K.B. RECYCLING INDUSTRIES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

UNAUDITED

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K.B. RECYCLING INDUSTRIES LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global), has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim condensed financial statements by an entity's auditor.

August 29, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	December 31, 2021
	U.S. dollars in thousands	
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	2,263	5,909
Trade receivables	679	514
Other accounts receivable	575	315
Inventories	349	81
	3,866	6,819
NON-CURRENT ASSETS:		
Right of use assets	843	1,001
Goodwill	2,286	-
Intangible Assets	2,765	-
Long-term deposits	76	85
Property, plant and equipment, net	2,140	1,694
	8,110	2,780
	11,976	9,599
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Credit from banks	166	-
Current maturities of lease liabilities	134	149
Trade payables	913	619
Shareholders and related parties	585	-
Other payables	801	697
	2,599	1,465
NON-CURRENT LIABILITIES:		
Loans from banks and others	52	-
Lease liabilities	873	1,023
Deferred taxes	728	-
Other liabilities	425	242
Warrant	654	2,213
	2,732	3,478
EQUITY:		
Share capital and share premium	49,652	47,040
Warrants	453	453
Adjustments arising from translating financial statements from functional currency to presentation currency	(100)	259
Reserve from share-based payment transactions	2,960	1,369
Accumulated deficit	(46,320)	(44,465)
Total equity	6,645	4,656
	11,976	9,599

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

August 29, 2022			
Date of approval of the financial statements	Yoav Horowitz Chairman of the Board	Amichai Krupik Interim Chief Executive Officer	Danny Haklai Chief Financial Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
	Unaudited			
	U.S. dollars in thousands			
Revenues from sales	634	595	301	282
Cost of sales	1,202	1,136	609	559
Gross loss	(568)	(541)	(308)	(277)
Development expenses (net of Government grants)	110	156	76	101
Selling and marketing expenses	63	103	32	68
General and administrative expenses	2,831	1,192	2,018	773
Other income, net	-	(14)	-	(14)
Operating loss	(3,572)	(1,978)	(2,434)	(1,205)
Finance income (expenses), net	1,717	(1,925)	1,093	(1,528)
Loss	(1,855)	(3,903)	(1,341)	(2,733)
Other comprehensive loss:				
Amounts that will not be reclassified subsequently to profit or loss:				
Adjustments arising from translating financial statements from functional currency to presentation currency	(359)	(2)	(260)	(79)
Total comprehensive loss	(2,214)	(3,905)	(1,601)	(2,812)
Loss per share attributable to equity holders of the company				
Basic loss (in U.S. dollars)	(0.01)	(0.05)	(0.01)	(0.03)
Diluted loss (in U.S. dollars)	(0.02)	(0.05)	(0.015)	(0.03)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium	Warrants	Reserve from share-based payment transactions	Foreign currency translation reserve	Accumulated deficit	Total equity
	U.S. dollars in thousands					
Balance at January 1, 2022 (Audited)	47,040	453	1,369	259	(44,465)	4,656
Loss	-	-	-	-	(1,855)	(1,855)
Other comprehensive loss	-	-		(359)	-	(359)
Total comprehensive loss	-	-	-	(359)	(1,855)	(2,214)
Cost of share-based payment	1,218	-	373	-	-	1,591
Issuance of Ordinary Shares (see Note 3)	2,612	-	-	-	-	2,612
Balance at June 30, 2022	49,652	453	2,960	(100)	(46,320)	6,645

	Share capital and share premium	Warrants	Reserve from share-based payment transactions	Foreign currency translation reserve	Accumulated deficit	Total equity
	U.S. dollars in thousands					
Balance at January 1, 2021 (Audited)	35,697	-	548	(10)	(37,777)	(1,542)
Loss	-	-	-	-	(3,903)	(3,903)
Other comprehensive loss	-	-	-	(2)	-	(2)
Total comprehensive loss	-	-	-	(2)	(3,903)	(3,905)
Cost of share-based payment	-	-	297	-	-	297
Conversion of Convertible Note	4,341	-	-	-	-	4,341
Issuance of Ordinary Shares, net of underwriting commission and offering costs (in the amount of $ 1,653 thousand)	7,002	453	-	-	-	7,455
Balance at June 30, 2021	47,040	453	845	(12)	(41,680)	6,646

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2022	2021
	Unaudited	
	U.S. dollars in thousands	
Cash flows from operating activities:		
Loss	(1,855)	(3,903)
Adjustments to reconcile loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation	124	120
Depreciation of right-of-use assets	85	82
Change in liability for grants received from the IIA	43	10
Loss (gain) from revaluation of Convertible Note and Warrants	(1,436)	1,844
Finance expenses	80	64
Cost of share-based payment	1,591	297
	487	2,417
Changes in asset and liability items:		
Decrease (increase) in trade receivables	79	(123)
Increase in other accounts receivable	(70)	(425)
Decrease (increase) in inventories	(181)	76
Decrease in trade payables	(150)	(45)
Increase in other payables	27	15
Decrease in long-term other receivable	(1)	(5)
	(296)	(507)
Cash paid during the period for:		
Interest paid	(51)	(56)
Net cash used in operating activities	(1,715)	(2,049)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2022	2021
	Unaudited	
	U.S. dollars in thousands	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(21)	(9)
Acquisition of initially consolidated subsidiaries (a)	(1,461)	-
Net cash used in investing activities	(1,482)	(9)
Cash flows from financing activities:		
Receipt of grants from the IIA	20	-
Repayment of grants received from the IIA	(26)	(25)
Credit from banks, net	-	(92)
Repayment of lease liabilities	(72)	(72)
Proceeds from issuance of IPO warrants	-	747
Proceeds from issuance of Ordinary Shares, net	-	7,688
Net cash provided by (used in) financing activities	(78)	8,246
Exchange rate differences on balances of cash and cash equivalents	(371)	(35)
Increase (decrease) in cash and cash equivalents	(3,646)	6,153
Cash and cash equivalents at the beginning of the period	5,909	1,617
Cash and cash equivalents at the end of the period	2,263	7,770
Significant non-cash transaction:		
Right-of-use asset recognized with corresponding lease liabilities	34	61
Conversion of Convertible Note into Ordinary Shares (see Note 4(b))	-	4,341

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2022	2021
	Unaudited	
	U.S. dollars in thousands	
(a) Acquisition of initially consolidated subsidiaries:		
Working capital (excluding cash and cash equivalents)	(174)	-
Property, plant and equipment	727	-
Intangible assets	2,765	-
Goodwill	2,286	-
Credit from banks	(166)	-
Deferred taxes	(728)	-
Other non-current liabilities	(637)	-
Issuance of shares	(2,612)	-
	1,461	-

NOTE 1:- GENERAL

a. K.B. Recycling Industries Ltd. (the "Company") was incorporated under the laws of Israel as a private company. The Company's registered address is 3 Ha'avoda St., Beit Shean, Israel. The Company began its operations in April 2008 and operates in the plastic recycling market. In April 2021, the Company completed an initial public offering and commenced trading on the TSX Venture Exchange.

The Company recycles post consumed household waste plastic bags and sheets combined with post consumed agricultural plastic sheets and manufactures polyurethane sheets and geomembranes utilized mainly by the building and infrastructure industry. The sheets are used for underground water and gas sealing systems, surfaces and floor protection, and sub terrain barriers against roots. The Company's manufacturing process was developed over the course of a number of years. The Company's process involves the processing of the waste and its direct conversion of the waste into a finished product. The Company recycles nylon plastic bags that are generally not recycled and are usually incinerated or stored.
See also Note 3.

b. Company's financial position:

In the six and three months ended June 30, 2022, the Company incurred a loss totaling $ 1,855 and $ 1,341 thousand and in the six months ended June 30, 2022 had negative cash flows from operating activities totaling $ 1,715 thousand. As of June 30, 2022, the Company has positive working capital of approximately $ 1.3 million.

As described in Note 16.b to the Company's annual financial statements as of December 31, 2021, the Company received aggregate net proceeds of CAD 10.5 million ($ 8.4 million) from its initial public offering and private placement of securities.

The Company is currently generating deficits in its ongoing operations. Furthermore, in order to develop its business, the Company is required to engage in substantial capital investments. The Company anticipates that such ongoing deficits (operational losses along with necessary capital investments) will continue for the near future. As the Company’s cash reserves are limited and may not be sufficient to meet the Company’s liquidity requirements, the Company estimates that it will need to raise additional capital through equity or debt financing or other strategic transactions to meet its future capital needs. Due to the current conditions in the global markets, any such financing may not be available to the Company. A failure to obtain sufficient funds on commercially acceptable terms when needed may have a material adverse effect on the Company’s business, ability to operate and develop in conformity with its future plans and its financial condition.

In light of the above, three of the Company's major shareholders have undertaken to provide the Company with a credit facility in the amount of up to EUR 2 million as required by the Company over the next 2 years, with each shareholder providing an equal share of any drawdowns of the credit facility. In the event the Company has a successful capital raise, the credit facility will be reduced by the amount raised in such capital raise. In addition, one of the major shareholders has committed not to request repayment of the current balance due to the shareholder in the amount of $585 thousand prior to the earlier of (i) September 1, 2024; or (ii) a capital raise of at least $2 million.

NOTE 1:- GENERAL (Cont.)

Based on the cash available to the Company as of the date of the approval of the interim financial statements and the credit line from the Company's shareholders the Company's management and Board of Directors estimate that the Company will have sufficient funds to continue its operations and meet its financial obligations at least for 12 months from the date of approval of the interim financial statements.

c. The implications of COVID-19:

In the first quarter of 2020, there was a global outbreak of the Corona virus, Covid-19 ("COVID-19"), which was declared a global pandemic by the World Health Organization. As a result of the spread of the virus, governments around the world have imposed various restrictions to halt its spread.
There was a significant decrease in the number of cases during the reporting period and, as a result, the restrictions were almost entirely removed.

The COVID-19 pandemic and further measures to prevent its spread could have an additional negative impact on the Company's business in a number of ways, including, among other things, the Company’s ability to produce and operate existing and prospective sites, ability to market and sell products in Israel and around the world and have significant impact on chains of supply of plastic waste, replacement parts, machinery and equipment. Following the COVID-19 outbreak, inquiries and partnerships processes have decreased materially.

d. These financial statements have been prepared in a condensed format as of June 30, 2022 and for the six months and three months then ended (the "interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2021 and for the year then ended and accompanying notes (the "annual financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim financial statements:

The interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting".

The significant accounting policies applied in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements, except as described below:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.
The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date. Direct acquisition costs are recorded in profit or loss as incurred.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

d. Initial adoption of amendments to existing financial reporting and accounting standards:

Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous (the "Amendment").
According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).
The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. The application of the Amendment does not require the restatement of comparative data. Instead, the opening balance of retained earnings on the date of initial application date is adjusted for the cumulative effect of the Amendment.

The application of the Amendment did not have a material impact on the Company's interim financial statements.

NOTE 3:- BUSINESS COMBINATIONS

1. Plasticos Flome S.L acquisition:

On April 27, 2022, the Company entered into an agreement with Plasticos Flome S.L ("Flome") and its shareholders to acquire 100% of Flome's shares (the “Flome Transaction”). Flome uses plastic sheets and boards as raw materials for manufacturing trays and packaging for automotive, agriculture, and beverage industries.

In accordance with the share purchase agreement, the completion of the transaction was subject to the fulfillment of certain conditions. On June 13, 2022, the acquisition transaction was completed.

As of the date of completion of the transaction, the Company paid a total consideration of EUR 1,800 thousand. A total of EUR 1,632 thousand ($ 1,696 thousand) was paid in cash, and EUR 180 thousand ($ 187 thousand) was paid through issuance of the Company's shares. Accordingly, the Company issued 1,514,973 Ordinary shares at a market price per share of CAD 0.16 to the sellers.

Upon completion of the Flome Transaction, the Company owns 100% of Flome.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date.

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

The fair value of the identifiable assets and liabilities of Flome on the acquisition date based on a provisional measurement are as follows:

	Fair value
	U.S. dollars in thousands
Cash and cash equivalents	206
Trade receivables	284
Other accounts receivables	17
Inventories	112
Property, plant and equipment	667
Intangible Assets	858
	2,144
Credit from banks	(166)
Trade payables	(233)
Other accounts payable	(127)
Loans from banks and others	(52)
Other liabilities	(177)
Deferred tax Liabilities	(188)
	(943)
Net identifiable assets	1,201
Goodwill arising on acquisition	669
Total purchase cost	1,870

2. Oceansix GmbH acquisition:

On January 21, 2022, the Company entered into an agreement with RAM.ON finance GmbH (the "seller"), the owner of Oceansix GmbH ("oceansix"), for the purchase of 100% of the issued and outstanding equity securities of oceansix (the “oceansix Transaction”). Oceansix develops solutions and added-value products from post-consumer recycled plastics. Oceansix intends to process post-consumed recycled plastic to manufacture products related to packaging, container shipping, agriculture, marine farming and energy storage. On June 17, 2022, the acquisition of oceansix was completed. Upon completion of the oceansix transaction, the Company owns 100% of oceansix

The purchase price consideration was paid in shares of the Company. At closing, the Company issued to the seller 20,295,037 Ordinary shares of the Company.
Pursuant to the terms of the Share Purchase Agreement, the Company may be required to make certain earn-out payments to the seller upon the achievement of certain milestones determined in accordance with the Share Purchase Agreement, which may result in the issuance of additional shares, as follows:

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

i. Upon the Commercialization of the technology of oceansix (the "Technology") within five (5) years from Closing (the "E.O. Period"), the Company will issue to the seller 6,000,000 additional shares.

ii. If during the E.O. Period, the annual sales of the Technology reach a minimum of US$40,000,000 (the "Sales Floor"), the Company shall issue to the seller additional shares as follows:

a. at the end of the first fiscal year during the E.O. Period on which the annual sales of the Technology are equal to or exceed the Sales Floor, the seller shall be entitled to 20,000,000 additional shares for the annual sales equal to the Sales Floor; and

b. for any annual sales of the Technology in an aggregate amount which is in excess of the Sales Floor and up to an annual sales amount of US$200,000,000 the Company shall issue to RAM.ON finance 0.338195 shares per every US$ 1 in excess of the Sales Floor, provided however that the aggregate number of the Company's shares issued to the seller shall not exceed 74,111,190 shares.

iii. If at the end of any fiscal year during the E.O. Period, the annual sales of the Technology exceed US$300,000,000, the Company shall issue to the seller 33,166,312 additional shares.

The Company estimated the initial fair value of the consideration (the immediate issuance of the Ordinary shares and the shares in (i) above at $ 2,425 thousand, which is recorded in equity. At the date of closing, the Company estimated that the fair value of the liability for the contingent consideration in (ii) and (iii) above is immaterial.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date.

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

The fair value of the identifiable assets and liabilities of Oceansix on the acquisition date based on a provisional measurement are as follows:

	Fair value
	U.S. dollars in thousands
Cash and cash equivalents	16
Trade receivables	11
Other accounts receivables	214
Property, plant and equipment	60
Intangible Assets	1,907
	2,208
Trade payables	(267)
Shareholders and related parties	(585)
Other accounts payable	(8)
Deferred tax Liabilities	(540)
	(1,400)
Net identifiable assets	808
Goodwill arising on acquisition	1,617
Total purchase cost	2,425

The agreement also detail additional Contingent Share Issuances, as follows:

i. If an operational manufacturing site outside of Israel for the production of products utilizing oceansix's or the Company's technology or processes (a "Manufacturing Site") is established or acquired within two (2) years from Closing, the Company will issue to the seller 10,000,000 additional shares (the "First Manufacturing Site Contingent Share Issuance"). These shares were approved and issued in June 2022 – see Note 6(3).

ii. If a second Manufacturing Site is established or acquired within two (2) years from Closing, the Company will issue to the seller 4,593,773 additional shares (the "Second Manufacturing Site Contingent Share Issuance" and collectively with the First Manufacturing Site Contingent Share Issuance, the "Contingent Share Issuances").

The aggregate fair value of the Contingent Share Issuances was estimated at closing at $ 1,218 thousand and in view of the services provided and to be provided in meeting these milestones, was recorded in profit or loss as "General and administrative" expenses at closing.

NOTE 4:- FINANCIAL INSTRUMENTS

a. Fair value:

The table below is a comparison between the carrying amount and fair value of the Company's financial instruments that are presented in the financial statements not at fair value (other than those whose amortized cost is a reasonable approximation of fair values):

	Carrying amount		Fair value	
	June 30, 2022	December 31 2021	June 30, 2022	December 31 2021
	U.S. dollars in thousands			
Financial liabilities:				
Liability for grants received from the IIA	283	281	279	285

The carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other payables and short-term credit from banks approximate their fair value due to their short-term maturities.

b. Fair value hierarchy:

The table below is an analysis of financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- 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 (unobservable inputs)

June 30, 2022:

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial liabilities:				
IPO and Post IPO Warrants (b)	422	-	-	422
Warrant (a)	-	-	232	232

December 31, 2021:

	Level 1	Level 2	Level 3	Total
	U.S. dollars in thousands			
Financial liabilities:				
IPO and Post IPO Warrants (b)	1,372	-	-	1,372
Warrant (a)	-	-	841	841

NOTE 4:- FINANCIAL INSTRUMENTS (Cont.)

a. Convertible Note and Warrant (see also Note 13 to the annual financial statements):

In April 2021, due to the closing of the initial public offering of the Company's shares (see Note 5(5)), the Convertible Note with a fair value of $4,341 thousand was converted into 19,735,200 Ordinary Shares and the terms of the Warrant were finalized to entitle the holder to purchase 5,638,629 Ordinary Shares at an exercise price of $ 0.266 per share. The Warrant may be exercised, in whole or part, at any time for a period of five years from the closing. As of June 30, 2022, the fair value of the Warrant is $ 232 thousand. The change in fair value in the three months and six months ended June 30, 2022, amounted to $ (462) thousand and $ (564) thousand, respectively, and was recorded in finance income.

b. IPO and Post IPO Warrants (see also Note 5(5) and 5(6):

The IPO and Post IPO Warrants were classified in the Company financial statements as a liability. As of June 30, 2022, the fair value of the IPO and Post IPO Warrants are $ 1,372 thousand. The change in fair value in the three months and six months ended June 30, 2022, amounted to $ (490) thousand and $ (872) thousand, and was recorded in finance income.

The fair value of the Warrant has been measured using the Black & Scholes option pricing model. The key assumption used in the valuation is the expected volatility of the Company's equity.

Description of significant unobservable inputs to valuation as of June 30, 2022:

	Significant unobservable inputs	Input used	Sensitivity of the input to fair value
Financial liabilities:			
Warrant			
	Equity expected volatility	78%	10% increase or (decrease) in the equity expected volatility would result in increase or (decrease) in fair value by 49 or (51), respectively

NOTE 5: - OPERATING SEGMENTS

a. General:

As described in the annual financial statements, the Company operates in one principal business segment - recycled plastic industrial products.
Most revenues are generated from customers in Israel and all non-current assets are located in Israel.

b. Additional information about revenues:

Revenues reported in the financial statements for a group of similar products or services:

	Six months ended June 30,		Three months ended June 30,	
	2022	2021	2022	2021
	Unaudited			
	U.S. dollars in thousands			
Revenues from sales of Sheets	634	593	301	282
Revenues from sales of Polypropylene	-	2	-	-

NOTE 6: - EVENTS DURING AND AFTER THE REPORTING PERIOD

1. On March 1, 2022, Mr. Shmulik Porre, the Company's CEO, tendered his resignation. Upon the resignation, his last tranche, amounting to 657,900 options, were forfeited. In the six months ended June 30, 2022 the Company reversed share based payment expenses in the amount of $ 59 thousand.
   Following Mr. Porre's resignation, Mr. Amichai Krupik was appointed as the interim CEO until the Company is able to appointment a permanent CEO. Mr. Krupik previously served as the Company's CEO between 2017 and May 2020, after which he served as the Company's Founder for Innovation and Technology Development.

2. On April 13, 2022, the Company terminated its services agreement with A-Labs Finance and Advisory Ltd. dated March 29, 2020 as amended effective February 11, 2021. The termination was effective as of March 30, 2022.

3. As described in Note 3 above on April 27, 2022, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Flome. On June 13, 2022, the acquisition transaction was completed.
   As described in Note 21(c)2. to the annual financial statements, in March 2021, the Company approved the grant of warrants to each of Sullam and Tedea (shareholders) to purchase up to 11,943,810 Ordinary Shares immediately following closing of the Company's initial public offering (the "Founders Warrants"). The Founders Warrants are exercisable subject to fulfillment of certain milestones.
   The completion of the Flome Transaction constituted the fulfillment of the First Milestone of the Founders Warrants granting each of Sullam and Tedea the right to purchase at a price per share equal to NIS 0.01 per ordinary share: (i) 4,593,773 Ordinary Shares (the "First Milestone Warrant Shares"). However, Sullam and Tedea each waived its right to purchase the First Milestone Warrant Shares at the point of completion of the Flome Transaction and deferred the exercise of such right subject to the approval of the Company's audit committee (the "Audit Committee"), the Board and by a special majority of the Shareholders as set forth below. On April 12 and April 13, 2022, the Audit Committee and the Board of Directors (the "Board"), respectively, approved the purchase by each of Sullam and Tedea of its respective First Milestone Warrant Shares. At the Annual and Special Meeting (as defined below) the Shareholders approved the purchase of the First Milestone Warrant Shares as well as any subsequent purchase of an additional 4,593,773 ordinary shares (the "Second Milestone Warrant Shares") upon the completion of the Second Milestone pursuant to an arm's length transaction by the Company if so determined by the Audit Committee and the Board.
   The consulting services provided by Oceansix under the consultant agreement dated August 31, 2021, between the Company and Oceansix, led the Company to enter into the share purchase agreement with Flome pursuant to which the Company completed the Flome Transaction. Due to the technical requirements for the closing of the oceansix Transaction and the business urgency with respect to the completion of the Flome Transaction, the Flome Transaction was completed prior to the closing of the Proposed Transaction (see Note 3(2). Had the Flome Transaction been successfully completed prior the closing of the oceansix Transaction, the Company would have attained the first manufacturing site milestone under the Proposed Transaction, consisting of the establishment of an operational manufacturing site outside of Israel for the production of products utilizing oceansix's or the Company's technology or processes within two years of the closing of the oceansix Transaction, and been required to make the First Manufacturing Site Contingent Share Issuance of 10,000,000 ordinary shares to RAM.ON finance.

NOTE 6: - EVENTS DURING AND AFTER THE REPORTING PERIOD (Cont.)

Taking into consideration the services provided by oceansix and its contribution to the completion of the Flome Transaction, and due the technical timing circumstances of the closing of the oceansix Transaction and the completion of the Flome Transaction, following the recommendation of the Audit Committee and the Board, at the the Annual and Special Meeting (as defined below), the Shareholders approved the First Manufacturing Site Contingent Share Issuance to RAM.ON finance and any future manufacturing site contingent share issuances (under the Proposed Transaction) pursuant to an arm's length transaction by the Company if so determined by the Audit Committee and the Board

4. On March 3, 2022, Mr. Arnon Eshed was appointed to the Company's Board of Directors and on April 13, 2022, the Company's board of directors approved compensation for his services as a director in the amount of NIS 20,000 ($6.3 thousands) per month, effective from May 2022.

5. On April 13, 2022, the Company's Board of Directors resolved to appoint Mr. Maximo Buch as a director and related compensation of EUR 33,000 ($37 thousand) on an annual basis, which was approved by the TSX Venture Exchange and the annual and special meeting of the Company's shareholders held on June 8, 2022 (the "Annual and Special Meeting").

6. On April 13, 2022, the Company's Board of Directors resolved to grant a director options to purchase 600,000 Ordinary Shares with an exercise price of C$0.29. The options were approved by the Annual and Special Meeting and vest within one year from the date the director was appointed on June 7, 2021. The fair value of the options on date of grant was $ 33 thousand.

7. On June 8, 2022, the Company convened an annual and special meeting of its shareholders, which approved, among other things, the oceansix Transaction, the increase of the Company's authorized share capital to 500,000,000 Ordinary Shares and the change of the Company's name to oceansix Ltd. (the Company is currently in the process of implementing such change).

8. With the closing of both the oceansix Transaction and the Flome Transaction and the Company's expansion into the European target market, along with the more conducive economic conditions for such production activity in Europe (such as governmental incentives, lower production costs, greater availability of post consumed domestic plastic waste), the Company has decided to take steps to move its production activities to Europe. Therefore, the Company is planning to cease its production activities in Israel during the fourth quarter of 2022 and to locate a suitable site in Europe. Such European site may consist of either an existing recycling plant or a facility with the required infrastructure.

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