in Israel and in pilot programs throughout the world.

Our largest smart carts are available in 212 liter and 275 liter sizes, as customized at the discretion of retailers.

We also offer smaller, lighter smart carts, available in 180 liter and 75 liter sizes, with the same touch screen, detachable control panel and security features of our larger carts. Our smaller carts are ideal for urban groceries and supermarkets, drugstores and duty-free shops, where aisles space tends to be limited.

We leverage third-party partners for the manufacture of our Cust2Mate Products in the locations we serve.

In September 2025, we launched a separate division within Cust2mate to focus on advancing a business model that combines smart-cart subscriptions with retail media and advertising revenue – Retail Media Division. We are using the Company’s technology to monetize through two primary pillars: (i) a subscription-based smart-cart model and (ii) a retail media platform.

Rather than relying on one-time hardware sales, Cust2Mate generates revenue through a minimal upfront fee combined with recurring monthly per-cart subscriptions under multiyear agreements. Cust2Mate’s retail media platform is positioned as a second growth engine for the Company. We anticipate that we will generate revenues for our smart cart customers and from non-smart cart customers.

## **Our Customers**

M. Yochananof and Sons (1988) Ltd. (“Yochananof”), a large Israeli retailer, has been our largest Cust2Mate customer to date. On September 3, 2025, we announced a \$55 million purchase order from Yochananof. The purchase order covers the deployment of 5,000 cutting-edge Cust2Mate 3.0 smart shopping carts across Yochananof’s network. The purchase order is comprised of an upfront payment and monthly charges per cart, for at least 60 months.

On September 10, 2024, we announced our strategic partnership with Nayax Ltd., a global commerce enablement payments and loyalty platform designed to help merchants scale their business, to pair Nayax’s convenient automated self-service retail mobile payment system with our innovative smart cart platform for smart retail stores. The smart carts with Nayax’s payment solution will initially be deployed in France. Further, on September 25, 2024, we announced that we had entered into a framework agreement with Nayax Capital, whereby Nayax Capital will enable financing for the sale or lease of Cust2Mate smart carts enabled with Nayax’s complete solution.

On October 10, 2024, we announced that we signed a framework agreement with Trixo (“Trixo”), a leading retail technology integrator providing technology and IT and other services in Mexico and Central America, for in-field installation, deployment, in-store and laboratory support, maintenance, help desk services and warranty fulfillment related to our Cust2Mate smart cart solutions to be rolled out in Mexico and Central America. On June 17, 2025, we announced that we secured an initial order for 3,000 next-generation Cust2Mate 3.0 Smart Carts from Trixo. The value of the order exceeds \$25 million. The smart carts are designated for rollout starting in the first quarter of 2026. According to the agreement, they will be deployed under the Company’s recurring revenue model, with monthly charges applied per unit for at least 36 months.

On September 22, 2025, we announced a new milestone in our retail media journey through a landmark advertising agreement with Toys “R” Us Israel and The Red Pirate, two leading toy retail chains. For the first time, these household names will connect directly with shoppers through Cust2Mate’s cutting edge smart carts. The campaigns will run across up to 5,000 smart carts currently rolling out in Yochananof, Israel’s premier supermarket chain, delivering dynamic image, animation, and video ads designed to spark shopper engagement. The multi-year agreement, effective until December 2028 with an optional two-year extension, establishes Cust2Mate as a pioneering force in retail media monetization. In addition to payment based on a cost-per-thousand impressions (CPM) model, campaigns will feature QR codes and shoppable links driving purchases directly to the toy chains’ websites and apps, with Cust2Mate earning commissions on every completed transaction. Under the Agreement, Cust2Mate is guaranteed a minimum of \$1.2 million in revenue starting January 2026 over the initial term, laying the foundation for recurring, performance-driven income streams.

On October 1, 2025, we announced an agreement to advertise Lego products in Israel, marking an additional milestone in the company’s rapidly expanding retail media strategy. Unlike many retail media platforms that rely solely on ad impressions, this agreement also provides Cust2Mate with commissions on every completed transaction-unlocking a powerful dual revenue stream that maximizes long-term value.

On November 25, 2025, we announced a purchase order (PO) from Super Sapir, a prominent Israeli supermarket chain, for 3,000 Cust2Mate smart shopping carts. The total contract value is \$30 million. The deployment will begin in the first half of 2026. According to the agreement Super Sapir will pay a monthly fee per cart for a period of 60 months. The monthly fee covers the smart carts, charging stations, software, management system, dashboards, and maintenance and support services that ensure long-term platform performance and innovation, while also generating recurring revenue for A2Z Cust2Mate. In addition, A2Z Cust2Mate has received the exclusive right to commercialize the digital services provided on or generated by the Smart Carts platform within the Super Sapir chain, including advertising and media services, data collection and analysis, and the provision of services to third parties (digital marketplace), all subject to applicable commercial and privacy laws. As part of the agreement, Cust2Mate shall pay Super Sapir a fixed amount for every one-thousand advertisements sold (CPM).

On December 4, 2025, we announced that we entered into an agreement with a premium grocery retailer operating more than 50 stores in Central America to deploy the A2Z Cust2mate smart cart platform. Initial rollout is planned for early 2026 in two flagship locations, with the shared goal of expanding to a full chain-wide deployment following successful implementation

On January 5, 2026, we announced that the Company's smart carts will be available at select stores of Migros Ticaret A.S., Turkiye's leading in Q3 2026.

On March 31, 2026, the Company and Global Retail, a leading franchisee of the Global Carrefour group (Carrefour Israel) announced a five-year strategic agreement, valued at approximately \$50 million, to deploy 4,000 smart carts across Carrefour Israel stores, alongside a comprehensive data, retail media and digital services collaboration. This landmark agreement positions Carrefour Israel as one of the first retailers in the world to implement smart cart technology at this scale, establishing a model for future deployments across international markets.

The rollout is set to begin in the third quarter of 2026 across six Carrefour Israel flagship stores and includes end to end delivery of smart carts, charging infrastructure, advanced software systems, as well as full implementation, training, and long-term support.

Our objective is to continue to generate significant additional orders of Cust2Mate smart carts in 2026.

## **Our Markets**

We aspire to be the global leading provider of smart carts and associated technology solutions, providing a superior customer experience and cutting-edge platform for digital value-added services, easing the pain points for all stakeholders in the retail industry.

The market for smart carts is large and diverse, and includes grocery stores, hardware stores, household essentials, "do it yourself (DIY)" retailers, discount stores, warehouse stores, convenience stores, drug stores, duty free shops and similar outlets.

We have designed the range of our Cust2Mate smart carts to accommodate the needs of a varied customer base: large carts for hypermarkets or large stores, medium carts for supermarkets or medium sized stores, and small carts for city stores, drug stores, duty free shops, etc. We are also able to customize our carts with a "look and feel" unique to each retailer as requested.

## Business Model

We envision deriving several distinct revenue stream opportunities from big data, retail media, and third party applications:

- ***Outright Purchase Model.*** The outright purchase of smart carts by customers and payment of a monthly maintenance fee has been the business model to date. For example, the first 1,300 carts ordered by Yochananof were sold to it outright with revenue recognized upon delivery. We intend to move away from this model; however, it will remain available as some retailers prefer this option.
- ***Subscription Based Model.*** We intend to retain title to our smart carts and make them available to customers on a multiyear subscription basis, against payment of a one-time up-front payment and monthly fees to cover hardware and software maintenance, service and version updates. The length of the subscription period depends on many variables unique to each customer, including the design and customization required by the customer, and the size of the up-front payment. We intend to fund the manufacture of our smart carts at scale, against orders, through loans against receivables from such orders, whilst looking to lower per unit manufacturing costs and increase margin as unit sales increase. The subscription model would also enable us to charge additional fees for add-on features such as store navigation maps, shopping lists, etc. The subscription model should also facilitate the provision of the smart carts to customers and, as revenue would be recognized monthly, would allow for a sustained increase of revenue in conjunction with the increase in the installed base of the smart carts.
- ***Digital Services.*** As our smart carts are fully integrated into the retailers' systems, we envision them serving as a de-facto marketplace, which we refer to as a Smart Cart Marketplace, for all retail directed apps and digital services. Our Cust2Mate smart carts incorporate a large touch screen, and can present to the shopper additional information at the discretion of the retailer, such as details of the shopper's purchases, ingredients of goods purchased, allergy information, shopping lists, in-store navigation for goods, and many more applications, while simultaneously facilitating the provision of real-time personalized and directed promotions, advertisements, e-coupons and other digital services by all stakeholders in the retail industry (such as the retailer, consumer product and other manufacturers and advertisers and any third party service provider that joins the Smart Cart Marketplace). As these promotions, advertisements, coupons, etc., are displayed to the shopper when the shopper is deciding what to buy (and not, for example, when the shopper is paying for products already purchased), we believe that digital services will be of considerable value to shoppers, retailers, manufacturers and other third parties. We intend to enter into revenue sharing agreements with stakeholders, allowing us, our customers and relevant third parties to all enjoy increased revenue streams, whilst simultaneously providing shoppers with significant added value. We believe that digital revenues from the Smart Cart Marketplace can become considerable. As the revenue to retailers from digital services increases, the net cost of our smart carts to retailers is expected to decrease.
- ***AI Empowered Big Data Analytics.*** At present, in many instances the retailer has limited information regarding the actions and decisions of the shopper until the actual time of payment. The retailer may often not know when a shopper has entered the store, how much time a shopper has spent in the store, the route the shopper takes, or where a shopper spends most or as little time in the store, how decisions are actually made by the shopper, and similar customer behavioral information. We are developing software for our smart carts to generate a wealth of data on such shopping behavior which will be made accessible to the Company's advanced AI service (under development) for insight generation, as well as raw data access to clients for use by with their own advanced data departments. The insights based on the domain knowledge the Company has accumulated from its product will serve stakeholders in the retail industry.

## Competition and Competitive Strengths

There are a number of companies currently offering smart carts to the retail industry in one form or another. Our Cust2Mate Products, and some of other industry players, offer mobile self-checkout smart carts in which goods are scanned when placed in the smart cart. Other industry participants offer solutions based on “Scan and Go” or image recognition technologies. We believe we are one of the only smart carts providing a full end-to-end turnkey solution for all customers. Below is a brief summary of the various technologies:

- **“Scan and Go”** comprises a scanner and small screen, either on cart or connected to an app on the mobile phone. These solutions generally come without large screens and thus cannot efficiently provide information and digital services, without on cart anti-fraud protection and without on cart payment capabilities. Though inexpensive, the scan and go carts do not provide the full user experience and retailer added value offered by our Cust2Mate Products.
- **Image Recognition.** Many companies are trying to offer smart carts which do not require the scanning of products but instead claim to utilize software which recognizes the products as they are being placed in the smart cart (“one to many”). We believe that there remain technological hurdles to adopting image recognition software both on a practical and conceptual level. On a practical level, every store contains at least several tens of thousands of SKUs which have to be accurately recognized every time in all configurations, from all angles and in different lighting backgrounds, within a very short time without charging the shopper for products not purchased, while charging the shopper for all products purchased. This is a significant technological challenge. On a conceptual level, we believe many types of products are not easily adapted to image recognition, such as clothing size, and meats and cheeses purchased over the counter.

In addition, in an attempt to mitigate the increasing frustration of shoppers at the lengthening queues in the stores, many retailers have installed self-checkout (SCO) stations with the aim that these would lead to a quicker checkout and reduced labor cost. However, these SCO stations have not adequately solved such problems, as check-out queues have not disappeared, and the SCO stations have been accompanied by equipment issues, high up-front costs, consumer confusion, sub-optimal use of space and increased risk of theft.

We believe that our Cust2Mate Products have, and can further develop, the following competitive strengths:

- our smart carts utilize existing technologies proven to work—there is no technological risk to overcome; barcode scanning is a tried and tested, easy to use technology which can easily be adapted for use in a smart cart;
- our software, hardware and customer success teams have, among them, decades of experience in retail technology, supporting our efforts to design one stop shop smart cart solutions which answer the needs of the shopper, retailer and other stakeholders in the retail industry;
- our smart carts have a proven track record with hundreds of smart carts deployed in multiple sites and markets, enabling us to provide the most comprehensive working solution, customer experience and digital platform;
- our smart carts have multiple anti-fraud/theft capabilities which are designed to significantly reduce shrinkage from the carts without harming the shopping experience;
- we intend to continue the development of “one to one” computer vision software and the AI-Powered Shopping Cart Inventory Change Indicator System and incorporate the solutions in future Cust2Mate smart cart offerings. The solution will supplement the smart cart’s other anti-theft and fraud protection components;
- a barcode can provide additional information, over and above product identification; for example, by providing details of the expiry or best before date which could allow dynamic pricing based on proximity of such date;

- our smart carts are designed to be mass deployed in large supermarket chains, thus enabling them to be used by significant portions of the shoppers in the store;
- our smart carts can provide the retail industry with new revenue streams and insights; and
- our contemplated installed base subscription model allows for consistent revenue growth in a very large addressable market.

We continue to improve our smart carts. We have launched a lighter and easier to maneuver modular smart cart with a detachable control unit, allowing the cart, without its expensive components, to leave the store premises and to be retrofitted onto existing carts.

## **Marketing and Sales**

We are currently marketing directly to targeted customers and indirectly through local partners. In Israel, we sell our Cust2Mate Products directly to our retailer customers. Outside of Israel, our local partners are responsible for support, training, implementation and sales of our Cust2Mate Products, while we focus on product development and direct marketing with strategic customers.

We currently have local distribution and service partners in the United States, Mexico and Central America, Australia, France, Canada and Chile. In the United States, we have a non-exclusive relationship with our distributor, who provides products and services to several thousands of stores nationally. On July 12, 2023, Cust2mate established a wholly owned subsidiary Cust2mate USA Inc. (“Cust2Mate USA”) as a strategic move to serve the thriving U.S. retail market more effectively. On September 19, 2024, we announced that we had entered into a framework agreement with Level 10, LLC, a leading retail IT service provider, for in-field installation, deployment, in-store and laboratory support, maintenance, help desk services and warranty fulfillment related to our Cust2Mate smart cart solutions to be rolled out in the United States.

Our distributors in France, Mexico and Central America and Chile (exclusive for certain chains) are leading suppliers and integrators of retail technologies throughout the country.

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

On September 10, 2024 we announced a strategic partnership with Nayax Ltd., to pair Nayax’s convenient automated self-service retail mobile payment system with A2Z Cust2Mate’s innovative smart cart platform for smart retail stores. Nayax and A2Z Cust2Mate will collaborate to sell the Cust2Mate 3.0 smart cart system with integrated Nayax payment technology as a unified, end-to-end solution for retailers around the world. The first smart carts with Nayax’s payment solution have been deployed in France.

We presently contemplate that Cust2Mate would (directly or through subsidiaries which it would establish for each country), be the provider of the smart carts to the retailers and that Cust2Mate would enter into a revenue share or other commercial arrangement with its local distribution and service partners.

## Changes to Board of Directors and Formation of Advisory Board

In July 2023, Adi Vazan was appointed to the Company’s board of directors. Mr. Vazan is an experienced entrepreneur and accomplished senior executive, with extensive and diverse experience in managing companies and organizations, with understanding of both the technological and business aspects inherent in the Company’s activities. Also in July 2023, Niv Raz resigned from the Company’s board of directors. His resignation was not due to any disagreement with the Company, its policies, or management.

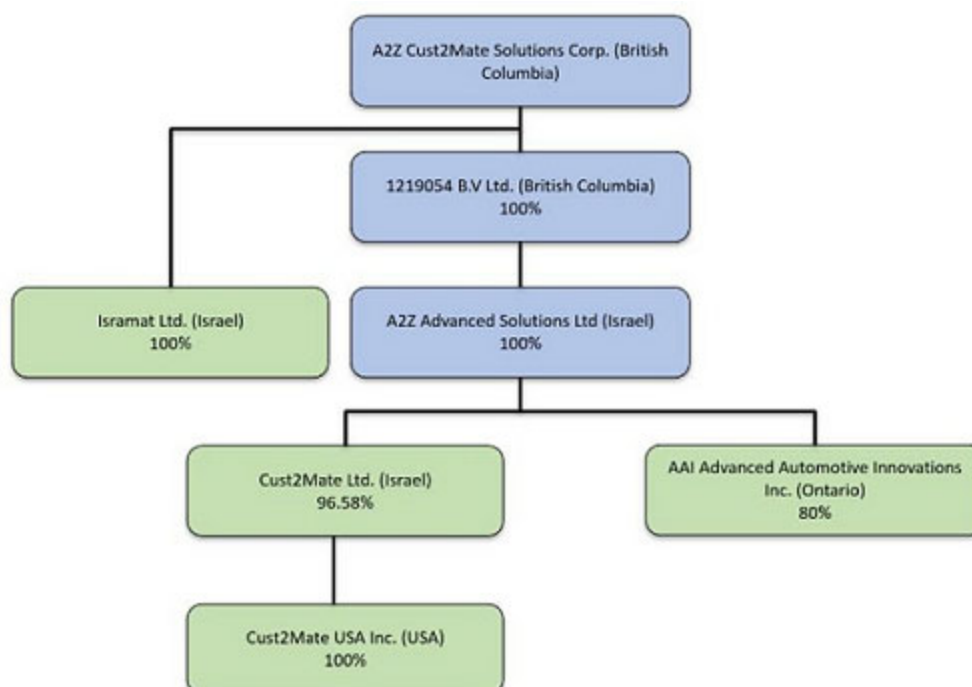
In March 2024, Gadi Graus was appointed Chief Executive Officer of the Company’s subsidiary, Cust2mate Ltd. in place of Guy Mordoch. Mr. Graus currently serves as the Chief Executive Officer, director and President of the Company, and as a director of Cust2Mate Ltd. Prior to joining the Company, Gadi Graus was a senior partner at Shibolet & Co., Law Offices, one of Israel’s largest law firms. Mr. Graus has an LLB from Hebrew University, Jerusalem, Israel and an MBA from the Kellogg - Recanati program (Tel-Aviv University and Northwestern University).

On August 12, 2024, the Company announced the appointment of Mr. Alan Rootenberg to the position of Chief Financial Officer, effective immediately. The Company wishes to thank Gadi Levin for his service as Chief Financial Officer and wish him the best as he continues with his other business endeavours, including continued consulting services to the Company. Mr. Rootenberg has over 45 years of accounting and financial services experience, having also served as the chief financial officer of other publicly listed companies. In addition, Mr. Rootenberg has a BCom CPA designation. In connection with his appointment as Chief Financial Officer, Mr. Rootenberg resigned from the audit committee of the board of directors and was replaced by director Adi Vazan.

Effective December 31, 2025, Mr. Bentsur Joseph stepped down from his role as our Director and Chairman of the Board of Directors and all our subsidiaries. Following Mr. Joseph’s resignation, Mr. Gadi Graus, our Chief Executive Officer, was appointed interim Chairman of the Board, in addition to his role as CEO. We are in the process of appointing a chairperson with a track record in leading large global companies.

## C. Organizational Structure

The following chart lists our material subsidiaries as at the date of this Annual Report, their respective jurisdictions of incorporation, and our direct and indirect ownership interest in each of these subsidiaries:



## **D. Property, Plants and Equipment**

The corporate headquarters of A2Z are located at 1600 - 609 Granville Street Vancouver, British Columbia, Canada V7Y 1C3. One of the Company's Israeli subsidiaries leases office space with the lease expiring on March 31, 2029. Lease payments are approximately \$48 thousand per month (\$576 thousand annually). Another one of the Company's Israeli subsidiaries leases warehouse space, with the lease expiring on March 31, 2027. Lease payments are approximately \$18 thousand per month (\$216 thousand annually). Another one of the Company's Israeli subsidiaries leases its factory space with the lease expiring on March 31, 2027. Lease payments are approximately \$19 thousand per month (\$228 thousand annually).

## **OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion and analysis should be read in conjunction with our financial statements and related notes and the related information included elsewhere in this Annual Report. This discussion and other parts of this Annual Report contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under "Risk Factors" and elsewhere in this Annual Report.

The preparation of financial statements in conformity with these accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates or other forward-looking statements under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our actual results may differ materially as a result of many factors, including those set forth under the headings entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

## **COMPANY OVERVIEW AND DESCRIPTION OF THE BUSINESS**

We are an innovative technology company operating the following four complementary business lines through our subsidiaries: (i) development and commercialization of retail "smart cart" solutions designed primarily for use in large grocery stores and supermarkets ("Cust2Mate Carts" or "Cust2Mate Products"); (ii) manufacture of precision metal parts, in part for use in our Cust2Mate Products.

In 2020, we began to rapidly develop smart carts for the retail industry, with the aim of becoming the leading mobile checkout system in the international market by providing the optimal solution for shoppers and supermarket retailers. We have since focused the majority of our strategic planning, investment, research, development and marketing efforts on our Cust2Mate smart cart products, as management believes our operational capabilities are most effectively leveraged by growing market share in the smart cart industry.

## RESULTS OF OPERATIONS

The following is a discussion of the results of operations which have been derived from the financial statements of the Company for the years ended December 31, 2025, 2024 and 2023 (in thousands of U.S. Dollars):

	Year ended December 31,		
	2025	2024	2023
<b>Revenues</b>	\$ 7,901	\$ 5,376	\$ 9,212
Cost of revenues	6,807	3,487	7,959
<b>Gross profit</b>	1,094	1,889	1,253
<b>Expenses:</b>			
Research and development costs	\$ 9,944	\$ 3,853	\$ 4,103
Sales and marketing costs	3,857	1,216	1,377
General and administration expenses	23,749	7,948	13,067
Loss on impairment	-	1,727	1,027
<b>Operating loss</b>	(36,456)	(12,855)	(18,321)
Loss (gain) on revaluation of warrant liability	(998)	4,389	(1,255)
Financial income	(618)	(158)	(85)
Financial expense	1,219	336	256
Loss from continued operations	\$ (36,059)	\$ (17,422)	\$ (17,237)
Loss from discontinued operations	(2,425)	(1,841)	(820)
<b>Net loss for the year</b>	\$ (38,484)	\$ (19,263)	\$ (18,057)
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Adjustments arising from translating financial statements of foreign operations	(1,323)	775	303
Remeasurement loss from defined benefit plans	-	6	1
<b>Other comprehensive income</b>	(1,323)	781	304
<b>Total comprehensive loss for the year</b>	\$ (39,807)	\$ (18,482)	\$ (17,753)
<b>Less: Net loss attributable to non-controlling shareholders</b>			
	(749)	(2,267)	(1,996)
<b>Net loss attributable to A2Z's shareholders</b>	\$ (37,735)	\$ (16,996)	\$ (16,061)
<b>Basic and diluted loss per share from continuing operations</b>	\$ (0.96)	\$ (0.71)	\$ (1.10)
<b>Basic and diluted loss per share from discontinued operations</b>	\$ (0.07)	\$ (0.09)	\$ (0.06)
<b>Weighted average number of shares outstanding</b>	36,958,606	21,369,527	13,899,212

**Year ended December 31, 2025 compared to the year ended December 31, 2024**

**Revenues**

	<b>Year ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Smart Carts	\$ 3,208	\$ 532
Precision Metal Parts	4,693	4,844
	<b>\$ 7,901</b>	<b>\$ 5,376</b>

Revenues for the year ended December 31, 2025, were \$7,901 thousand as compared to \$5,376 thousand for the year ended December 31, 2024. The increase is due primarily to the increase in revenues in the Company's smart cart segment as the Company continues to delivery Smart Carts to Yochananof.

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

**Cost of revenues**

Cost of revenues for the year ended December 31, 2025, were \$6,807 thousand as compared to \$3,487 thousand for the year ended December 31, 2024. The increase is due primarily to the increase in materials and components consumed. Materials and components consumed for the year ended December 31, 2025, was \$3,675 thousand as compared to \$1,566 thousand for the year ended December 31, 2024.

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

**Research and development expenses**

	<b>Year ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Payroll and related expenses	\$ 4,610	\$ 2,417
Subcontractor and outsourced work	935	1,081
Share-based compensation	4,154	191
Pilot expenses and other	245	164
	<b>\$ 9,944</b>	<b>\$ 3,853</b>

Research and development expenses related mainly to the Company's Cust2Mate product. Most of these expenses relate to outsourced software engineers that work on integrating future customers' point of sales systems to the Company's software.

Research and development expenses were \$9,944 thousand for the year ended December 31, 2025, as compared to \$3,853 thousand for the year ended December 31, 2024. The increase in 2025 results from the replacement of subcontractors and outsourced work with the hiring of additional employees who are able to do the same work at a lower cost. Share-based compensation were \$4,154 thousand for the year ended December 31, 2025, as compared to \$191 thousand for the year ended December 31, 2024. Payroll and related expenses were \$4,610 thousand for the year ended December 31, 2025, as compared to \$2,417 thousand for the year ended December 31, 2024. The increase is primarily due to an increase in the number of employees in the Company's smart cart segment. Subcontractor and outsourced was \$935 thousand for the year ended December 31, 2025, as compared to \$1,081 thousand for the year ended December 31, 2024. The decrease is primarily due to a decrease in the subcontractor and outsourced work in the Company's smart cart segment.

### Sales and marketing

Sales and marketing expenses were \$3,857 thousand for the year ended December 31, 2025, as compared to \$1,216 thousand for the year ended December 31, 2024. The increase is primarily due to a increase in marketing costs related to the Company's launch of its model 3.0 smart cart, and related share based compensation expenses to employees in sales and marketing.

### General and administrative expenses

	Year ended December 31,	
	2025	2024
Payroll and related	\$ 2,956	\$ 2,891
Professional fees	2,525	1,470
Share-based compensation	13,550	1,632
Depreciation and amortization	494	395
Office maintenance	951	367
Public company related expenses	173	144
Rent and related	244	200
Travel	349	184
Directors and officers insurance	350	228
Investor Relations	1,298	258
Other	859	179
	<u>\$ 23,749</u>	<u>\$ 7,948</u>

General and administrative expenses were \$23,749 thousand for the year ended December 31, 2025, as compared to \$7,948 thousand for the year ended December 31, 2024. The increase is primarily due to the increase in share-based compensation which amounted to \$13,550 thousand for the year ended December 31, 2025, compared to \$1,632 thousand for the year ended December 31, 2024. The increase in share-based compensation is mainly due to a increase in share-based grants in 2025 in comparison to 2024. These grants were in recognition of management achievements during 2025, including two successful financing and the launch of the model 3.0 smart-cart. Another factor which contributes to the increase in general and administrative expenses is the increase in professional fees, which amounted to \$2,525 thousand for the year ended December 31, 2025, compared to \$1,470 thousand for the year ended December 31, 2024. The increase in professional fees is mainly due increased activities by the company. Finally, another significant factor to the increase in general and administrative expenses is the increase in investor relations which amounted to \$1,298 thousand for the year ended December 31, 2025, compared to \$258 thousand for the year ended December 31, 2025. The increase in investor relations is mainly due increase activities relating to shareholder communications.

### Loss on impairment

Loss on impairment for the year ended December 31, 2025, was \$Nil thousand as compared to a loss of \$1,727 thousand for the year ended December 31, 2024. The loss in 2024 relates to the impairment of an intangible asset recognized by the Company as a result of an undeveloped patent.

Loss on impairment of goodwill for the year ended December 31, 2025, was \$Nil thousand as compared to a loss of \$Nil for the year ended December 31, 2024, this shows improvement in the profits in the Company's precision metal parts segment, that have led the Company to determine that there are no signs of decline in the value of Isramat, and no need to recognize a loss of impairment of goodwill.

### Gain on revaluation of warrant liability

Gain on revaluation of warrant liability for the year ended December 31, 2025, was \$998 thousand as compared to a loss of \$4,389 thousand for the year ended December 31, 2024. The gain in 2025 relates to the decrease in the value of the warrant liability as of December 31, 2024, primarily caused by the decrease in the Company's share price.

### Financial expenses

Financial expenses, net for the year ended December 31, 2025, were \$601 thousand as compared to \$178 thousand for the year ended December 31, 2024. The expenses in 2024 were mainly a result of the recognition of the commitment to compensate former shareholders of Isramat. Financial expenses comprise interest on loans and leases, interest and accretion in respect of application of IFRS 16, revaluation of a provision and long term financial asset, and bank charges.

### *Year ended December 31, 2024 compared to the year ended December 31, 2023*

#### Revenues

	<u>Year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Smart Carts	\$ 532	\$ 6,128
Precision Metal Parts	4,844	3,084
	<u>\$ 5,376</u>	<u>\$ 9,212</u>

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Revenues for the year ended December 31, 2024, were \$5,376 thousand as compared to \$9,212 thousand for the year ended December 31, 2023. The decrease is due primarily to the decrease in revenues in the Company's smart cart segment as the Company completed delivery of its purchase order to Yochananof in 2023 and the Company is rolling out its new generation smart cart.

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

#### Cost of revenues

Cost of revenues for the year ended December 31, 2024, were \$3,487 thousand as compared to \$7,959 thousand for the year ended December 31, 2023. The decrease is due primarily to the decrease of cost of revenues in the smart cart segment.

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

#### Research and development expenses

	<u>Year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Payroll and related expenses	\$ 2,417	\$ 1,758
Subcontractor and outsourced work	1,081	1,683
Share-based compensation	191	532
Pilot expenses and other	164	130
	<u>\$ 3,853</u>	<u>\$ 4,103</u>

Research and development expenses related mainly to the Company's Cust2Mate product. Most of these expenses relate to outsourced software engineers that work on integrating future customers' point of sales systems to the Company's software.

Research and development expenses were \$3,853 thousand for the year ended December 31, 2024, as compared to \$4,103 thousand for the year ended December 31, 2023. The decrease in 2024 results from the replacement of subcontractors and outsourced work with the hiring of additional employees who are able to do the same work at a lower cost. Payroll and related expenses were \$2,417 thousand for the year ended December 31, 2024, as compared to \$1,758 thousand for the year ended December 31, 2023. The increase is primarily due to an increase in the number of employees in the Company's smart cart segment. Subcontractor and outsourced work were \$1,081 thousand for the year ended December 31, 2024, as compared to \$1,683 thousand for the year ended December 31, 2023. The decrease is primarily due to a decrease in the subcontractor and outsourced work in the Company's smart cart segment.

#### Sales and marketing

Sales and marketing expenses were \$1,216 thousand for the year ended December 31, 2024, as compared to \$1,377 thousand for the year ended December 31, 2023. The decrease is primarily due to a decrease in marketing costs for the marketing of the Company's Cust2Mate smart cart.

#### General and administrative expenses

	<b>Year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Payroll and related	\$ 2,891	\$ 4,007
Professional fees	1,470	1,966
Share-based compensation	1,632	4,531
Depreciation and amortization	395	414
Office maintenance	367	252
Public company related expenses	144	824
Rent and related	200	360
Travel	184	129
Directors and officers insurance	228	253
Investor Relations	258	-
Other	179	331
	<b>\$ 7,948</b>	<b>\$ 13,067</b>

General and administrative expenses were \$7,948 thousand for the year ended December 31, 2024, as compared to \$13,067 thousand for the year ended December 31, 2023. The decrease is primarily due to the decrease in share-based compensation which amounted to \$1,632 thousand for the year ended December 31, 2024, compared to \$4,531 thousand for the year ended December 31, 2023. The decrease in share-based compensation is mainly due to a decrease in share-based grants in 2024 in comparison to 2023. Another significant factor to the decrease in general and administrative expenses is the decrease in public company related expenses, which amounted to \$144 thousand for the year ended December 31, 2024, compared to \$824 thousand for the year ended December 31, 2023. The decrease in public company related expenses is mainly due to cost-cutting measures taken by the Company. Another significant factor to the decrease in general and administrative expenses is the decrease in payroll which amounted to \$2,891 thousand for the year ended December 31, 2024, compared to \$4,007 thousand for the year ended December 31, 2024. The decrease in payroll is mainly due to cost-cutting measures taken by the Company as well as a reduction in headcount.

#### Loss on impairment

Loss on impairment for the year ended December 31, 2024, was \$1,727 thousand as compared to a loss of \$1,027 thousand for the year ended December 31, 2023. The loss in 2024 relates to the impairment of an intangible asset recognized by the Company as a result of an undeveloped patent. The loss in 2023 relates to the impairment of goodwill recognized by the Company.

Loss on impairment of goodwill for the year ended December 31, 2024, was \$Nil thousand as compared to a loss of \$1,027 thousand for the year ended December 31, 2023, this shows improvement in the profits in the Company's precision metal parts segment, that have led the Company to determine that there are no signs of decline in the value of Isramat, and no need to recognize a loss of impairment of goodwill.

#### Loss on revaluation of warrant liability

Loss on revaluation of warrant liability for the year ended December 31, 2024, was \$4,389 thousand as compared to a profit of \$1,255 thousand for the year ended December 31, 2023. The loss in 2024 relates to the increase in the value of the warrant liability as of December 31, 2024, primarily caused by the increase in the Company's share price.

#### Financial expenses

Financial expenses, net for the year ended December 31, 2024, were \$178 thousand as compared to \$171 thousand for the year ended December 31, 2023. The expenses in 2023 were mainly a result of the recognition of the commitment to compensate former shareholders of Isramat. Financial expenses comprise interest on loans and leases, interest and accretion in respect of application of IFRS 16, revaluation of a provision and long term financial asset, and bank charges.

#### **Additional annual financial information**

(In Thousands)	Year Ended December 31		
	2025	2024	2023
Total assets	\$ 85,160	\$ 18,878	\$ 8,519
Total non-current financial liabilities	1,787	496	5,196
Distributions or cash dividends declared per-share	-	-	-

#### **REVIEW OF QUARTERLY RESULTS**

(In Thousands)	31/12/2025	30/09/2025	30/06/2025	31/03/2025
Total revenues	\$ 3,647	\$ 1,547	\$ 1,160	\$ 1,547
Gross profit (loss)	\$ (282)	\$ 526	\$ 270	\$ 580
Total comprehensive loss from continuing operations	\$ (18,303)	\$ (2,695)	\$ (12,865)	\$ (5,944)
Basic and diluted loss per share from continuing operations	\$ (0.42)	\$ (0.07)	\$ (0.31)	\$ (0.16)

(In Thousands)	31/12/2024	30/09/2024	30/06/2024	31/03/2024
Total revenues	\$ 1,420	\$ 1,572	\$ 1,144	\$ 1,240
Gross profit	\$ 790	\$ 690	\$ 85	\$ 324
Total comprehensive loss from continuing operations	\$ (11,879)	\$ (3,399)	\$ (2,532)	\$ (672)
Basic and diluted gain (loss) per share from continuing operations	\$ (0.40)	\$ (0.16)	\$ (0.16)	\$ 0.02

The loss per quarter and related net loss per share is a function of the level of activity that took place during the relevant quarter. Total comprehensive losses in the fourth quarter of 2025 and throughout four quarters in 2024 remained consistent. The reason for the losses is due to increased research and development expenses and general and administrative costs, largely due to the Company's expansion ahead of expected increased revenues in future periods.

#### **Analysis of Fourth quarter results**

Revenues for the fourth quarter of 2025 were \$3,647 thousand as compared to \$1,547 thousand for third quarter of 2025. Gross profit (loss) for the fourth quarter of 2025 was \$(282) thousand as compared to a gross profit of \$526 thousand for the third quarter of 2025. Comprehensive loss for the fourth quarter of 2025 was \$18,303 thousand as compared to \$2,695 thousand for third quarter of 2025. The increase is mainly due to increase in general and administration expenses.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred recurring losses and negative cash flows from operating activities since inception, such that as of December 31, 2025, the Company had accumulated losses of \$138,187 thousand and a net loss in the amount of \$38,484 thousand for the year ended December 31, 2025. As of the date of the issuance of the accompanied consolidated 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. Following the equity raised during the first quarter of 2026, the Company has sufficient working capital for at least the next 12 months.

### *Working capital*

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Cash and cash equivalents	\$ 13,525	\$ 13,526
Restricted cash	384	206
Inventories	3,891	796
Investment in financial assets	55,642	-
Short term trade receivables	3,034	2,024
Other accounts receivable	2,937	581
Total current assets	\$ 79,413	\$ 17,133
Short term loan and current portion of long-term loans	9	826
Lease liability	819	217
Trade payables	3,348	1,834
Other accounts payable	2,200	918
Warrant liability	576	7,743
Total current liabilities	\$ 6,952	\$ 11,538
Working capital	\$ 72,461	\$ 5,595

### Cash flow

	<b>Year ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Net cash used in operating activities	(22,907)	(11,711)
Net cash used in investing activities	(57,019)	(269)
Net cash provided from financing activities	81,305	22,807
Increase in cash	1,379	10,827

*Year ended December 31, 2025, compared to the year ended December 31, 2024*

During the year ended December 31, 2025, the Company's overall position of cash increased by \$1,379 as compared to an increase of \$10,827 thousand for the year ended December 31, 2024. This increase can be attributed to the following activities:

Operating activities

The Company's net cash used in operating activities during the year ended December 31, 2025, was \$22,907 thousand as compared to \$11,711 thousand for the year ended December 31, 2024. The increase is due primarily to the increase in the net loss for the period.

Investing activities

Cash used in investing activities for the year ended December 31, 2025, was \$57,019 thousand as compared to \$269 thousand used in investing activities during the year ended December 31, 2024.

Financing activities

Cash provided from financing activities for the year ended December 31, 2025, was \$81,305 thousand, and was mainly due to the issuance of shares and warrants in the amount of \$65,727 thousand, and the exercise of warrants in the amount of \$18,433 thousand and proceeds from receipt of loans in the amount of \$Nil thousand, offset by repayment of loans in the amount of \$808 thousand, and a repayment of a contingent liability in the amount of \$Nil thousand. Cash provided from financing activities for the year ended December 31, 2024, was \$22,807 thousand, and was mainly due to the issuance of shares and warrants in the amount of \$24,435 thousand, and the exercise of warrants in the amount of \$576 thousand and proceeds from receipt of loans in the amount of \$95 thousand, offset by repayment of loans in the amount of \$580 thousand, and a repayment of a contingent liability in the amount of \$1,136 thousand.

*Capital Resources*

The Company is an early-stage technology company focused on research and development of its products and currently does not generate significant cash flows from some areas of its operations.

As at December 31, 2025, the Company had an estimated working capital of \$72.5 million including a cash balance of \$13.5 million.

On January 3, 2024, the Company entered into a securities purchase agreement with certain accredited investors, pursuant to which the Company issued and sold to such investors an aggregate of (i) 1,022,521 common shares, and (ii) warrants to purchase up to up to 511,260 common shares, in a registered direct offering. The common shares were sold at a purchase price of \$1.15 per share and accompanying 0.5 of one Warrant, and each warrant to purchase common shares is for an exercise price equal to \$1.50 per share, exercisable from the date of issuance, and exercisable for a period of two years from the date of issuance. The gross proceeds from the offering were approximately US\$3.2 million, before deducting the offering expenses payable by the Company. The Company paid certain non-US residents fees in connection with the offering, as US\$258 thousand in cash, and issued to such persons warrants to purchase 89,802 common shares. Each warrant exercisable into one common share for an exercise price of \$1.50 with a two-year term. Such warrants were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act for transactions not involving a public offering.

On April 2, 2024, the Company closed a registered direct offering for gross proceeds of approximately \$3.3 million, before deducting the offering expenses payable by the Company, 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 also entered into binding agreements to sell 6,842,857 Shares in a private placement, at a purchase price of \$0.35 per share. In connection with the registered direct offering, the Company issued certain non-U.S. residents 293,776 common shares as finders fees. These finder fees shares were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act, for transactions not involving a public offering and Rule 506(b) promulgated thereunder, as applicable.

On August 12, 2024, the Company closed its previously announced private placement for gross proceeds of approximately \$2.4 million, at a purchase price of \$0.875 per common share and \$0.87475 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 \$0.001 per share. Each pre-funded warrant has an exercise price of \$0.0025 per share and will expire when exercised in full.

Additionally, certain directors and officers of the Company participated in the registered direct offering and the private placement in an amount of \$525 thousand (the “Insider Participation”). The Insider Participation transaction is considered a “related party transaction” within the meaning of Canadian Securities Administrators Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61- 101”). The Company expects to rely on exemptions from the formal valuation and minority approval requirements in sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of the Insider Participation.

On September 24, 2024, the Board approved a 1-for-2.5 reverse stock split. Consequently, all share numbers, share prices, and exercise prices have been retroactively adjusted in this report for all periods presented.

On October 2, 2024, the Company closed a registered direct offering, for gross proceeds of approximately \$4 million, before deducting the offering expenses payable by the Company, at a purchase price of US\$1.875 per share and issued an aggregate of 2,164,000 common shares. The Company paid \$325 thousand and issued warrants to purchase up to 21,333 common shares, for an exercise price of \$0.75 and a four year term, as finders’ fee to a non-US resident in connection with the Registered Direct Offering, which shares were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act, for transactions not involving a public offering.

On October 15, 2024, the Company closed a registered direct offering, for gross proceeds of \$1.8 million, before deducting the offering expenses payable by the Company, at a purchase price of US\$2.80 per share and issued an aggregate of 642,858 common shares. The Company paid \$144 thousand and issued 51,428 common shares as finders’ fee to a non-US resident in connection with the Registered Direct Offering. The Company issued 134,720 common shares to a non-US resident in connection with its offering that closed on October 2, 2024. The finder fees shares were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act, for transactions not involving a public offering.

On December 16, 2024, the Company closed a registered direct offering, for gross proceeds of approximately \$12.5 million, before deducting the offering expenses payable by the Company, at a purchase price of \$6.40 per share and issued an aggregate of 1,947,000 common shares. The Company paid \$997 thousand in cash and issued 146,940 common shares as finders’ fees to certain non-US and non-Canadian residents in connection with the Registered Direct Offering, which shares were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act, for transactions not involving a public offering.

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 (the “Registered Direct Offering”). The offerings closed on January 29, 2025. The total gross proceeds to the company were \$30 million, before deducting underwriting discounts and other offering expenses. Titan Partners Group LLC, a division of American Capital Partners (“Titan Partners”), acted as sole bookrunner for the underwritten public offering. The Company paid \$2.4 million in cash toward underwriter discounts and issued to the Underwriter, or its assignees, five-year warrants to purchase up to 229,688 Common Shares with an exercise price of \$8.00 per share. The Company also issued 60,650 common shares as finders’ fees to a non-US resident in connection with the Registered Direct Offering, which shares were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act, for transactions not involving a public offering.

On September 16, 2025, the Company announced the pricing of an underwritten public offering of 5,625,000 common shares at a public offering price of \$8.00 per share. The offering closed on September 18, 2025. The total gross proceeds to the company were \$45 million, before deducting underwriting discounts and other offering expenses. Titan Partners acted as sole bookrunner for the offering. The Company paid \$2.4 million in cash toward underwriter discounts and issued to the Underwriter, or its assignees, five-year warrants to purchase up to 324,625 Common Shares with an exercise price of \$10.00 per share. The Company also paid certain non-US residents, not related to the underwriter, \$553,000 cash fees in connection with the public offering.

#### *Short-term borrowings*

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

#### *Long-term borrowings*

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

#### *No History of Dividends*

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

### **Management of Capital**

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

The Company intends to grow rapidly and expand its operations within the next 12 to 24 months. This growth, along with the expectation of operating at a loss for at minimum the next 12 months, will diminish the Company's working capital. However, the financings completed in the first quarter of 2025 have provided the Company with sufficient funds to continue for at least the next 12 months. To the extent that the Company raises further capital, any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to and has the ability to reduce the scope of its operations or anticipated expansion.

### **OFF BALANCE SHEET ARRANGEMENTS**

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

## TRANSACTIONS WITH RELATED PARTIES

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

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

The following transactions arose with related parties (in thousands of US Dollars):

	Year ended December 31, 2025				Amounts owing by (to) as of December 31, 2025
	Directors Fees	Consulting Fees/Salaries	Share based awards	Total	
Chairman and former CEO	\$ -	\$ 578	\$ -	\$ 578	\$ (61)
Director and CEO	-	1,161	9,035	10,196	(63)
CFO and director	-	34	8	42	(3)
Directors	21	-	21	42	(2)
	<u>\$ 21</u>	<u>\$ 1,773</u>	<u>\$ 9,064</u>	<u>\$ 10,858</u>	<u>\$ (129)</u>

	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)
	<u>\$ 33</u>	<u>\$ 1,382</u>	<u>\$ 346</u>	<u>\$ 1,761</u>	<u>\$ (76)</u>

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

## **Financial Instruments and Financial Risk Exposure**

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

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

### Market risks:

That part of the Company's' business of providing maintenance services of various electronic systems is highly competitive and involves a certain degree of risk. The Company's business operations will depend largely upon the outcome of continued sales and services to security establishments and the commercialization of its products and services currently in development.

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

## **Critical Accounting Policies and Estimates**

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

### **The useful life of property, plant and equipment**

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

### **Intangible assets**

An impairment test on capitalized development costs is undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability Test includes recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. Where the carrying value of an asset exceeds its recoverable amount (i.e., the higher value in use and fair value less costs to sell), the asset is written down accordingly.

### **Impairment of non-financial assets**

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

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

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

## Goodwill

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

## Derivative liability - Warrants

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

## Determining the fair value of share-based payment transactions:

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

## CURRENT SHARE DATA

A2Z is authorized to issue an unlimited number of Common Shares. As of the date of this MD&A there were 44,545,009 Common Shares issued and outstanding. In addition, the following warrants and options were outstanding:

<b>Outstanding as of the date of this report</b>		<b>Date of expiry</b>	<b>Exercise price USD</b>
88,440	Warrants	April 18, 2026	\$ 22.75
433,825	Warrants	May 28, 2026	\$ 22.75
3,200	Warrants	October 2, 2026	\$ 1.88
183,751	Warrants	January 29, 2030	\$ 8.00
324,625	Warrants	September 16, 2030	\$ 10.00
20,000	Options	June 3, 2026	\$ 15.32
6,670	Options	October 28, 2026	\$ 14.59
360,000	Options	August 2, 2032	\$ 6.49
120,000	Options	August 21, 2032	\$ 7.30
320,000	Options	January 4, 2033	\$ 3.01
40,000	Options	November 25, 2027	\$ 3.67
99,000	Options	April 18, 2033	\$ 2.92
441,000	Options	August 14, 2033	\$ 6.40
105,000	Options	January 15, 2035	\$ 3.67
500,000	Options	February 2, 2035	\$ 2.92
30,000	Options	June 20, 2035	\$ 1.775
187,000	Options	June 20, 2035	\$ 6.40
224,000	Options	October 9, 2035	\$ 8.00
500,000	Options	December 30, 2035	\$ 6.00
1,250,500	Options	December 30, 2035	\$ 8.00
25,000	Options	March 27, 2036	\$ 8.00
<b>5,262,011</b>			

## **Research and Development, Patents and Licenses etc.**

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

As of December 31, 2025, five of our patent applications were protected through pending applications. We file patent applications in the United States and, when appropriate, certain other countries for inventions that we consider significant.

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

Companies in the industry in which we operate frequently are sued or receive informal claims of patent infringement or infringement of other intellectual property rights. We may receive such claims from companies, including from competitors and customers, some of which have substantially more resources and have been developing relevant technology similar to ours. As and if we become more successful, we believe that competitors will be more likely to try to develop products that are similar to ours and that may infringe on our proprietary rights. It may also be more likely that competitors or other third parties will claim that our products infringe their proprietary rights. Successful claims of infringement by a third party, if any, could result in significant penalties or injunctions that could prevent us from selling some of our products in certain markets, result in settlements or judgments that require payment of significant royalties or damages or require us to expend time and money to develop non-infringing products. We cannot assure you that we do not currently infringe, or that we will not in the future infringe, upon any third-party patents or other proprietary rights, but will not and have never done so intentionally.

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 invested \$158 in cash, in exchange for 237,897 ordinary shares, NIS 0.001 par value of Shelfie (the “Shelfie Shares”) based on a price per share of \$0.66, during the year 2024, the Company invested \$42 in cash, in exchange for 65,548 ordinary shares, NIS 0.001 par value of Shelfie based on a price per share of \$0.65, resulting in the Company holding 1.3% of the issued and outstanding shares of Shelfie. As of December 31, 2025, fair value of the Shelfie Shares is \$333 and the Company has recorded a financial gain in the amount of \$123 for the year ended December 31, 2025.

The Company’s former Chairman, Bentsur Joseph, serves as the Chief Executive Officer of Shelfie.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Financial Instruments and Financial Risk Exposure

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

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

### Credit Risk

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

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

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

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

	December 31, 2025	December 31, 2024
Cash and cash equivalents	\$ 13,525	\$ 13,526
Restricted deposits	384	206
Investment in financial assets	55,642	-
Short term and long term trade receivables	4,255	2,024
Long term financial assets at fair value	333	200
Other accounts receivable	2,937	581
<b>Total</b>	<b>\$ 77,076</b>	<b>\$ 16,537</b>

## 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 relatively 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.

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than its functional currency. The Company buys its inventories mostly in USD and sells its products in NIS. Foreign exchange exposures are managed within utilizing forward foreign exchange contracts.

As of December 31, 2025, 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 \$838.

## Liquidity Risk:

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	Within 1 year	over 1 year
	amounts		
Trade payables	\$ 3,348	\$ 3,348	\$ -
Other accounts payable	\$ 2,200	\$ 2,200	\$ -
Loans	\$ 38	\$ 9	\$ 29
Lease liability	\$ 2,577	\$ 819	\$ 1,758

## Interest Rate Risks:

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

During 2025 and 2024, the Company's borrowings at variable rate were denominated in NIS.

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

## **Capital Management:**

The Company considers its capital to be comprised of shareholders' equity. The Company's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2025. There are no externally imposed restrictions on the Company's capital.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2025. Based on this evaluation, management concluded that, as of December 31, 2025, the Company's disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below.

### **Management's Annual Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS as issued by the IASB.

Management assessed the effectiveness of ICFR as of December 31, 2025 based on the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management identified material weaknesses in controls over inventory, payroll and accounts payable. A material weakness is a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected on a timely basis.

As a result of these material weaknesses, management concluded that the Company's ICFR was not effective as of December 31, 2025.

### **Remediation Efforts**

During 2025, the Company initiated remediation actions to address the identified material weaknesses. These actions included engaging an external SOX advisor to assist with control design, documentation and testing, hiring additional personnel within the finance and operations functions to enhance segregation of duties and strengthening oversight procedures.

During 2025, six key control areas were tested. Based on testing performed, controls over cash, equity, payroll and financial reporting were determined to be effective however, material weaknesses were identified in controls over procurement to pay and inventory management and counts. In addition, the Company prepared during 2025 for the implementation of a new enterprise resource planning (ERP) system, which became effective January 1, 2026. Although management believes these actions will strengthen the overall control environment, the remediation measures were not fully implemented and tested as of December 31, 2025. Accordingly, the material weaknesses described above had not been remediated as of year-end.

Management will continue to monitor the effectiveness of the remediation measures and will evaluate whether the identified material weaknesses have been remediated in future reporting periods following sufficient time and testing.

### **Changes in Internal Control Over Financial Reporting**

Except for the remediation activities described above, there were no changes in the Company's internal control over financial reporting during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding ICFR as the Company is an emerging growth company and is exempt from such requirement.