

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Financial Report - December 31, 2021

Roots Sustainable Agricultural Technologies Ltd

December 31, 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Statements of Financial Position	4-5
Statements of Comprehensive Loss	6
Statements of Changes in Equity (deficit)	7-8
Statements of Cash flows	9
Notes to the Financial Statements	10-36

All amounts are stated in U.S. dollars (\$)

Independent Auditors' Report to Shareholders of Roots Sustainable Agricultural Technologies Ltd.

Opinion

We have audited the accompanying financial report of Roots Sustainable Agricultural Technologies Ltd (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the related statements of comprehensive income, changes in equity (deficit) and cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related going concern

We draw attention to note 1(B) of the financial report, which indicates that, the company has incurred negative cash from operation of 2,389 USD and net losses of USD 2,344 thousand during the year ended December 31, 2021. As stated in note 1(B), these matters, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of that matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Government grants	How the matter was addressed in our audit
<p>Government grants received by the Company in Israel are recognized as a liability as they are required to be repaid over time, with the timing of repayment varying based on the selling forecast and the timing of recognition of revenue. Grants' liabilities are therefore recognized at their fair value on the receiving dates and after initial recognition, the liability is measured at amortized cost using the effective interest method.</p> <p>There is a risk that the Company may incorrectly measure the fair value and the amortized cost of the liability.</p> <p>The accounting policy for government grants is described in Note 2(E), and the breakdown of the associated liability is disclosed in Note 8(C) of the accompanying financial report.</p>	<p>Our procedures in respect of this area included:</p> <ul style="list-style-type: none">• Reviewing the terms of the grant agreements and ensuring that they were appropriately accounted for in the measurement of the liability.• Agreed the key assumptions, inputs and royalty rates to the approved budget and to the terms of the underlying grant agreements. Holding discussions with key management personnel to understand management's sales forecast and the associated assumptions in determining the fair value and the amortized cost of the grant liability.• Evaluating, with our valuation experts, the discount rate applied in calculating the fair value as used by the Company's independent valuation expert.

Going concern – note 1B	How the matter was addressed in our audit
<p>In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matter described below to be a key audit matter to be communicated in our report.</p> <p>As at 31 December 2021 the Company has current assets of USD 3,468 thousand, includes cash and cash equivalents of USD 1,777 thousand and current liabilities of USD 670 thousand.</p> <p>According to the Company's projected 12 month cash flow forecast an outgoing of approximately USD 2,500 thousand is expected.</p> <p>The Company's ability to pay its trade and other payables over the next 12 months is dependent upon generating enough revenue from its operations and additional capital raisings</p> <p>There is a risk that the Company may not be able to pay its debts when they fall due, therefore is key audit matter.</p>	<p>Our procedures in respect of this area included:</p> <ul style="list-style-type: none"> • Reviewing the Company's 12 month cash flow forecast and holding discussions with management regarding the accuracy of the projected operational expenditure and revenue from its operations. • Obtained management representation relating to reliability of future capital raising and the accuracy of operational expenditure for the next 12 month.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the directors' report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the management and directors for the Financial Report

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

In preparing the financial report, the Management and the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

David Wertheimer
Partner
Tel-Aviv, Israel
March 31, 2022

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Financial Position**

	Note	As at December 31,	
		2021	2020
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,424	3,067
Restricted cash	6.B	42	84
Trade receivables		62	126
Other accounts receivables	4	249	191
Total Current Assets		1,777	3,468
Non-Current Assets			
Property and equipment, net		46	56
Total Non-Current Assets		46	56
TOTAL ASSETS		1,823	3,524

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

Roots Sustainable Agricultural Technologies Ltd**ARBN 619 754 540****Statements of Financial Position**

	Note	As at December 31,	
		2021	2020
		\$'000	\$'000
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables		28	86
Other account payables	5	458	568
Derivative liability – warrants		184	-
Total Current Liabilities		670	654
Non-Current Liabilities			
Derivative liability – warrants		-	76
Governmental liabilities on grants received	6.C	368	356
Total Non-Current Liabilities		368	432
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	7	18,228	17,553
Warrants		164	164
Foreign currency translation reserve		(142)	(158)
Accumulated losses		(17,465)	(15,121)
Total equity		785	2,438
TOTAL LIABILITIES AND EQUITY		1,823	3,524

March 31, 2022
Date of approval of the financial
statements

Boaz Wachtel
Chief Executive officer
& Director

Moshe Hukaylo
Chief Financial officer

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Comprehensive loss

	Note	For the year ended December 31,	
		2021	2020
		\$'000	\$'000
Revenues	10	187	107
Cost of revenues		117	94
Gross profit		70	13
Research and development expenses, net	11	490	349
Marketing, distribution and business development expenses	12	605	751
General and administrative expenses	13	1,093	1,909
Loss from operations		2,118	2,996
Finance expense	14	294	251
Finance income	14	68	45
Loss before income tax		2,344	3,202
Income tax	15	-	-
Net loss		2,344	3,202
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss:</i>			
Translation adjustment to the presentation currency		(16)	(19)
Total comprehensive loss		2,328	3,183
Loss per share			
Basic and diluted loss per share (\$)	7,9	(0.004)	(0.014)

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Changes in Equity (deficit)

For the year ended December 31, 2021:

	Note	Share Capital and premium \$'000	Warrants \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Deficit \$'000	Total Equity \$'000
Balance at January 1, 2021		17,553	164	(158)	(15,121)	2,438
Changes during the period:						
Comprehensive loss:						
Loss for the period		-	-	-	(2,344)	(2,344)
Other comprehensive loss:						
Translation differences		-	-	16	-	16
Total comprehensive loss for the period		-	-	16	(2,344)	(2,328)
Issuance of shares, net	7	377	-	-	-	377
Issuance of Performance rights	8(b)	56	-	-	-	56
Issuance of shares to suppliers in lieu of cash payment		39	-	-	-	39
Share-based compensation	8(a)	203	-	-	-	203
Balance as of December 31, 2021		<u>18,228</u>	<u>164</u>	<u>(142)</u>	<u>(17,465)</u>	<u>785</u>

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Changes in Equity (deficit)

For the year ended December 31, 2020:

		Share Capital and premium	Warrants	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2020		11,468	164	(177)	(11,919)	(464)
Changes during the period:						
Comprehensive loss:						
Loss for the period		-	-	-	(3,202)	(3,202)
Other comprehensive loss:						
Translation differences		-	-	19	-	19
Total comprehensive loss for the period		-	-	19	(3,202)	(3,183)
Issuance of shares, net	7	4,642	-	-	-	4,642
Conversion of convertible notes to shares		106	-	-	-	106
Conversion of short term loans to shares		318	-	-	-	318
Issuance of shares to suppliers in lieu of cash payment	7	422	-	-	-	422
Share-based compensation		597	-	-	-	597
Balance as of December 31, 2020		17,553	164	(158)	(15,121)	2,438

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

Roots Sustainable Agricultural Technologies Ltd

ARBN 619 754 540

Statements of Cash Flows

	Note	For the year ended December 31,	
		2021	2020
		\$'000	\$'000
Cash Flows from Operating Activities:			
Net loss for the year		(2,344)	(3,202)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation		17	16
Share-based compensation expenses		133	226
Changes in fair value of derivatives		(64)	39
Changes in fair value of convertible notes		-	(72)
Change in liability for grants received from the IIA		(125)	(41)
Interest on liability for grants received from the IIA		92	89
Finance expense, net		(16)	15
Interest on short term loans		-	111
Change in trade receivable		67	33
Change in other receivable		(50)	(30)
Change in trade payable		(18)	342
Change in other payable		(78)	11
Net cash used in operating activities		(2,386)	(2,463)
Cash Flows From Investing Activities:			
Purchase of property and equipment		(5)	(13)
Change in restricted cash		43	(39)
Net cash provided by (used in) investing activities		38	(52)
Cash Flows From Financing Activities:			
Receipt of short term loans		-	183
Net proceeds from issuance of shares		-	5,013
Net proceeds from issuance of unit of securities	7	672	-
Net cash provided by financing activities		672	5,196
Increase (decrease) in cash and cash equivalents		(1,676)	2,681
Translation differences on cash and cash equivalents		33	45
Cash and cash equivalents at beginning of the year		3,067	341
Cash and cash equivalents at the end of the year		1,424	3,067

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

NOTE 1 - GENERAL:

- A. Roots Sustainable Agricultural Technologies Ltd (the "Company") was incorporated in Israel on 20 April 2009 but commenced its operations in November 2012. The Company is listed, and its shares are publicly traded on the Australian Securities Exchange ("ASX").

Roots is an agriculture technology company focused on developing, producing and commercializing precision agriculture technologies that address difficult weather conditions, improve crop yields and provide water for irrigation in a cost effective and environmentally sustainable manner.

The formal address of the Company is Hamezach 1 Str. Kefar Vitkin, Israel.

- B. The company is in its commercialization stage and does not generate significant revenue in this stage and financed its operation up to date mainly by issuance of shares. As of December 31, 2021 the Company has incurred negative cash from operation of 2,386 USD and net losses of USD 2,344 thousand for the current year. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceed from future fund raising in addition to revenues backlog. The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

- C. The world Health Organization declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, A Layout has experienced significant disruption to its operations in the following respects:

- The closure of many retail locations due to local governments mandating that shopping centers and other 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for certain products as a consequence of social distancing requirements and recommendations; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for A Layout's primary products.

The significant events and transactions that have occurred since 31 December 2020 relate to the effects of the global pandemic on A Layout's interim consolidated financial statements for the year ended 31 December 2021 and are summarized as follows.

NOTE 1 – GENERAL (CONT.):

The COVID-19 had no material effect on Roots financial position, however the effects on the activity were as follows:

1. The company intentionally reduced its work force to adopt to the new situation and decrease in activity, which resulted in reduced monthly expenditure.
2. Slowed down the overall business activity.
3. Shift in focus from international market to domestic market.
4. Developed strategic alliances in Israel to boost sales and streamline operation.
5. Launched North America S&M marketing campaign to prepare to market opening.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

A. Basis of preparation:

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention unless otherwise stated below.

B. Estimates and assumptions:

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

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 3.

C. Functional and reporting currency:

The majority of the Company's costs are incurred in New Israeli Shekel (hereafter "NIS"). Thus, the functional currency of the Company is NIS.

The financial statements are presented in United States Dollars, which provides relevant information for the majority of investors and users of the financial statements. All values are rounded to the nearest dollar unless otherwise stated.

Assets and liabilities are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recognized on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction.

E. Governmental liabilities on grants received:

Grants received from the IIA for Israel Innovation Authority (henceforth "IIA") as support for a research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from the IIA are accounted for as forgivable loans, accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest at the date of receiving the grant, unless there is reasonable assurance that the company will meet the conditions for the forgiveness of the loan, then recognized as a government grant. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

F. Cash equivalents:

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

G. Restricted cash:

Restricted cash is considered by the Company to be deposits with banks which are used mainly as a security for guarantees provided against payable payments in advance.

H. Deferred taxation:

Deferred tax asset or liability is recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax asset is restricted to

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

those instances where it is probable that such difference can be utilized. As of December 31, 2021 and 2020, since it is not probable that taxable profit will be available in the foreseen future therefore no deferred tax assets recognized.

I. Impairment of non-financial assets:

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 the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Company of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

During the years 2021 and 2020 no impairment charges of non-financial assets were recognized.

J. Fair value measurement:

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of fair value hierarchy

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

- | | |
|---------|---|
| Level 1 | - Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. |
| Level 3 | - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data). |

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Financial instruments:

1. Financial assets:

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

Amortized cost

These assets arise principally from bank deposits, restricted cash, provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Company measures provision of expected credit loss for financial assets at amortized cost, For December 31, 2021 and 2020, the provision is not material.

2. Financial Liabilities:

The Company classifies its financial liabilities into one of two categories:

Amortized cost

These liabilities include Governmental liabilities on grants received and trade payables, initially recognized at fair value less transaction costs that are directly attributable to the issue of the instrument, and are subsequently carried at amortized cost using the effective interest rate method.

Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss (convertible notes) and derivatives (Derivative liability – warrants).

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

3. Derecognition:

Financial assets

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or Cancelled, or expire.

Extinguishing Financial Liabilities with Equity Instruments

When the Company issues equity instruments to a creditor to extinguish all or part of a financial liability, the Company derecognizes the financial liability fully or partly. The Company measures the equity instruments issued to the creditor at their fair value (or, if fair value is not reliably determinable, at the fair value of the liability extinguished). The Company recognizes in profit or loss any difference between the carrying amount of the financial liability (or part) extinguished and the measurement of the equity instruments issued.

4. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

5. Derivative liability - Warrants:

Warrants that are denominated in a currency other than the functional currency of the Company are considered a derivative liability and are classified as financial liabilities at fair value through profit or loss.

L. Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

M. Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Revenues from Construction Contracts

The Company design and execute installation projects in the field of agriculture. The Company recognizes income from construction contracts over time, since the Company's performance creates an asset that the customer controls as the asset is created. Revenues are recognize by the input methods.

The Company recognizes revenue based on the cost incurred to date. It is determined by dividing actual completion costs incurred to date by the total completion costs anticipated.

When a loss from a contract is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated, as assessed by the company's management.

The payment terms in the projects are based on milestones set at the date of signing the contract and are based mainly on the rate of progress. For this reason, the Company is not expected to recognize contract assets or contract liabilities in significant amounts in relation to these contracts.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

N. Assets and liabilities arising from contracts with customers

Contract assets

A contract asset is the Company's right to consideration in exchange for goods or services the entity has transferred to a customer that is conditional on something other than the passage of time.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

O. Property, plant and equipment:

Property and equipment are stated at cost, net of accumulated depreciation and net of impairment. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following rates:

	<u>%</u>
Computer equipment	33
Machinery and equipment	7-20
Vehicles	15

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

P. Employee benefits:

1. Short-term employee benefits: Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid sick leave, recreation, and social security contributions and are recognized as expenses as the services are rendered.

2. Post-employment benefits: The Company's obligation to pay severance to its employees pursuant to section 14 to the Severance Pay Law and the provident component that the Company is obligated to deposit in favor it's employees are treated as defined contribution plans.

The Company pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution.

Q. Operating Segment

The company currently conduct its operation through one operating segment

R. Share-based payments:

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

S. Research and Development:

Costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

During the years 2021 and 2020 the company didn't stand in the following criteria therefore all research and development recognized as expenses.

T. Issuance costs:

The company allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, were recognized as an expense in the statement of comprehensive income. Costs that were related to both share issuance and listing were allocated between those functions based on the number of shares.

U. Earnings (loss) per share:

Earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

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

V. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs (note 2T).

Warrants

Warrants to acquire a fixed number of the Company's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

W. Leases

The company has a contract with lease terms of 12 months or less. The company applies exemptions from the recognition 'short-term lease'.

X. New standards, interpretations and amendments not yet effective

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

- **IAS1 - Presentation of Financial Statements**

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

The Company is currently evaluate the impact of IAS 1 amendments, however, at this stage it is unable to assess such impact.

- **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Regarding the Definition of Accounting Estimates)**

The definition of "change in accounting estimate" has been replaced by the definition of "accounting estimates". Accounting estimates under the new definition are "financial amounts in the financial statements subject to measurement uncertainty." The amendment clarifies that a change in an accounting estimate resulting from new information or new developments is not a correction of an error. In addition, the effects of a change in input or measurement technique used to develop an accounting estimate do not constitute a change in accounting estimates if those changes do not result from the correction of errors in a prior period.

The amendment will be applied from now on for annual reporting periods beginning on or after January 1, 2023. Early application is possible. The Company is currently evaluating the impact of the amendments, however, at this stage it is unable to assess such impact.

- **Onerous Contracts - Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The adoption of IAS 37 amendments will not have material impact on the financial statements.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position is Governmental liabilities on grants received.

Governmental liabilities on grants received

The Company measured governmental liabilities on grants received, each period, based on discounted cash flows derived from Company's future anticipated revenues. The discount rate reflect the market rate at the date of receiving the grant. A change in the estimate within a reasonable range will not result a material change of the liability.

NOTE 4 - OTHER ACCOUNTS RECEIVABLES:

	As at December 31,	
	2021	2020
	\$'000	\$'000
Government institutions	67	50
Prepaid expenses	153	70
Other receivables	29	71
	249	191

NOTE 5 - OTHER ACCOUNTS PAYABLES:

	As at December 31,	
	2021	2020
	\$'000	\$'000
Employees and related institutions	158	112
Accrued expenses	135	166
Governmental liabilities on grants received (Note 6.C)	25	70
Liabilities to related parties	140	136
Other payables	-	84
	458	568

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES:

- A. The Company leases premises for its offices and R&D center in Bet Halevi. The initial contract period ended December 31, 2020. According to the lease agreement, the Company has five consecutive options each for 12 months at its discretion. The management estimates a lease period of 12 months during 2022. Total rent expenses for the years ended December 31, 2021 and 2020 were 14 and 11 thousand U.S. dollars respectively.
- B. As of December 31, 2021 and 2020, the Company has a lien in first degree to the bank in amount of approximately 42 and 84 thousand U.S. dollars, respectively on a bank deposit account and all cash and securities deposited in them.
- C. The Company participates in programs sponsored by the Israel Innovation Authority ("IIA"), for the support of several research and development projects programs which subjected to royalties, while others are not (the company is committed to pay royalties for the R&D programs, while the research programs does not require repayment). In exchange for the IIA's participation in the programs, the Company is required to pay royalties to the IIA at a rate of 3% of sales of developed products linked to U.S. dollars, until repayment of 100% of the amount of grants received, plus annual interest at the LIBOR rate. The Company is required to pay royalties, to the IIA, of sales to end customers of products developed with funds provided by the IIA, if and when such sales are recognized. As of December 31, 2021 and 2020 the Company has not received grants, the aggregate governmental liabilities was 800 thousands U.S. dollars, respectively. The exceptions of the Company to pay the grants are based on its estimation at the end of the each year. During 2021 the company didn't pay royalty to the IIA.

Changes in liabilities arising from financing activities

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows:

	Governmental liabilities on grants received	Derivative liability – warrants
	\$'000	\$'000
At 1 January 2021	426	76
Changes from financing cash flows		
Issuance of warrants	-	168
Total changes from financing cash flows	-	168
Changes in fair value	-	(60)
Change in liability	(124)	-
Interest on liability	93	-
The effect of changes in foreign exchange rates	-	-
At 31 December 2021	393	184

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

	Governmental liabilities on grants received	Derivative liability – warrants	Convertible notes	Short term loan
	\$'000	\$'000	\$'000	\$'000
At 1 January 2020	378	32	178	-
Changes from financing cash flows				
Receipt of short term loans	-	-	-	242
Repayment of short term loans	-	-	-	(59)
Total changes from financing cash flows	-	-	-	183
Conversion of short term loans to shares	-	-	-	(313)
Changes in fair value	-	44	(72)	-
Change in liability	(41)	-	-	-
Conversion of convertible notes to shares	-	-	(106)	-
Interest on short term loans	-	-	-	111
Interest on liability	89	-	-	-
The effect of changes in foreign exchange rates	-	-	-	19
At 31 December 2020	426	76	-	-

NOTE 7 - SHAREHOLDERS EQUITY:

	Number of shares			
	December 31, 2021		December 31, 2020	
	<u>Authorized</u>	<u>Issued and outstanding</u>	<u>Authorized</u>	<u>Issued and outstanding</u>
Ordinary shares of NIS 0.01 par value	1,000,000,000	749,632,688	1,000,000,000	539,783,931
Warrants	5,758,592	5,758,592	5,758,592	5,758,592

The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of the Company, including, the right to receive notices of and to attend meetings of shareholders; for each share held, the right to one vote at all meetings of shareholders; and to share equally, on a per share basis, in such dividend and other distributions to shareholders of the Company as may be declared by the Board of Directors and upon liquidation or dissolution of the Company, in the distribution of assets of the Company legally available for distribution to shareholders in accordance with the terms of applicable law. All Ordinary Shares rank pari-passu in all respects with each other.

NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

Movements in ordinary shares:

	2021	2020
	\$'000	
Balance as of January 1	539,783,931	120,764,335
Conversion of short-term loans to shares	-	18,000,000
Conversion of convertible notes to shares	-	5,982,385
Issuance of shares to directors (note 7g)	1,223,125	-
Issuance of shares to advisor (note 7h)	42,367,533	-
Issuance of shares to suppliers and employees in lieu of cash payment (note 7i)	6,001,688	27,682,413
Issuance of unit of shares (note 7j)	160,256,411	367,354,798
Balance as of December 31	749,632,688	539,783,931

A. During 2020, the Company issued the following CDIs in lieu of cash payments:

- a. 4,000,000 CDIs to contractors of the Company on 28 February 2020.
- b. 12,480,433 CDIs to contractors of the Company on 28 August 2020.
- c. 4,000,000 CDIs to contractors of the Company on 1 September 2020.
- d. 2,800,000 CDIs to contractors of the Company on 1 September 2020.
- e. 2,454,063 CDIs to contractors of the Company on 18 December 2020.
- f. 1,947,917 CDIs to employee of the Company on 18 December 2020

The Company did this to preserve its cash reserves.

B. In February 2020, the Company announced that it had received firm commitments to raise up to AUD 0.5 million before expenses, by way of a placement of up to 15,151,515 CDIs at AUD 0.033 per CDI to sophisticated and professional investors. Issue of the CDIs was made on 13 February 2020 under the Company's available placement capacities with 2,841,909 CDIs issued under Listing Rule 7.1 and 12,309,606 CDIs issued under Listing Rule 7.1A.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 2,000,000 CDIs. The total fair value of the shares is \$ 44 thousand

C. In May 2020 the Company announced that it had received firm commitments to raise up to AUD 280,000 before expenses, by way of a placement of up to 15,555,556 CDIs at AUD 0.018 per CDI to sophisticated and professional investors. The CDIs were issued on 27 May 2020.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 1,000,000 CDIs. The total fair value of the shares is \$ 12 thousand

NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

D. During May 2020, the company approved the issuance of 16,500,000 CDIs to contractors of the Company as stock based compensation. The total fair value of the shares at the amount of \$ 228 thousand was expensed through profit and loss.

E. In August 2020, the Company announced that it had received firm commitments to raise up to AUD 2.510 million before expenses, by way of a placement of up to 156,875,000 CDIs at AUD 0.016 per CDI to sophisticated and professional investors. The CDIs were issued on 27 May 2020.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 10,000,000 CDIs. The total fair value of the shares is \$ 118 thousand.

F. In December 2020, the Company announced that it had received firm commitments to raise up to AUD 2.510 million before expenses, by way of a placement of up to 179,772,727 CDIs at AUD 0.022 per CDI to sophisticated and professional investors. The CDIs were issued on 11 December 2020.

Everblu Capital Pty Ltd acted as lead manager for the capital raising and received a fee of 6% of the total funds raised and, subject to receipt of prior shareholder approval to be sought at a future general meeting – 11,867,553 CDIs. The total fair value of the shares is \$ 197 thousand.

G. On October 2021, the Company issued 1,223,125 CDIs to Directors for services rendered in lieu of cash fees. This offering was reflected in the financial statements for 2020.

H. On October 2021, the Company issued 42,367,533 CDIs to Everblu Capital (the Company's Corporate Advisor and Lead Manager) for capital raising and corporate advisory services provided over a period commencing from October 2019 to December 2020.

I. On October 2021, the Company issued 6,001,688 CDIs to contractors of the Company for services rendered in lieu of cash fees.

J. On December 2021, the Company announced that it had raised AUD 1million from Issuance of a unit of securities, before expenses, by way of a placement of up to 160,256,410 CDIs at AUD 0.00624 per CDI to sophisticated and professional investors. In addition, the Company issued option for every CDIs to investors:

(1) 40,064,103 options, which have an exercise price of AUD 0.02, exercisable over a period of 1.8 years.

(2) 120,192,308 options (pending approval of the shareholders meeting), which have an exercise price of AUD 0.0125, exercisable over a period of 1.8 years.

NOTE 7 - SHAREHOLDERS EQUITY (CONT.):

K. Everblu Capital Pty Ltd (EverBlu) acted as Lead Manager to the Offer and as part of its mandate received (pending approval of the shareholders meeting) 40,064,103 Options exercisable over a period of 1.8 years with an exercise price of AUD0.02 and 120,192,308 Options over a period of 1.8 years with an exercise prices of AUD0.0125, on the same terms as those the subject of the Offer. The value of the 40,064,103 options is \$29 thousand and total value of the 120,192,308 options is \$141 thousand. In addition, EverBlu received AUD 60 thousand in cash.

The options valued using the Black Scholes option valuation methodology based on the following data and assumptions:

Unlisted Options	40,064,103	120,192,308
Share price	AUD0.006	AUD0.006
Exercise price	AUD0.02	AUD0.0125
Risk-free interest rate	0.588%	0.588%
Expected average life	1.8 years	1.8 years
Expected volatility	100%	100%

NOTE 8 - SHARE BASED PAYMENT:

A. Options granted to employees and service providers:

	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		NIS		NIS
Options outstanding as beginning of year	1,935,500	0.04	2,083,500	0.04
Changes during the year:				
Granted (1)	4,833,333	0.01	-	0.04
Granted (2)	1,000,000	0.01	-	-
Forfeited	-	-	(148,000)	-
Exercised	-	-	-	-
Options outstanding at end of year	<u>7,768,833</u>	<u>0.05</u>	<u>1,935,500</u>	<u>0.04</u>
Options exercisable at year-end	<u>7,768,333</u>	<u>0.04</u>	<u>1,897,438</u>	<u>0.04</u>

* The options outstanding at 31 December 2021 had a weighted-average contractual life of 2 year.

** The exercise price of options outstanding at 31 December 2021 ranged between NIS 0.01 and NIS 0.06.

NOTE 8 - SHARE BASED PAYMENT (CONT.):

1. On October 2021, the Company issued 4,833,333 unlisted options to directors. These options are exercisable over a period of 5 years with an exercise price of NIS0.01. The total value of the options are \$ 27 thousand and as of December 31, 2021 the company recognized as an expense.
2. 1,000,000 Listed Options issued to Everblu Capital (the Company's Corporate Advisor and Lead Manager) for capital raising and corporate advisory services provided over a period commencing from October 2019 to December 2020. The total fair value of the shares is \$ 7 thousand.
The options valued using the Black Scholes option valuation methodology based on the following data and assumptions:

Share price	AUD0.009
Exercise price	NIS0.01
Risk-free interest rate	1.02%
Expected average life	5 years
Expected volatility	100%

B. Performance rights:

The Performance Rights valued using option valuation methodology based on the following data and assumptions:

Data related to the Performance rights as of December 31, 2021 and changes during the two years ended on that date are as follows:

	2021	2020
	Number of rights	Number of rights
Performance rights outstanding as beginning of year	16,166,666	19,133,333
Changes during the year:		
Granted (*)	18,000,000	
Forfeited	(11,766,666)	(2,966,667)
Exercised	-	-
Performance rights outstanding at end of year	22,400,000	16,166,666
Performance rights exercisable at year-end	-	2,966,667

(*) On September 16, 2021 the company has agreed to issue an aggregate of 18,000,000 Performance Rights with exercise price of NIS 0.02 to Boaz Wachtel and Sharon Devir, each received 9,000,000 Performance Rights on the terms and conditions set out below:

Class H - 6,000,000 Performance Rights - Within 36 months of the date of issue of PR's:

- a. company executing a joint venture agreement with a company with a synergetic technology to the company, and
- b. company recording a least AUD100,000 pursuant to the joint venture within the first 12 months from the date of execution of the joint venture within 36 months of the date of issue of PR's.

NOTE 8 - SHARE BASED PAYMENT (CONT.):

B. Performance rights (CONT.):

Class I - 6,000,000 Performance Rights - Company recording gross sales of AUD500,000 within 18 months of the date of issue of PR's.

Class J - 6,000,000 Performance Rights - Company recording gross sales of AUD300,000 as a result of signing letter of intent or definitive dealership agreement in at least 3 new territories within 24 months of the date of issue of PR's.

The value of the Performance Rights was using the Black Scholes valuation methodology based on the following data and assumptions:

Performance Rights	Class H	Class I	Class J
Share price	AUD0.009	AUD0.009	AUD0.009
Risk-free interest rate	0.001%	0.003%	0.005%
expected average life	1 years	1.5 years	2 years
expensed	\$ 16 thousand	\$ 19 thousand	\$ 21 thousand
Expected Volatility	100%	100%	100%

The total fair value of performance shares at the amount of \$ 56 thousand was expensed through profit or loss.

NOTE 9 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	For the year ended December 31,	
	2021 \$'000	2020 \$'000
Net loss used in basic and diluted EPS	(2,344)	(3,202)
Weighted average number of shares used in basic and diluted EPS	556,831,758	227,654,071
Basic and diluted net EPS (dollars)	(0.004)	(0.014)

At 31 December 2021, 22,400,000 Performance Rights and 47,832,936 options (2020: 16,166,666 Performance Rights and 1,935,500 options) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

NOTE 10 - REVENUE:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
<i>Primary Geographic Markets</i>		
Asia	59	-
Australia	6	-
America	41	-
Israel	81	107
Total	187	107

All revenues were derived from 10 customers

NOTE 11 - RESEARCH AND DEVELOPMENT EXPENSES, NET:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Salaries and benefits	419	147
Subcontractors	70	157
Materials	89	16
Legal fees	31	60
Other	5	10
	614	390
Governmental Grants received and changes in liability, net	(124)	(41)
Total	490	349

NOTE 12- MARKETING, DISTRIBUTION AND BUSINESS DEVELOPMENT EXPENSES:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Business development	213	400
Salaries and benefits	338	233
Marketing	-	47
Other	54	71
Total	605	751

NOTE 13 - GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Salaries and benefits	172	102
Share based payment	84	225
Consulting	267	368
Public Relations	77	893
Professional fees	178	144
Insurance	51	58
Rental and office expenses	48	35
Refreshments	11	9
Advertising	134	7
Other	71	68
Total	1,093	1,909

NOTE 14 - FINANCE EXPENSE AND INCOME:

Finance expense:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Changes in fair value of convertible notes	-	13
Net foreign exchange loss	122	-
Interest on governmental liabilities on grants received	92	89
Interest and bank charges and other	4	100
Issuance fees	76	3
Changes in fair value of derivative liability – warrants	-	46
Total finance expense	294	251

Finance income:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Changes in fair value of derivative liability – warrants	68	-
Net foreign exchange gain	-	45
Total finance income	68	45

NOTE 15 - TAXATION:

A. Israeli tax rates:

Israeli corporate tax rates are 23%.

B. Net operating losses carry forward:

As of December 31, 2021, the Company has estimated carry forward tax losses of approximately 15 million U.S. dollars, which may be carried forward and offset against taxable income for an indefinite period in the future. Deferred tax asset on the company's losses was not recognized since it is not probable that taxable profit will be available in the foreseen future.

C. Reconciliation of effective tax rate:

The adjustments for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Loss before income tax	(2,344)	(3,202)
Tax computed at the corporate rate in Israel	539	736
losses for which no deferred tax asset is recognized	(539)	(736)
Total income tax expense	-	-

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company holds the following financial instruments:

Financial assets	2021	2020
	\$'000	\$'000
<i>Financial assets at amortized cost</i>		
Cash and cash equivalents	1,424	3,067
Restricted cash	42	84
Trade receivables	62	68
Other accounts receivables	29	71
	1,557	3,290
Financial liabilities	2021	2020
	\$'000	\$'000
<i>Financial liabilities at amortized cost</i>		
Trade and other payables	303	388
Governmental liabilities on grants received	393	426
	696	814
<i>Financial assets at fair value</i>		
Derivative liability – warrants	184	76
	184	76

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, trade payables and other liabilities. 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, currency risk and liquidity risk. The Company has no interest rate risk as the balance exposure to interest is minimal. The risk management policies employed by the Company to manage these risks are discussed below.

A. Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from deposits with banks and financial institutions and other financial instruments.

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Trade receivables and contract assets

The Company believes that there is no material credit risk in light of Company's policy to assess the credit risk instruments of customers before entering contracts. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Cash and cash equivalents and deposits with banks

The Company holds cash and cash equivalents and deposit accounts in big banking institutions in Israel and in the Australia, thereby substantially reducing the risk to suffer credit loss

B. Foreign currency risk:

Foreign exchange risk arises when the company enter into transactions denominated in a currency other than its functional currency. The company is exposed to currency risk to the extent that there is a mismatch between the currency in which it denominated and the respective functional currency of the company.

The currencies in which some transactions are primarily denominated are US dollars and Australian dollars.

The company's policy is not to enter into any currency hedging transactions. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	As at December 31, 2021			
	US dollar	AUD	EURO	Total
Assets				
Cash And cash equivalents	24	1,368	6	1,398
Trade receivables	48	-	-	48
	72	1,368	6	1,446
Liabilities				
Trade and other payables	41	34	-	75
Derivative liability – warrants	-	184	-	184
Governmental liabilities on grants received	393	-	-	393
	434	218	-	652

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	As at December 31, 2020			
	US dollar	AUD	NIS	Total
Assets				
Cash And cash equivalents	27	2,871	169	3,067
Restricted cash	-	-	84	84
Trade receivables	48	-	20	68
Other accounts receivables	58	-	13	71
	133	2,871	286	3,290
Liabilities				
Trade and other payables	18	130	240	388
Derivative liability – warrants	-	76	-	76
Governmental liabilities on grants received	426	-	-	426
	444	206	240	890

Analysis:

A 5% strengthening of the NIS against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 5% weakening of the NIS against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	2021	2020
Linked to US dollar	(362)	(311)
	5%	5%
	18	16
Linked to AUD	1,150	2,665
	5%	5%
	58	133

C. Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Company has no material obligation beyond one year (the liabilities for governmental institutes depends on achieving future revenues) and has a negative working capital and cash in bank to finance its working capital in the near future.

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments except for governmental liabilities on grants received which based on the repayment forecast of the management of the company

December 31, 2021:

	Amortized cost						Total
	Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	
U.S. dollars in thousands							
Trade and other accounts payables	(303)	(303)	-	-	-	-	(303)
Governmental liabilities on grants received	(393)	(30)	(90)	(180)	(270)	(230)	(800)
Total	(696)	(333)	(90)	(180)	(270)	(230)	(1,103)

December 31, 2020:

		Amortized cost					
Book value	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	Total	
U.S. dollars in thousands							
Trade and other accounts payables	(388)	(388)	-	-	-	(388)	
Governmental liabilities on grants received	(426)	(70)	(146)	(234)	(302)	(752)	
Total	(814)	(458)	(146)	(234)	(302)	(1,140)	

D. Fair value of financial assets and liabilities:

Fair value measurements using input type

U.S. \$ in thousands

	Level 1	Level 2	Level 3	Total
As of December 31, 2021				
Warrants (issuance of a unit of securities) *	12	-	-	12
Warrants (issuance of a unit of securities)	-	-	172	172
As of December 31, 2020				
Warrants (issuance of a unit of securities)*	76	-	-	76

*The warrants (issuance of a unit of securities) are trading under the ASX code ROOO

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

The fair value measurement of the warrants in the table above, was estimated using a Black & shoals model adjusted for a dilution affect analysis, based on a variety of significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. As of the issue date of the warrants, the key inputs that were used in measuring the fair value of the Convertible notes were: the risk free interest rate- 1.7%, the expected volatility-75% and the AUD/USD exchange rate -0.7088.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

31.12.2021				
Item	Fair value U.S. \$ in thousands	Unobservable inputs	Inputs	Relationship of unobservable inputs to fair value
Warrants	172	Volatility of firm's assets returns	75%	A change in the volatility measure by %5 results in a change of +/- 12K of the fair value

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

	2021	2020
	U.S. \$ in thousands	
Convertible notes		
Balance as of January 1	-	178
Conversion of convertible notes to shares	-	(106)
Net loss recognized in Profit or loss	-	(72)
Balance as of December 31	-	-
Warrants		
Balance as of January 1	-	-
Issuance of warrants	172	-
Net loss recognized in Profit or loss	-	-
Balance as of December 31	172	-

NOTE 16 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

E. Financial instruments not measured at fair value:

Financial instruments not measured at fair value includes cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, and governmental liabilities on grants received.

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables approximates their fair value.

The fair value of governmental liabilities on grants received for December 31, 2021 and December 31, 2020 is not materially different to the carrying amount, since the interest rate used in the initial recognition is close to current market rates.

F. The Group's objectives when maintaining capital are:

The Company seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Company's capital is provided by equity rising. The Company manages its capital structure through raising funds from shareholders. The Company has net cash and cash equivalents at the balance sheet date of 1,424 (2020 – 3,067) thousands U.S. dollars. Accordingly, the directors believe that the company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on receipt from issuance of shares in addition to revenues backlog.

NOTE 17 - RELATED PARTY AND SHAREHOLDERS:

Related party transactions:

	For the year ended December 31,	
	2021	2020
	\$'000	\$'000
Compensation of key management personnel of the Company:		
Short-term employee benefits *)	307	171
Post-employment benefits	33	13
Share based payment	56	-

*) Including Management fees for the CEO, Directors Executive Management and other related parties.

Balances with related parties:

	As at December 31,	
	2021	2020
	\$'000	\$'000
Other accounts payables	140	134

NOTE 18 - EMPLOYEE BENEFITS:

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

	Year ended December 31,	
	2021	2020
	\$'000	\$'000
Expenses in respect of defined contribution plans	<u>107</u>	<u>39</u>