

**INNOCAN PHARMA CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2022**

**UNAUDITED**

**INNOCAN PHARMA CORPORATION**

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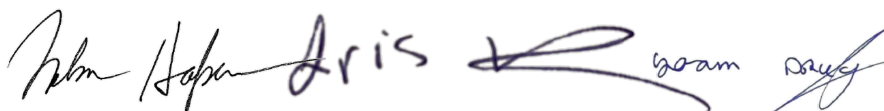
**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**(US Dollars in thousands)**

	<u>Note</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		6,416	11,048
Trade accounts receivable		59	-
Other accounts receivable	3	779	963
Inventory		<u>969</u>	<u>510</u>
<b>Total current assets</b>		<u>8,223</u>	<u>12,521</u>
 <b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net		49	39
Right-of-use asset, net		<u>44</u>	<u>15</u>
<b>Total non-current assets</b>		<u>93</u>	<u>54</u>
 <b>TOTAL ASSETS</b>			
		<u>8,316</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	September 30, 2022	December 31, 2021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable		139	53
Other accounts payable		389	433
Warrants	8	502	3,078
<b>Total current liabilities</b>		<b>1,030</b>	<b>3,564</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long term lease liability		25	-
<b>Total non-current liabilities</b>		<b>25</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	4	-	-
Additional share capital		34,634	33,665
Accumulated deficit		(27,167)	(24,610)
<b>Equity attributable to owners of the parent</b>		<b>7,467</b>	<b>9,055</b>
Non-controlling interest	1.4	(206)	(44)
<b>Total shareholders' equity</b>		<b>7,261</b>	<b>9,011</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,316</b>	<b>12,575</b>



Nelson Halpern  
Chief Financial  
Officer

Iris Bincovich  
Chief Executive  
Officer

Yoram Drucker  
Audit Committee  
Chair

November 28, 2022  
Date of approval of the  
Financial statements

**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, except for share and per share amounts)

	Note	Three months period ended September 30,		Nine months period ended September 30,	
		2022	2021	2022	2021
Revenues		749	54	1,424	180
Cost of revenues		305	23	913	69
<b>Gross profit</b>		444	31	511	111
Selling and marketing expenses	5	554	406	1,781	1,615
Research and development expenses	6	232	211	1,169	1,088
General and administrative expenses	7	718	1,038	2,418	2,615
<b>Operating loss</b>		1,060	1,624	4,857	5,207
Finance income	8	1,101	-	2,589	-
Finance expenses	9	203	2,009	451	4,279
<b>Loss before income taxes</b>		162	3,633	2,719	9,486
Income taxes		-	-	-	-
<b>Total comprehensive loss</b>		162	3,633	2,719	9,486
Total comprehensive loss (income) for the year attributed to:					
Owners of the parent		168	3,622	2,557	9,475
Non-controlling interest	1.4	(6)	11	162	11
<b>Net Loss</b>		162	3,633	2,719	9,486
Basic and diluted loss per share		<u>\$ (0.001)</u>	<u>\$ (0.016)</u>	<u>\$ (0.011)</u>	<u>\$ (0.044)</u>
Weighted average number of common shares		<u>249,109,480</u>	<u>229,068,610</u>	<u>248,717,123</u>	<u>217,394,568</u>

**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)**

	<u>Owners of the parent</u>			<b>Non- controlling interest</b>	<b>Total</b>
	<u>Share capital</u>	<u>Additional paid in capital</u>	<u>Accumulated deficit</u>		
<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	-	136	-	-	136
Share based compensation	-	833	-	-	833
Total comprehensive loss	-	-	(2,557)	(162)	(2,719)
<b>Balance at September 30, 2022</b>	-	34,634	(27,167)	(206)	7,261

	<u>Owners of the parent</u>			<b>Non- controlling interest</b>	<b>Total</b>
	<u>Share capital</u>	<u>Additional paid in capital</u>	<u>Accumulated deficit</u>		
<b>Balance at January 1, 2021</b>	-	10,956	(14,563)	-	(3,607)
<b>Changes during the period:</b>					
Exercise of warrants and options	-	15,276	-	-	15,276
Share based compensation	-	1,770	-	-	1,770
Total comprehensive loss	-	-	(9,475)	(11)	(9,486)
<b>Balance at September 30, 2021</b>	-	28,002	(24,038)	(11)	3,953

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

**INNOCAN PHARMA CORPORATION**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**STATEMENTS OF CASH FLOWS**

(US Dollars in thousands)

	Nine months period ended September 30, 2022	Nine months period ended September 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	(2,719)	(9,486)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	22	30
Share based compensation	833	1,770
Change in fair value of a warrants	(2,576)	4,123
Interest charged on lease liabilities	1	1
Decrease (increase) in trade accounts receivables	(59)	2
Decrease (increase) in other accounts receivable	184	(205)
Increase in inventory	(459)	(62)
Increase (decrease) in trade accounts payable	86	(441)
Decrease in other accounts payable	(57)	(17)
Financial expenses, net	41	8
<b>Net cash used in operating activities</b>	<b>(4,703)</b>	<b>(4,277)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(15)	(41)
<b>Net cash used in investing activities</b>	<b>(15)</b>	<b>(41)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash received in respect of December 2020 private placement	-	1,017
Exercise of warrants and options	136	6,866
Principal paid on lease liabilities	(9)	(29)
<b>Net cash provided by financing activities</b>	<b>127</b>	<b>7,854</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	(41)	(8)
<b>Net increase in cash and cash equivalents</b>	(4,632)	3,528
<b>Cash and cash equivalents at the beginning of the period</b>	11,048	2,338
<b>Cash and cash equivalents at the end of the period</b>	<b>6,416</b>	<b>5,866</b>
<b>APPENDIX A – NON-CASH ACTIVITIES:</b>		
Exercise of warrants	-	8,410

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 and 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 September 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.



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

5. 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 \$2,719 thousand for the nine months period ended September 30, 2022 and generated \$27,167 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.

6. 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 \$100 thousand, over a period of 6 months, in two installments. During the nine months period ended September 30, 2022, Innocan paid the total amount of approximately \$100 thousand. In addition, during the nine months ended September 30, 2022, Innocan paid an amount of \$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 nine months period ended September 30, 2022 amounted to approximately \$175 thousand. There is an ongoing negotiation with Yissum regarding the examination of the next step.

7. 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 \$1.18 million, over a period of 21 months, in four installments. Until September 30, 2022, Innocan paid the first installment, in total amount of \$270 thousand and a license fee in amount of \$20 thousand. The total research expense incurred during the nine and three months period ended September 30, 2022 amounted to \$233 thousand and \$0. As of September 30, 2022, the second installment, for an additional amount of \$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 financial statements. These interim consolidated financial statements were authorized for issue by the board of directors on November 28, 2022.

**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 is still evaluating the standards, but they do not expect them to have a material impact.

**NOTE 3 – OTHER ACCOUNTS RECEIVABLE:**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>USD in thousands</b>	
Prepaid expenses	563	715
Restricted deposits	105	135
Tax authorities	84	79
Others	27	34
<b>Total</b>	<b>779</b>	<b>963</b>

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

**NOTE 4 - SHAREHOLDERS' EQUITY:**

Composition:

	<b>Number of shares as of September 30, 2022</b>	
	<b>Authorized</b>	<b>Issued and outstanding</b>
Common shares without nominal par value	Unlimited	249,620,968
	<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 September 30, 2022 are as follows:

	Number of Common Shares
Balance December 31, 2021	248,496,145
Warrants exercised	79,940
Options exercised	1,044,883
<b>Balance September 30, 2022</b>	<b>249,620,968</b>

1. During the nine months period ended September 30, 2022, a total of 79,940 agent warrants were exercised to common shares (see also Note 10), in consideration for approximately \$ 15 thousand.
2. During the nine months period ended September 30, 2022, a total of 1,230,000 options were exercised to common shares, in consideration for approximately \$121 thousand. According to the terms of the Options, 380,000 options were exercised as a cashless exercise.

**INNOCAN PHARMA CORPORATION**  
**NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 4 - SHAREHOLDERS' EQUITY (CONT.):**

**Share based compensation**

During the nine months period ended September 30, 2022, the Company granted the following options:

<u>Grantee</u>	<u>Date of grant</u>	<u>Exercise price (CAD)</u>	<u>Number of options</u>	<u>Expiry date</u>
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
Employees of the Company <sup>(5)</sup>	August 8, 2022	0.48	200,000	August 8, 2027
Employees of the Company <sup>(6)</sup>	August 8, 2022	0.48	100,000	August 8, 2027

(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%

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

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

- (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%
- (5) Each of the options are exercisable for one common share of the Company. The Options shall vest in 12 equal instalments of 16,667 option every quarter during three (3) years starting from 1 October 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 73%
  - The dividend growth rate is 0%
- (6) Each of the options are exercisable for one common share of the Company. The Options 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 October 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 73%
- The dividend growth rate is 0%

In the nine months period ended September 30, 2022, the Company recorded share-based compensation expenses of \$833 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>Nine months period ended September 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	(1,080,000)	0.18
Granted – exercise price CAD 0.48	300,000	0.48
Exercised – exercise price CAD 0.22	(150,000)	0.22
Expired – exercise price CAD 0.74	(100,000)	0.74
Options outstanding at end of period	<u>24,048,708</u>	<u>0.35</u>
Exercisable options	<u>20,791,048</u>	<u>0.32</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 September 30,</b>		<b>Nine months period ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>(USD in thousands)</b>				
Service providers	178	149	806	785
Amazon advertising expenses	217	-	420	-
Salary and related expenses	106	108	330	351
Share based compensation	43	117	151	360
Others	10	32	74	119
	<u>554</u>	<u>406</u>	<u>1,781</u>	<u>1,615</u>

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

	<b>Three months period ended September 30,</b>		<b>Nine months period ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>(USD in thousands)</b>				
Research expenses – Yisum & Ramot	-	108	408	710
Research expenses – Service providers	46	8	249	104
Salary and related expenses	83	33	214	117
Share based compensation	27	23	181	54
Others	76	39	117	103
	<u>232</u>	<u>211</u>	<u>1,169</u>	<u>1,088</u>

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

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

	Three months period ended September 30,		Nine months period ended September 30,	
	2022	2021	2022	2021
(USD in thousands)				
Share based compensation	89	477	501	1,356
Professional services	260	275	751	470
Salary and related expenses	137	101	390	302
Legal fees	62	46	222	154
Insurance	48	42	144	125
Others	122	97	410	208
	718	1,038	2,418	2,615

**NOTE 8 – FINANCE INCOME:**

	Three months period ended September 30,		Nine months period ended September 30,	
	2022	2021	2022	2021
(USD in thousands)				
Changes in fair value of warrants	1,094	-	2,576	-
Others	7	-	13	-
	1,101	-	2,589	-

**NOTE 9 – FINANCE EXPENSES:**

	Three months period ended September 30,		Nine months period ended September 30,	
	2022	2021	2022	2021
(USD in thousands)				
Changes in fair value of warrants	-	2,009	-	4,279
Changes in currency exchange	203	-	451	-
	203	2,009	451	4,279



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

**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 \$3,427 thousand. In September 30, 2022 it amounted to \$502 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 September 30, 2022:

	<u>As at September 30, 2022</u>		<u>As at December 31, 2021</u>	
	<u>US Dollars in thousands</u>		<u>US Dollars in thousands</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial liabilities:				
Derivative financial liability (warrants)	(502)	(502)	(3,078)	(3,078)
<b>Total</b>	<u>(502)</u>	<u>(502)</u>	<u>(3,078)</u>	<u>(3,078)</u>

The fair value measurement of the warrants as of September 30, 2022 in the table below was measured using a Monte Carlo simulation model. The key inputs that were used in measuring the fair value of the warrants were: risk free interest rate – 3.37%, expected volatility - 73%, 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>September 30, 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)	-	(502)	-	(502)
	<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)

**Movement in number of warrants:**

The derivative financial liabilities as at September 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 2020:</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>
<b>Changes during 2022:</b>	
<u>Changes in FV</u>	
October 2021 Unit Warrants	(2,576)
<b>Balance at September 30, 2022</b>	<b>502</b>

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

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

	<b>The nine months period ended September 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	(68,949)	0.18
Expired – exercise price CAD 0.18	(26,315)	0.18
Granted – exercise price CAD 0.25	68,949	0.25
Exercised – exercise price CAD 0.25	(10,991)	0.25
Warrants outstanding at end of period	400,793	0.25
Exercisable warrants	400,793	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

**NOTE 11 - SUBSEQUENT EVENTS:**

1. On November 6, 2022, the Company granted a total amount of 36,000 options to employee of the Company and, each exercisable for one common share of the Company at an exercise price of CAD 0.3 per share. The options will vest immediately in first instalment of 3,000 options and additional 11 equal instalments of 3,000 option every quarter during three (3) years starting from 1 April 2022. The options will expire 5 years following grant date.

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**NOTE 11 - SUBSEQUENT EVENTS (CONT.):**

2. On November 6, 2022, the Company granted a total amount of 500,000 options to advisory board member of the Company at an exercise price of CAD 0.3 per share. The options granted immediately and shall be vested during two years, according to the following schedule: 100,000 - upon joining the SAB, and 100,000 - each 6 months during the next two years, as long as the advisor is serving on the company's SAB. The options will be exercisable at any time during a period of three (3) years from the Effective Date (the "Option Expiration Date").