

**INNOCAN PHARMA CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2022**

**UNAUDITED**

**INNOCAN PHARMA CORPORATION**

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**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**(US Dollars in thousands)**

	<u>Note</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		7,726	11,048
Trade accounts receivable		30	-
Other accounts receivable	3	881	963
Inventory		<u>751</u>	<u>510</u>
<b>Total current assets</b>		<u>9,388</u>	<u>12,521</u>
 <b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net		47	39
Right-of-use asset, net		<u>33</u>	<u>15</u>
<b>Total non-current assets</b>		<u>80</u>	<u>54</u>
 <b>TOTAL ASSETS</b>			
		<u>9,468</u>	<u>12,575</u>

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

**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**(US Dollars in thousands)**

	Note	June 30, 2022	December 31, 2021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable		248	53
Other accounts payable		459	433
Warrants	10	1,597	3,078
<b>Total current liabilities</b>		<b>2,304</b>	<b>3,564</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long term lease liability		12	-
<b>Total non-current liabilities</b>		<b>12</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	4	-	-
Additional share capital		34,362	33,665
Accumulated deficit		(26,997)	(24,610)
<b>Equity attributable to owners of the parent</b>		<b>7,365</b>	<b>9,055</b>
Non-controlling interest	1.4	(213)	(44)
<b>Total shareholders' equity</b>		<b>7,152</b>	<b>9,011</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>9,468</b>	<b>12,575</b>

 <hr style="width: 100%;"/> Nelson Halpern Chief Financial Officer	 <hr style="width: 100%;"/> Iris Bincovich Chief Executive Officer	 <hr style="width: 100%;"/> Yoram Drucker Audit Committee Chair	<hr style="width: 100%;"/> August 29, 2022 Date of approval of the Financial statements
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The accompanying notes are an integral part of the financial statements.

**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(US Dollars in thousands)

	Note	Three months period ended June 30,		Six months period ended June 30,	
		2022	2021	2022	2021
Revenues		415	89	675	126
Cost of revenues		374	33	608	46
<b>Gross profit</b>		41	56	67	80
Selling and marketing expenses	5	740	386	1,227	1,209
Research and development expenses	6	460	375	937	877
General and administrative expenses	7	818	378	1,699	1,577
<b>Operating loss</b>		1,977	1,083	3,796	3,583
Finance income	8	(503)	(146)	(1,488)	-
Finance expenses	9	353	100	248	2,270
<b>Loss before income taxes</b>		1,827	1,037	2,556	5,853
Income taxes		-	-	-	-
<b>Total comprehensive loss</b>		1,827	1,037	2,556	5,853
Total comprehensive loss for the year attributed to:					
Owners of the parent		1,736	1,037	2,387	5,853
Non-controlling interest	1.4	91	-	169	-
		1,827	1,037	2,556	5,853
Basic and diluted loss per share		\$ 0.007	\$ 0.005	\$ 0.010	\$ 0.028
Weighted average number of common shares		248,523,471	220,150,116	248,519,010	211,470,142

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

**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(US Dollars in thousands, except for number of shares)

	Owners of the parent			Non- controlling interest	Total
	Share capital	Additional paid in capital	Accumulated deficit		
<b>Balance at January 1, 2022</b>	-	33,665	(24,610)	(44)	9,011
<b>Changes during the period:</b>					
Exercise of warrants and options	-	25	-	-	25
Share based compensation	-	672	-	-	672
Total comprehensive loss	-	-	(2,387)	(169)	(2,556)
<b>Balance at June 30, 2022</b>	-	34,362	(26,997)	(213)	7,152

	Owners of the parent			Non- controlling interest	Total
	Share capital	Additional paid in capital	Accumulated deficit		
<b>Balance at January 1, 2021</b>	-	10,956	(14,563)	-	(3,607)
<b>Changes during the period:</b>					
Exercise of warrants and options	-	9,968	-		9,968
Share based compensation	-	1,154	-	-	1,154
Total comprehensive loss	-	-	(5,853)	-	(5,853)
<b>Balance at June 30, 2021</b>	-	22,078	(20,416)	-	1,662

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**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**  
**(US Dollars in thousands)**

	<b>Six months period ended June 30, 2022</b>	<b>Six months period ended June 30, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	(2,556)	(5,853)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	18	20
Share based compensation	672	1,154
Change in fair value of a warrants	(1,481)	2,247
Interest charged on lease liabilities	1	1
Decrease (increase) in trade accounts receivable	(30)	2
Decrease (increase) in other accounts receivable	83	(33)
Increase in inventory	(241)	(82)
Increase (decrease) in trade accounts payable	195	(187)
Increase (decrease) in other accounts payable	17	(121)
Financial expenses, net	(22)	(78)
<b>Net cash used in operating activities</b>	<b>(3,344)</b>	<b>(2,930)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(12)	-
<b>Net cash used in investing activities</b>	<b>(12)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash received in respect of December 2020 private placement	-	1,017
Exercise of warrants and options	25	4,160
Principal paid on lease liabilities	(13)	(19)
<b>Net cash provided by financing activities</b>	<b>12</b>	<b>5,158</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>22</b>	<b>78</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,322)</b>	<b>2,306</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11,048</b>	<b>2,338</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,726</b>	<b>4,644</b>

**APPENDIX A – NON-CASH ACTIVITIES:**

Exercise of warrants	-	5,808
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**The accompanying notes are an integral part of the financial statements.**

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**(US Dollars)**

**NOTE 1 - GENERAL:**

1. Innocan Pharma Corporation (the "Company") was incorporated as a corporation in Canada and commenced its operations in May 2018. The Company's registered office is in Calgary, Canada.
2. The Company is a publicly listed company on the Canadian Securities Exchange (the "CSE") trading under the symbol INNO and is the parent company of Innocan Pharma Ltd. ("Innocan") that was incorporated in Israel in October 2017 and commenced its operations in November 2017. Innocan is a pharmaceutical company which specializes in integrating cannabinoids with existing proven drugs to enhance their capabilities by harnessing the cannabinoids healing properties and interaction with the human body's endocannabinoid system. Innocan is at a pre-clinical stage. Innocan is expected to conduct activities mainly in the US, Canadian and European markets. In October 2019, Innocan announced its plans to enter the CBD beauty market and to manufacture cannabidiol (CBD) cosmetic products. Innocan commenced selling its cannabidiol (CBD) cosmetic products in December 2020. Innocan is currently selling its cannabidiol (CBD) cosmetic products in the US and European markets.
3. On May 5, 2021, Innocan Pharma UK Ltd. ("Innocan UK") was established, as a management and financial services supplier of Innocan in the European market, regarding the sales of its topical products. Innocan holds 100% of Innocan UK's shares. As of June 30, 2022, Innocan UK had not commenced operation.
4. On May 26, 2021, Innocan entered into a founder's agreement with Brandzon Co Ltd ("Brandzon"), to establish a joint company, B.I. Sky Global Ltd. ("Sky Global") which engages in development, manufacture and marketing of cosmetic products. Innocan holds 60% of Sky Global's shares, while Brandzon holds the remaining 40% of Sky Global's shares. Sky Global was incorporated in Israel on June 6, 2021, Innocan consolidates Sky Global in the financial statements commencing on that date. The Company, Innocan and Sky Global are referred in the financial statements as the Group.
5. On May 16, 2022, the Company filed a Short Form Base Shelf Prospectus in Canada, for the offering for sale from time to time, during a 25-month period commencing on the filing date, of up to USD 100 million, in Common Shares, warrants (exercisable into Common Shares) and units (comprising of one or more of the above-mentioned securities).



**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 1 - GENERAL (CONT.):**

6. Going concern

Since inception, the Group has generated an amount of revenue lower than its operational expenses and expects to continue to finance itself through raising adequate funds in the foreseeable future. The Group incurred a net loss of \$2,556 thousand for the six months period ended June 30, 2022 and generated \$26,997 thousand of accumulated deficit since inception. These events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. This could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material.

7. On January 12, 2022, Innocan entered a second amendment (the "Second Amendment") to the research and license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. ("Yissum"), entered on January 21, 2020 (the "Yissum Research and License Agreement"). As part of the Second Amendment, Innocan agreed to finance additional research in a total amount of approximately USD 100 thousand, over a period of 6 months, in two installments. During the six months period ended June 30, 2022, Innocan paid the total amount of approximately USD 100 thousand. In addition, during the six months ended June 30, 2022, Innocan paid an amount of USD 75 thousand to Yissum, for the first milestone of the Yissum Research and License Agreement, for achieving preclinical proof of concept in animals. The total expense incurred during the six months period ended June 30, 2022 amounted to approximately USD 175 thousand.
8. On December 6, 2021, Innocan entered into a license and research agreement with Ramot at Tel Aviv University Ltd ("Ramot") (the "Ramot License & Research Agreement"). As part of the Ramot License & Research Agreement, Innocan agreed to finance additional research in a total amount of approximately USD 1.18 million, over a period of 21 months, in four installments. Until June 30, 2022, Innocan paid the first installment, in total amount of USD 270 thousand and a license fee in amount of USD 20 thousand. The total research expense incurred during the six months period ended June 30, 2022 amounted to USD 233 thousand. As of June 30, 2022, the second installment, for an additional amount of USD 309 thousand, was postponed to 2023. The payment of the third and fourth installments is dependent on the progress of the research.

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual report.

**Significant accounting policies**

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2021 annual financial statements. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

*Impact of accounting standards to be applied in future periods*

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to December 31, 2022 (the date on which the Group's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

**NOTE 3 – OTHER ACCOUNTS RECEIVABLE:**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<hr/>	<hr/>
Prepaid expenses	553	715
Tax authorities	102	135
Restricted deposits	109	79
Others	117	34
<b>Total</b>	<hr/> <b>881</b> <hr/>	<hr/> <b>963</b> <hr/>

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**(US Dollars)**

**NOTE 4 - SHAREHOLDERS' EQUITY:**

Composition:

	<b>Number of shares as of June 30, 2022</b>	
	<b>Authorized</b>	<b>Issued and outstanding</b>
Common shares without nominal par value	Unlimited	248,673,009
	<b>Number of shares as of December 31, 2021</b>	
	<b>Authorized</b>	<b>Issued and outstanding</b>
Common shares without nominal par value	Unlimited	248,496,145

Changes in the number of issued Common Shares from December 31, 2021 to June 30, 2022 are as follows:

	Number of Common Shares
Balance December 31, 2021	248,496,145
Exercise of agent warrants	76,864
Exercise of options	100,000
<b>Balance June 30, 2022</b>	<b>248,673,009</b>

1. During the six months period ended June 30, 2022, a total of 76,864 agent warrants were exercised to common shares (see also Note 10), in consideration for approximately USD 11 thousand.
2. During the six months period ended June 30, 2022, a total of 100,000 options were exercised to common shares, in consideration for approximately USD 14 thousand.

**Share based compensation**

During the six months period ended June 30, 2022, the Company granted the following options:

<b>Grantee</b>	<b>Date of grant</b>	<b>Exercise price (CAD)</b>	<b>Number of options</b>	<b>Expiry date</b>
Business development consultant <sup>(1)</sup>	January 31, 2022	0.77	300,000	January 31, 2025
Employees of the Company <sup>(2)</sup>	March 8, 2022	0.59	200,000	March 8, 2027
Branding and business development consultants <sup>(3)</sup>	March 8, 2022	0.59	750,000	March 8, 2025
Business development consultant <sup>(4)</sup>	March 14, 2022	0.59	250,000	March 14, 2025

**INNOCAN PHARMA CORPORATION**  
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**(US Dollars)**

**NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):**

**Share based compensation (cont.)**

- (1) Each of the options are exercisable for one common share of the Company. 60,000 of the options vest immediately, and an additional 60,000 options vest every six months. The fair value of the options was obtained using the Black Scholes (1973) Model on the date of the grant based on certain unobservable inputs, including:
- The expected volatility of the existing business is 70%
  - The dividend growth rate is 0%
- (2) Each of the options are exercisable for one common share of the Company. The Options, for each of the two employees, shall vest in quarterly instalments, the first instalment being 8,337 options and with an additional eleven equal instalments of 8,333 options for the following 3 years commencing 1 April 2022. The fair value of the options was obtained using the Black Scholes (1973) Model on the date of the grant based on certain unobservable inputs, including:
- The expected volatility of the existing business is 70%
  - The dividend growth rate is 0%
- (3) Each of the options are exercisable for one common share of the Company. All of the options vest immediately. The fair value of the options was obtained using the Black Scholes (1973) Model on the date of the grant based on certain unobservable inputs, including:
- The expected volatility of the existing business is 70%
  - The dividend growth rate is 0%
- (4) Each of the options are exercisable for one common share of the Company. The Options shall vest in quarterly instalments, the first instalment being 50,000 options and with an additional four equal instalments of 50,000 options for the following 16 months commencing 1 April 2022. The fair value of the options was obtained using the Black Scholes (1973) Model on the date of the grant based on certain unobservable inputs, including:
- The expected volatility of the existing business is 70%
  - The dividend growth rate is 0%

In the six months period ended June 30, 2022, the Company recorded share based compensation expenses of USD 672 thousand, which is included in selling and marketing expenses, research and development expenses or general and administrative expenses, based on the grantee.

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**(US Dollars)**

**NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):**

**Share based compensation (cont.)**

	<b>Six months period ended June 30, 2022</b>	
	<b>Number of options</b>	<b>Weighted average exercise price (CAD)</b>
Options outstanding at beginning of period	23,578,708	0.33
Granted – exercise price CAD 0.77	300,000	0.77
Granted – exercise price CAD 0.59	1,200,000	0.59
Exercised – exercise price CAD 0.18	(100,000)	0.18
Expired – exercise price CAD 0.74	(100,000)	0.74
Options outstanding at end of period	<u>24,878,708</u>	<u>0.34</u>
Exercisable options	<u>21,176,382</u>	<u>0.30</u>

	<b>The year ended December 31, 2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price (CAD)</b>
Options outstanding at beginning of period	13,442,708	0.18
Granted – exercise price CAD 0.35	2,220,000	0.35
Granted – exercise price CAD 0.36	500,000	0.36
Granted – exercise price CAD 0.41	2,116,000	0.41
Granted – exercise price CAD 0.58	300,000	0.58
Granted – exercise price CAD 0.59	4,150,000	0.59
Granted – exercise price CAD 0.74	650,000	0.74
Granted – exercise price CAD 0.83	500,000	0.83
Expired – exercise price CAD 0.16	(100,000)	0.16
Exercised – exercise price CAD 0.14	(100,000)	0.14
Exercised – exercise price CAD 0.18	(100,000)	0.18
Options outstanding at end of period	<u>23,578,708</u>	<u>0.33</u>
Exercisable options	<u>18,871,208</u>	<u>0.27</u>

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**(US Dollars)**

**NOTE 5 - SELLING AND MARKETING EXPENSES:**

	<b>Three months period ended</b>		<b>Six months period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(USD in thousands)</b>			
Service providers	433	186	629	636
Amazon advertising expenses	145	-	203	-
Salary and related expenses	88	126	224	243
Share based compensation	40	28	108	215
Others	34	46	63	40
	<u>740</u>	<u>386</u>	<u>1,227</u>	<u>1,209</u>

**NOTE 6 - RESEARCH AND DEVELOPMENT EXPENSES:**

	<b>Three months period ended</b>		<b>Six months period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(USD in thousands)</b>			
Research expenses – Yissum & Ramot	222	232	408	515
Research expenses – Service providers	74	86	203	183
Share based compensation	64	-	153	32
Salary and related expenses	75	42	133	83
Others	25	15	40	64
	<u>460</u>	<u>375</u>	<u>937</u>	<u>877</u>

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**(US Dollars)**

**NOTE 7 - GENERAL AND ADMINISTRATIVE EXPENSES:**

	Three months period ended		Six months period ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(USD in thousands)			
Professional services	248	71	491	196
Share based compensation	109	40	411	878
Salary and related expenses	147	101	253	202
Legal fees	87	71	159	108
Others	227	95	385	193
	<u>818</u>	<u>378</u>	<u>1,699</u>	<u>1,577</u>

**NOTE 8 – FINANCE INCOME:**

	Three months period ended		Six months period ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(USD in thousands)			
Changes in fair value of warrants	492	-	1,481	-
Changes in currency exchange	-	146	-	-
Others	11	-	7	-
	<u>503</u>	<u>146</u>	<u>1,488</u>	<u>-</u>

**NOTE 9 – FINANCE EXPENSES:**

	Three months period ended		Six months period ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(USD in thousands)			
Changes in currency exchange	353	-	247	17
Changes in fair value of warrants	-	97	-	2,247
Others	-	3	1	6
	<u>353</u>	<u>100</u>	<u>248</u>	<u>2,270</u>

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 10 - FINANCIAL INSTRUMENTS:**

The Group accounts for warrants issued to investors under IFRS 9. Warrants issued to service providers are accounted for under IFRS 2 and are treated as equity.

October 2021 Unit Warrants

In connection with a private placement, that closed on October 13, 2021, the Company issued 9,679,000 Unit Warrants to investors. Each October 2021 Unit Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD 1.10 for a period of 60 months following October 13, 2021.

The warrants are transferable but are not to be listed or quoted on any stock exchange or market. The Company recorded the October 2021 Unit Warrants as a derivative financial liability which represents the fair value of the warrants on the transaction date due to the fact that they do not meet the criteria for a fixed number of equity instruments in exchange for a fixed amount of cash since the exercise price is stated in CAD while the Company's functional currency is the USD. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability since inception amounted to USD 3,427 thousand. In June 30, 2022 it amounted to USD 1,597 thousands. The amount was recorded according to its fair value according to valuation performed by management with the assistance of an independent third party appraisal.

The following table compares the carrying amounts and fair values of the Company's financial liabilities as at June 30, 2022:

	<u>As at June 30, 2022</u>		<u>As at December 31, 2021</u>	
	<u>US Dollars in thousands</u>		<u>US Dollars in thousands</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
Financial liabilities:				
Derivative financial liability (warrants)	(1,597)	(1,597)	(3,078)	(3,078)
<b>Total</b>	<u>(1,597)</u>	<u>(1,597)</u>	<u>(3,078)</u>	<u>(3,078)</u>

The fair value measurement of the warrants as of June 30, 2022 in the table below was measured using the Black-Scholes model. The key inputs that were used in measuring the fair value of the warrants were: risk free interest rate – 3.1%, expected volatility - 70%, year and Expected dividend yield - 0.

The fair value measurement of the warrants as of December 31, 2021 in the table below was measured using the Black-Scholes model. The key inputs that were used in measuring the fair value of the warrants were: risk free interest rate – 0.76%, expected volatility - 72%, year and Expected dividend yield - 0.



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**NOTE 10 - FINANCIAL INSTRUMENTS (CONT.):**

The following table sets out the Company's liabilities that are measured and recognized at fair value in the financial statements:

	<b>Fair value measurements using input type</b>			
	<b>June 30, 2022</b>			
	<b>US Dollars in thousands</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial liability (warrants)	-	(1,597)	-	(1,597)

	<b>December 31, 2021</b>			
	<b>US Dollars in thousands</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial liability (warrants)	-	(3,078)	-	(3,078)

The derivative financial liabilities as at June 30, 2022 and December 31, 2021 are as follows:

	<b>Fair Value of warrants</b>
	<b>US Dollars in thousands</b>
Balance at January 1, 2021	6,992
<b>Changes during 2021:</b>	
<u>Additions</u>	
October 2021 Unit Warrants	3,427
<u>Changes in FV</u>	
Tamar InnoVest A and B Warrants	1,552
September 2019 Unit Warrants	18
June 2020 Unit Warrants	(156)
December 2020 Unit Warrants	1,242
October 2021 Unit Warrants	(349)
<u>Exercise</u>	
Tamar InnoVest A and B Warrants	(3,600)
September 2019 Unit Warrants	(240)
June 2020 Unit Warrants	(4,000)
October 2021 Unit Warrants	(1,808)
<b>Balance at December 31, 2021</b>	<b>3,078</b>

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**NOTE 10 - FINANCIAL INSTRUMENTS (CONT.):**

**Changes during 2022:**

Changes in FV

October 2021 Unit Warrants	(1,481)
<b>Balance at June 30, 2022</b>	<b>1,597</b>

\* All amounts were recorded according to their fair value, according to a third party appraisal.

Warrants treated under IFRS 2 as at June 30, 2022 and December 31, 2021 are as follows:

	<b>The six months period ended June 30, 2022</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price (CAD)</b>
Warrants outstanding at beginning of period	438,099	0.23
Exercised – exercise price CAD 0.18	(67,937)	0.18
Expired – exercise price CAD 0.18	(26,315)	0.18
Granted – exercise price CAD 0.25	67,937	0.25
Exercised – exercise price CAD 0.25	(8,927)	0.25
Warrants outstanding at end of period	402,857	0.25
Exercisable warrants	402,857	0.25
	<b>The year ended December 31, 2021</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price (CAD)</b>
Warrants outstanding at beginning of period	4,094,435	0.21
Granted – exercise price CAD 0.25	1,637,838	0.25
Exercised – exercise price CAD 0.18	(2,220,649)	0.18
Exercised – exercise price CAD 0.25	(3,073,525)	0.25
Warrants outstanding at end of period	438,099	0.23
Exercisable warrants	438,099	0.23

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**NOTE 11 - SUBSEQUENT EVENTS:**

1. On August 8, 2022, the Company granted a total amount of 300,000 options to 2 employees of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.48 per share. The options will vest during 3 years, and will expire 5 years following grant date.