Management's Discussion & Analysis Quarterly Highlights

FOR THE THREE MONTHS
ENDED MARCH 31, 2024
DATED MAY 29, 2024

OCEANSIX FUTURE PATHS LTD.
(formerly K.B. Recycling Industries Ltd.)

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Oceansix Management's Discussion and Analysis For the Three Months Ended March 31, 2024
Dated May 29, 2024

01

Management's Discussion and Analysis of Financial Condition and Results of Operations

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The following management's discussion and analysis (this "**MD&A**") provides information concerning the financial condition as at March 31, 2024 and 2023 of oceansix future paths Ltd. (the "**Company**") and constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended as at March 31, 2024. This MD&A should be read in conjunction with the unaudited consolidated interim financial statements of the Company for the three months ended March 31, 2024 (the "**Financial Statements**").

This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements.

Any references in this MD&A to the "**Company**", "**us**", "**our**", or "**we**" refer to oceansix future paths Ltd.

Basis of Presentation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), and unless otherwise noted, all dollar amounts in this MD&A are expressed in U.S. dollars, denominated by "$" or "**US$**", in thousands (other than share and per share amounts). In this MDA, "**CAD**" or "**C$**" refers to Canadian dollars. All references in this MD&A to: (i) "**Q1 2024**" are to the three months ended March 31, 2024; (ii) "**Q1 2023**" are to the three months ended March 31, 2023; and (iii) "**Fiscal 2023**" are to our fiscal year ended December 31, 2023.

This MD&A is presented as of the date of signing of the Financial Statements and is current to that date unless otherwise stated.

Foreign Exchange

The Financial Statements are presented in U.S. dollars in thousands. The functional currency of the Company for the majority of the Fiscal 2023 was the New Israeli Shekel ("**NIS**"). As a result of the Flome Transaction (as defined below) and the oceansix Transaction (as defined below) (see "**Corporate History: Highlights**"), the Company's main operations have been maintained in Euro. Following the closing of the Company's facility in Israel during 2023 and continuing its main operations in Europe, Q1for 2024 and going forward, the Company's functional currency will be Euros.

The following is a summary of the U.S. dollar exchange rates to the NIS:

	3 months ended	
US$1.00 converted to NIS	March 31, 2024	March 31, 2023
Highest rate during the period	3.796	3.680
Lowest rate during the period	3.566	3.370
Average rate for the period	3.662	3.536
Rate at the end of the period	3.690	3.615

The following is a summary of the U.S. dollar exchange rates to the Euro:

	3 months ended	
US$1.00 converted to EUR	March 31, 2024	March 31, 2023
Highest rate during the period	0.933	0.951
Lowest rate during the period	0.906	0.909
Average rate for the period	0,920	0.9311
Rate at the end of the period	0,925	0.932

Operating Segments

Up until the acquisition of Flome (as defined below)(see "**Corporate History: Highlights**"), we operated in one principal business segment, recycled plastic industrial boards and sheets. Following the closing of the Flome Transaction (as defined below), our operations have expanded into three-dimensional recycled and non-recycled plastic industrial products. In addition, with the closing of the oceansix Transaction (as defined below) (see "**Corporate History: Highlights**"), we no longer actively operate in plastic recycling and our 'waste to product' process. We have increased our commercial development activity and expanding business of Flome's business by increasing our product portfolio and with oceansix own developed and more innovative and technologically advanced plastic products, such as Hidroquick, a revolutionary hydroponic system designed for simplicity, versatility and sustainability in the Agriculture Industry.

In January 2023, the Company relocated certain components of its Israeli production facility to Germany, permanently closing the Israeli site.

Commencing January 2023, the fixed assets of the Company are located in Spain and Germany. Consequently, the Company anticipates that in 2024 the majority of the Company's operational assets and liabilities will be in Europe. For more on this matter see the section titled "**Business Overview**".

In Q1 2024, most of our revenues were from three-dimensional plastic products, mostly generated from customers in Europe. All related production activities were performed in Spain through Flome.

Following the decision to close of the Company's Israeli facility and cessation of production facilities and operations in Israel, the activities of the Company in Israel in Q1 2023 and for the year ended December 31, 2023 are represented as discontinued operations.

We have increased our commercial activity and expanding business of Flome's business by increasing our product portfolio

Non-IFRS Financial Measures

This MD&A refers to certain non-IFRS financial measures including Adjusted EBITDA. This measure is not a recognized measure under IFRS. There is no prescribed definition of this measure, and it is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to supplement IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, this measure should neither be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. This non-IFRS financial measure can also provide supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures.

We also believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses this non-IFRS financial measure in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. As required by Canadian securities laws, we reconcile this non-IFRS financial measure to the most comparable IFRS measure.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information.

Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Some of the information contained in this MD&A is forward-looking information. Such information includes, but is not limited to, expansion of Company's market and Company's operational plans. This information is based on management's assumptions and beliefs, which we believe to be reasonable in light of the information currently available to us, and is made as of the date of this MD&A. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated. However, we do not undertake to update any such forward-looking information as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. Actual results and the timing of events may differ materially from those anticipated in this MD&A as a result of various factors.

02 Business Overview

Business Overview

We started as an environmental technology company based in Israel that has developed an industrial process to recycle post-consumed polyethylene (plastic) bags and sheets.

As at March 31, 2024 and as of the date hereof, our main shareholders are Sullam Holdings L.R. Ltd. (“**Sullam**”), which holds approximately 18.3% of our outstanding share capital and 10.7% on a fully diluted basis, Tedea Technological Development and Automation Ltd. (“**Tedea**”), which holds approximately 18.3% of our outstanding share capital and 10.7% on a fully diluted basis, and RAM.ON GmbH ("**RAM.ON**"), which holds approximately 17.9% of our outstanding share capital and 47.9% on a fully diluted basis. RAM.ON, Tedea and Sullam have entered into a shareholders agreement with respect to the exercise of certain of their rights in the ordinary shares of the Company (“**Ordinary Shares**”).

We started as an environmental technology company based in Israel that has developed an industrial process to recycle post-consumed polyethene (plastic) bags and sheets in a ‘waste-to-product’ process.

In November 2022, the Company ceased its production activities in Israel, and in January 2023, the Company´s Israeli production site was permanently closed. Currently, the Company is no longer actively operating in plastic recycling and in its ‘waste to product’ process.

Commencing on June 13, 2022, the closing date of the Flome Transaction (see “**Corporate History: Highlights**”), our activities also include a thermoforming manufacturing site based in Valencia, Spain. This site transforms plastic boards and sheets into three-dimensional plastic industrial products through a process that includes heating and shaping the boards and sheets using prefabricated molds.

Commencing on June 17, 2022, the closing date of the oceansix Transaction (see “**Corporate History: Highlights**”), our activity also includes research and development of special innovative and technologically advanced plastic-based products.

Business Overview

Commencing on May 15, 2024, the closing date of Repack transaction (see "**Corporate History: Highlights**"), our activities also include reusable packaging systems in e-commerce deliveries, a growing exponentially business with an estimated annual dispatch of 161 billion parcels.

Corporate History: Highlights

2008-2017

The Company was incorporated on January 22, 2008 under the laws of the State of Israel as a private company. By 2012, we had become a recycling company for post-consumed agricultural plastic waste such as greenhouse covering plastic sheets, land covering plastic sheets, irrigation pipes, planting trays, plastic bottles and containers, which were recycled and converted into plastic granules. In early 2017, as a result of lower market prices for plastic and recycled plastic, we changed our strategy to focus on research and development, as well as product development, launching our first prototype production line at the end of 2017.

2019

In September 2019, we decided to close our high density polyethylene (HDPE) resin production to focus on our 'waste-to-product' process. Subsequently, in January 2020, we ceased our recycled HDPE resin production.

2020

In early 2020, we began our marketing and brand penetration efforts outside of Israel.

In February 2020, due to the onset of the COVID-19 ("**COVID-19**") pandemic, we encountered challenges to our ability to establish relations with potential business partners due to significant restrictions on international travel. The pandemic caused many enterprises to suspend their expansion efforts and postpone discussions regarding new products and engagements with new suppliers. At the peak of the pandemic, governments imposed lockdowns in Israel and abroad, which significantly reduced our activities and our clients' operations.

In November 2020, we conducted a strategic analysis of our business and the ecosystem within which it operates. Following the analysis, we decided to focus our efforts on three key objectives: (i) initiating joint ventures with local strategic partners outside of Israel; (ii) direct sale of our products to local and international markets; and (iii) adding additional verticals using the injection of slow flow polyethene and additional sheet based products.

In August 2020, the Company entered into a Convertible Note Purchase Agreement (the "**Convertible Note Purchase Agreement**") with Clover Wolf Capital Limited Partnership, an Israeli fund ("**Clover Wolf**") for the issuance of a convertible note with a principal amount of US$3,000,000 (the "Convertible Note") and (ii) a warrant to purchase Ordinary Shares for cash consideration of $ 1,500,000. In April 2021, due to the closing of the initial public offering of Ordinary Shares (as described below), the Convertible Note was converted into 19,735,200 Ordinary Shares and a warrant to purchase 5,638,629 Ordinary Shares at an exercise price of $0.152.

2021

On April 21, 2021, we consummated our initial public offering in which raised net proceeds of approximately US$ 8.4 million (the "**IPO**"), and on April 28, 2021 our equity securities commenced trading on the TSX Venture Exchange (the "**TSXV**").

On June 4, 2021, we completed a private placement for aggregate gross proceeds of approximately US$ 1.0 million.

Corporate History: Highlights

2022

On January 21, 2022, we entered into a share purchase agreement to purchase oceansix GmbH ("**oceansix GmbH**"), a German company focused on developing technologies and products solutions (the "oceansix Transaction").

The oceansix Transaction closed on June 17, 2022. Under the consideration paid for the oceansix Transaction and the achievement of certain related milestones, RAM.ON was issued 20,295,037 Ordinary Shares and received 10,000,000 additional Ordinary Shares upon achievement of an earnout. In the preparation of the consolidated Financial Statements, the Company performed valuations with respect to the allocation of the purchase price of the different assets and liabilities acquired in the oceansix Transaction. These allocations were made based on the valuation of the assets and liabilities of oceansix GmbH as of the closing of the oceansix Transaction performed by an independent valuation expert.

On April 27, 2022, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Plasticos Flome S.L., a plastics manufacturing company operating in Valencia, Spain ("**Flome**" and the "**Flome Transaction**", respectively).

The Flome Transaction closed on June 13, 2022. With the Flome Transaction and the closing of our facility in Israel, discussed above, currently, we are no longer utilizing our 'waste to product' and our focused on Flome's business and other possible opportunities in Europe.

In November 2022, the Company was approved for trading on the OTCQB and also began trading on the Borse-Frankfurt Stock Exchange.

2024

In January 2024, the Company opened a new subsidiary in Spain, oceansix S.L., to centralize its R&D activities in Spain and to apply for local grants and tax benefits in local governments and Europe.

On May 15, 2024, the Company entered into an asset purchase agreement (the "RePack Agreement"), pursuant to which the Company acquired the business of original Repack, the pioneer in reusable packaging systems by an Asset Purchase Agreement acquired the business of Original RePack OY, a Finish company specializing in reusable packaging solution ("**RePack**" and the "**RePack Asset Acquisition**", respectively). The total consideration for the Acquisition, based on the Company's current share price, is valued by the parties at CDN $2,642,401. Pursuant to the Agreement, oceansix acquired the business of RePack in exchange for: (i) issuing up to 24,948,840 ordinary shares of the Company to the shareholders of RePack; and (ii) a payment of USD $ 108,000 (the equivalent of CDN $ 147,517), based on the current exchange rates at closing. Pursuant to the closing of the RePack Asset Acquisition, 15,282,176 of the Company's ordinary shares were issued to the shareholders of RePack, with the balance to be issued to the shareholders of RePack in up to four subsequent instalments, selected at the option of RePack with a mixture of cash and shares to equal the remaining balance of the total consideration outstanding. The RePack Asset Acquisition is an arm´s length transaction. All shares issued pursuant to the RePack Agreement will be restricted from trading for four months and one day after issuance. The RePack Agreement and RePack Asset Acquisition remain subject to the final approval of the TSX Venture Exchange. The price per share of the ordinary shares issued post-closing to shareholders of RePack will be subject to the Company´s share price at their time of issuance and calculated in accordance with the rules of the Exchange.

Current Manufacturing Capacity and Planned International Expansion

Our business growth plan consists of the following main avenues:

1. developing new products for production utilizing our know-how and expanding our product offerings
2. extending our product sales and offerings
3. developing innovative technological plastic based products
4. establishing additional production solutions for the development of our products

Current Manufacturing Capacity and Planned International Expansion

The acquisition of Repack is a strategic focus aimed at expanding the company's reusable packaging solutions by enhancing our product portfolio with Repack's expertise in sustainable packaging, complementing our existing R&D projects, and enabling us to meet current demands while continuing to develop a broader range of eco-friendly packaging solutions for our clients

Flome's Spanish production site has the capability to process hundreds of thousands of metric tons of boards and sheets into three dimensional plastic products for different industries, mainly automotive, agriculture, food and beverage and also for health and sport.

Currently, we are focusing on deep innovation development through our R&D operations in oceansix S.L. as well as sales of products through Flome. In addition, we keep exploring future solutions for the production of newly own developed products, whether by establishing new production facilities or expanding both the output and product development of our current facility in Spain, utilizing sub-contractors, making use of third-party facilities and/or finding other suppliers for recycled plastic materials, boards and sheets.

The RePack Asset Acquisition allows for the expansion of the Company's reusable packaging solutions by enhancing our product portfolio with RePack's expertise in sustainable packaging, complementing our existing R&D projects, and enabling us to meet current demands while continuing to develop a broader range of eco-friendly packaging solutions for our customers. Additionally, RePack's established market presence and customer base will provide new opportunities for market penetration and growth in the packaging industry.

The technological synergies from combining RePack's innovative packaging technologies with our recycling and biodegradable material expertise will allow us to develop advanced, integrated solutions that address the entire lifecycle of our products. The RePack Asset Acquisition will also strengthen our position as a leader in sustainable packaging, enhancing our ability to drive positive environmental impact across multiple sectors. All of the above will allow the Company to expedite its business plan with a commercial offering that will generate immediate revenues from the reusable packaging solution and will become the backbone for the Company's future growth in the reusable packaging industry.

Competitive Landscape

We operate in the plastic industry, producing recycled and non-recycled plastic-based products. As a result, we compete with companies that mainly produce plastic products.

Plastic product markets are highly competitive and consist of numerous manufacturers, relatively low raw material costs, advanced production processes and multinational production sites with limited barriers to entry. Certain multinational manufacturers, with relatively larger research and development budgets, are also attempting to anticipate new product demand and often introduce new products that compete with our existing and prospective products. Key competitive differentiators in our industry include, among other things, innovation, product quality, regulatory compliance, pricing and quality of customer service.

The reusable packaging industry is dynamic and rapidly evolving, driven by consumer demand for sustainable solutions and strict environmental regulations. Key competitors include large multinational companies and numerous startups. While established companies dominate with cost-effective packaging solutions, they are slower to adopt sustainable practices due to their scale. In contrast, around two dozen agile startups offer innovative sustainable technologies but often lack the engineering experience to scale significantly.

The Company's advanced technologies and engineering expertise, combined with RePack's innovative packaging solutions, create a powerful synergy. This strategic alliance allows the Company to offer a comprehensive range of sustainable packaging options and scale faster than competitors. By leveraging their complementary strengths, the merger RePack Asset Acquisition enhances the Company's market position, drives innovation, and effectively meets the growing demand for eco-friendly packaging solutions.

Competitive Landscape

Significant Developments for the three months ended March 31, 2024

1 In January 2024, the Company opened a new subsidiary in Spain, oceansix S.L., to centralize its R&D activities in Spain and to apply for local grants and tax benefits in local governments and Europe.

2 In January 2024, Ami Krupik exercised his Options pursuant to the Grant Letter dated in February 2021. As a result, Mr. Kuprik was issued 1,315,800 ordinary shares of the Company.

3 In February 2024, RAM.ON transferred to the Company on behalf of Tedea EUR 60 thousand in accordance with the September 2022 Facility (see "**Liquidity and Capital Resources – Overview**")

4 In March 2024, Sullam transferred EUR 260 thousand. As of the date of this MD&A, Sullam has transferred a total amount of EUR 585 thousand in accordance with both the September 2022 Facility and May 2023 Facility (see "**Liquidity and Capital Resources – Overview**").

5 In March 2024, the Company changed its registered address with the Israeli Register of Companies to Zvi Herman Shapita 7, Tel Aviv, 6435805.

6 In March 2024, RAM.ON GmbH entered into an agreement with Tedea, pursuant to which RAM.ON Gmbh acquired an option to purchase from Tedea 6,193,740 ordinary shares of the Company in exchange for the assumption of certain of Tedea's funding obligations under the Shareholder Undertaking as already provided by RAM.ON. The agreement also allows for the number of option shares to be increased by an additional amount of up to 2,531,573 oceansix Shares in exchange for RAM.ON assuming additional funding obligations of Tedea. The option Shares can be purchased from Tedea at a price of CAD $0.065 per share for a period of 24 months from the date of the agreement.

Competitive Landscape

Significant Developments since March 31, 2024

1. In April 2024, RAM.ON transferred to the Company on behalf of Tedea EUR 90 thousand.

2. In April 2024, the Company retained the US-based corporate communications firm RB Milestone Group LLC ("RMBG"). RBMG has been engaged in providing oceansix with investor relations services, including corporate communication advisory, non-deal roadshow advisory, market intelligence advisory, and business referrals. RMBG has been retained for an initial term of 12 months, paid in cash. RBMG is at arm´s length of the Company. The agreement is subject to regulatory approval.

3. In April 2024, the Company´s major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to December 31, 2025 and RAM.ON agreed to extend its commitment not to demand the repayment of the Company's debt to RAM.ON in an amount of EUR 550 thousand until December 31, 2025. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in the amount of EUR 321 thousand as of December 31, 2023, according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US$ 2 million (see "**Liquidity and Capital Resources – Overview"**).

4. In April 2024, RAM.ON agreed to provide the Company with an additional credit facility in the aggregate maximum amount of EUR 2 Mill (May 2024 Facility) as required by the Company over the next 18th months following May 1, 2024. The Facility will bear interest based on the annual interest rate equal to the minimum interest rate required under the Israeli Tax Ordinance, which at this time amounts to 5.18%.

   In the event the Company has a successful capital raise, the Facility will be reduced by the amount raised in such capital raise that exceeds the amount not yet provided to the Company by the Shareholders under the September 2022 Facility and the May 2023 Facility. (see "Liquidity and Capital Resources – Overview").

5. In May 2024, Tedea transferred EUR 200 thousand. As of the date of this MD&A, Tedea has transferred a total amount of EUR 685 thousand Out of the EUR 685 thousand RAM.ON has transferred on behalf of Tedea a total amount of EUR 460 thousand (see "**Liquidity and Capital Resources – Overview**").

6. On May 15 2024, oceansix S.L. entered into the Repack Agreement and consummated the RePack Asset Acquisition (see "**Corporate History: Highlights**").

7. In May 2024, Tedea and Sullam each exercised their vested warrants for the issuance of 2,296,886 Ordinary Shares each, which have been issued.

03

Summary of Factors Affecting our Results of Operations

oceansix
meaningful solutions

Summary of Factors Affecting our Results of Operations

Our ability to grow our business and enhance our financial performance depends on our ability to: (i) successfully utilize our 'know-how to manufacture newly developed products; (ii) improve, develop and expand our manufacturing capacity; and (iii) successfully develop and commercialize new products. Our success depends on our ability to efficiently produce our products, maintain our technological advantages, adapt to changing regulatory regimes, continue to develop new products (and production processes for new segments) and enter into successful strategic partnerships. In addition, as the Company is currently generating deficits at this time, its continuous operations depend on its ability to raise funds to finance its operations and activities until it achieves profitability and sufficient cash generation.

Maintaining our Technological Advantage

The success of our business depends on our ability to continue to take advantage of our know-how to develop a variety of new high quality products. In addition, in order to maintain our technological advantage we will have to form and maintain strategic relationships with leading technological partners, academic institutions and individuals, among others. Furthermore, we will need to keep our production process highly cost-efficient in comparison to other actors in the industry and also in comparison to virgin plastic manufacturers.

Strategic Relationships

Our continued success and ability to become an industry leader will depend to a large extent on our ability to form and maintain long-term relationships with distributors, agents, customers, supplier and local governments etc. These relationships allow us to secure a sustainable and long-term supply of raw materials and distribute our products.

Adapting to Changing Legal and Regulatory Regimes

The industry in which we operate as well as the products we produce and develop are both heavily regulated and standardized. The industry is heavily dependent on incentive programs from national and local governments to encourage activities as well as regulations and standardization. The use of our products in certain verticals may be subject to different regulations and standards that may differ from jurisdiction to jurisdiction and may impact our ability to distribute our products.

The regulatory frameworks of the reusable packaging industry are designed to promote sustainability, ensure product safety, and encourage innovation in environmentally friendly packaging solutions. These frameworks vary by region but generally include key components of environmental regulations such as waste management directives, extended producer responsibility (EPR) policies, and bans on single-use materials. For example, the EU's Paper Packaging Waste Regulation and various regional single-used material bans push companies towards sustainable packaging solutions. This creates a significant transition in this industry which grow significantly the demand for reusable packaging solutions by both retailers and their consumers.

Summary of Factors Affecting our Results of Operations

How we Assess the Performance of our Business

The key financial measures indicated below are used by management in evaluating and assessing the performance of our business. We refer to certain key performance indicators used by management and typically used by our competitors in the plastic recycling and relevant plastic products market, certain of which are not recognized under IFRS. These non-IFRS financial measures which are used by management do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Revenues from Sales

Until the recent Flome Transaction, which took place in June 2022, the Company primarily operated in the plastic recycling industry, which includes sales of plastic board and sheet products mainly to the construction industry. Following the Flome Transaction, the Company expanded its operations, through Flome, to the production and sale of other industrial plastic products (both recycled and non-recycled). We recognize revenues from sales at the fair value of the consideration received or receivable, net of estimated sales incentives that were provided to customers and excluding taxes and/or duties. Revenue is recognized when the customer takes ownership of the product, the title has transferred, all the risks of ownership have been transferred to the customer, recovery of consideration is probable, and we have satisfied our performance obligations under the arrangement and have no ongoing involvement with the product. Revenues are therefore recognized when it is probable that the economic benefits will flow to us and the revenues can be reliably measured, regardless of when the payment is received. Following the cessation of our Israeli activities and closing of our Israeli facilities, from February 23, 2023 our current revenues are solely generated by Flome's activities.

The RePack Asset Acquisition provides the Company on new market opportunities, leverages technological synergies, and strengthens its competitive edge, leading to a stronger go-to-market strategy and increased revenues. Repack's established market presence and customer base will provide the company immediate access to revenues in new markets and customer segments. This expanded reach will lead to increased sales opportunities and higher revenues.

Cost of Revenues

Cost of revenues consists of our production costs which are comprised primarily of labor, energy, materials, consumables, consultants, water, overhead, maintenance, lease of a plant building, lease of facilities and equipment, city taxes, insurance, amortization on production equipment, shipping, packaging and other expenses required to produce our products sold during the period. Cost of revenues related to the production of our final products to the point at which the products are packed and ready for delivery are capitalized and included in the value of inventory. Once goods are sold, the associated capitalized costs are recognized as production costs. Gross profit (loss) represents profit (loss) earned before the net revenue from sales of products less the cost of revenues.

Gross Loss

Gross loss represents the loss incurred from the production activity of the Company and is the outcome of the total sales net of the cost of sales expenses of the Company.

Summary of Factors Affecting our Results of Operations

Development Expenses

Development expenses consist of costs related to developing production processes, improving production, improving new products, and improving machinery adoption. Such expenses may include, inter alia, related salary expenses, cost of materials, consultants, laboratory tests, and field testing. Development expenses do not include the total amount of supporting grants received from the Israel Innovation Authority (the "IIA").

Due to the Company's cessation of its production activities in Israel, as discussed above (see the section titled "Business Overview"), should the Company transfer IIA-supported production processes outside of Israel in the future, it may be subject to repayments of the grants received, with potential fines and interests, to the IIA in order to receive approval for the transfer of the Company's manufacturing abroad. At this time, the Company cannot estimate whether, in such circumstances, it will reach a settlement with the IIA with respect to such royalty payments and the amounts that will be agreed upon. See the Risk Factor titled "Limitations surrounding the use of Israeli government funding".

Sales and Marketing Expenses

Sales expenses consist of costs incurred as part of the act of sale, including transportation costs for the delivery of the sold goods and agent fees. Marketing expenses consist of costs related to the activities and efforts to increase the Company's sales, such as related salaries, publishing, conventions, traveling, advertising, an internet site, brochures, product samples, advisors, and agents.

General and Administrative Expenses

General and administrative expenses are incurred in the company's day-to-day operations and may not be directly tied to a specific function within the Company. Such expenses may include, inter alia, lease payments, utilities, insurance, legal fees, audit fees, communication expenses, and employee salaries.

Operating Loss

Operating loss represents the loss incurred from operations and is the outcome of the total sales net of the company's operating expenses. The calculation of operating loss does not include the effects of financial expenses or taxes.

Finance Expenses, Net

Finance expenses, net, consist of expenses incurred in the course of the Company's financial activities, such as loans, bank account maintenance, and business transactions executed in different currencies. Such expenses may include, inter alia, expenses and income from interest, expenses and income from exchange rates, and bank fees and commissions.

Net Loss

Net loss represents the loss incurred from all income and expenses of the Company of any kind, and is computed as the total income of the Company less its total expenses.

Adjusted EBITDA

Management defines Adjusted EBITDA as the income (loss) from operations, as reported, before interest and tax, adjusted by removing other non-recurring or non-cash items, including impairment of fixed assets, realized fair value adjustments on inventory sold in the period, share-based compensation expense, and depreciation, amortization and impairment costs included in operating expenses. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash-adjusted basis before the impact of non-recurring or non-cash items.

04 Selected Financial Information

Selected Financial Information

The following table sets out a summary of our results of operations for Q1 2024 and Q1 2023, as well as selected balance sheet data as at the end of Q1 2024, and end of Fiscal 2023. The selected financial information for Q1 2024 and Q1 2023 has been derived from our unaudited Interim Financial Statements. The selected financial information for Fiscal 2023 has been derived from our audited Annual and Consolidated Financial Statements for Fiscal 2023. Following the decision to close of the Company's Israeli facility and cessation of production facilities and operations in Israel, the activities of the Company in Israel in Q1 2023, and Fiscal 2023 are represented as discontinued operations.

The consolidated financial statements include obligations to RAM.ON from oceansix GmbH in the amount of approximately EUR 550,000 as included in oceansix GmbH's financial statements in connection with a shareholder loan, which bears no interest, for expenses incurred by oceansix GmbH in the period prior to the closing of the oceansix Transaction.

RAM.ON will not demand repayment of this shareholder loan prior to the earlier of (i) December 31, 2025; or (ii) a capital raise of at least US $2 million. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i) December 31, 2025, or (ii) the consummation of a successful capital raise of at least US$ 2 million.

The final recognition of these undertakings may possibly result in a different amount than those included in the financial statements following the conclusion of the internal accounting between the parties.

Selected Financial Information

	Three months ended March 31,	
	2024	*2023
	U.S. dollars in thousands	
Revenues from sales	890	375
Cost of sales	740	288
Gross profit	150	87
Development expenses	28	133
Selling and marketing expenses	69	138
General and administrative expenses	438	454
Other expenses, net	28	(95)
Operating loss	(413)	(543)
Finance income	6	53
Finance Expenses	(460)	-
Loss before taxes	(867)	(490)
Tax benefit	51	2
Loss from continuing operations	(816)	(488)
Loss from discontinued operations, net	-	(250)
Loss	(816)	(738)
Other comprehensive income (loss): **Amounts that will not be reclassified subsequently to profit or loss:** Adjustments arising from translating financial statements from functional currency to presentation currency	3	(104)
Amounts that will be reclassified subsequently to profit or loss when specific conditions are met: Adjustments arising from translating financial statements of foreign operations	-	148
Total comprehensive loss	(813)	(694)

Below is data of the operating results attributed to the discontinued operations:

	Three months ended March 31,	
	2024	2023
	U.S. dollars in thousands	
Revenues from sales	-	25
Cost of sales	-	194
Gross Loss	-	(169)
Development expenses (Net of Goverment grants)	-	-
Selling, general and administrative expenses and other expenses	-	81
Operating income (loss)	-	(250)
Loss from discontinued operations, net	-	(250)

Selected Financial Information

	December 31, 2024	December 31, 2023
ASSETS	U.S. dollars in thousands	
CURRENT ASSETS		
Cash and cash equivalents	482	83
Trade receivables	575	533
Other accounts receivable	541	431
Inventories	146	97
	1,744	1,144
NON-CURRENT ASSETS		
Right-of-use assets	787	918
Property, plant and equipment, net	130	-
Intangible assets	629	1,005
Goodwill	401	1,356
Other accounts receivable	1,590	3,024
	17	22
	3,554	6,325
	5,298	7,469
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Credit from banks	282	102
Current maturities of lease liabilities	75	109
Current maturities of loans from others	156	-
Trade payables	783	569
Other payables	1,289	1,135
	2,585	1,915

	December 31, 2024	December 31, 2023
	U.S. dollars in thousands	
NON-CURRENT LIABILITIES		
Lease liabilities	712	818
Deferred tax liabilities	66	136
Loans from others	9	140
Other liabilities	28	24
Shareholders and affiliated companies	943	735
Convertible debt to related party	1,627	-
Warrants	9	170
	3,394	2,023
EQUITY		
Share capital and share premium	51,093	50,861
Warrants	453	453
Foreign currency translation reserve	19	29
Reserve from share-based payment transactions	1,662	1,863
Reserve from transaction with controlling shareholders	498	-
Accumulated deficit	(54,406)	(46,675)
Total equity (deficit)	(681)	3,531
	5,298	7,469

Selected Financial Information

Adjusted EBITDA - Loss (from continued and discontinued operations)	Three months ended March 31, 2024	Three months ended March 31, 2023
	Unaudited	
	U.S dollars in thousands	
Operating loss	(413)	(543)
Depreciation and amortization	87	55
Cost of Share Based Compensation	-	35
Adjusted EBITDA - Loss	(326)	(453)

IFRS Measures

Following the decision to close the Company´s Israeli facility and cessation of production facilities and operations inIsrael, the activities of the Company in Israel in Q1 2023 and for the year ended December 31, 2023 are represented as discontinued operations.

Revenues from Sales

Revenues from sales for Q1 2024 and Q1 2023 were US$890 and US$375, respectively. The revenues from sales for Q1 2024 consist of the revenues from sales of Flome.

Cost of Sales

The cost of sales for Q1 2024 and Q1 2023 were US$740 and US$288, respectively. The revenues from sales for Q1 2024 consist of the cost of sales of Flome.

Gross Profit

Gross profit for Q1 2024 and Q1 2023 were US$150 and US$87, respectively. The gross profit for Q1 2024 consists of the gross profit of Flome.

Development Expenses

Development expenses for Q1 2024 and Q1 2023 were US$28 and US$133, respectively.
The development expenses for Q1 2024 consist of the development expenses of oceansix GmbH and oceansix S.L, which include, inter alia, labor, materials involved with development activity and all other costs incurred in the process and products developments.

Selling and Marketing Expenses

Selling and marketing expenses for Q1 2024 and Q1 2023 were US$69 and US$138, respectively.
The selling and marketing expenses for Q1 2024 consist of the sales and marketing expenses of Flome.

General and Administrative Expenses

General and administrative expenses for Q1 2024 and Q1 2023 were US$438 and US$454, respectively.
The general and administrative expenses for Q1 2024 and Q1 2023 consist of the general and administrative expenses of the Company.

Other Expenses

Other Expenses for Q1 2024 and Q1 2023 were US$(28) and US$95 as Income, respectively. The other expenses for Q1 2023 consist of the other expenses of the Company.

Operating Losses

The Company's operating losses for Q1 2024 and Q1 2023 were US$413 and US$543, respectively.
The operating losses for Q1 2024 and Q1 2023 consist of the operating losses of the Company.

Analysis of Results for Q1 2024.

IFRS Measures

Finance Income (expenses)

Finance Expenses for Q1 2024 and Q1 2023 were US$(454) and US$53, respectively.
The changes in the finance expenses in Q1 2024 compared to Q1 2023 was mainly due to the changes of the fair market value of the Convertible Debt to RAM.ON as Related Party.
The Company bases its valuation of fair value of its liabilities on calculations performed by independent valuation experts.

Loss

Losses for Q1 2024 and Q1 2023 were US$816 and US$738, respectively.
The Loss for Q1 2024 and Q1 2023 consist of the losses of the Company.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the applicable period.

Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares, which include convertible notes and options and warrants issued to shareholders, employees, directors and consultants.

Basic loss per share

The computation of basic loss per share was based on the net loss attributable to ordinary shares divided by the weighted average number of ordinary shares outstanding during the applicable period.

	Three months ended March 31,	
	2024	***2023**
	U.S. dollars in thousands	
Loss per share (in US dollars):		
Basic loss		
Loss from continuing operations	(0.005)	(0.003)
Loss from discontinued operations	-	(0.002)
Loss	(0.005)	(0.005)
Diluted loss		
Loss from continuing operations	(0.005)	(0.003)
Loss from discontinued operations	-	(0.002)
Loss	(0.005)	(0.005)

*) Reclassified for discounted operations

Summary of Quarterly Results of Operations

(in thousands of US$)

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Total revenues	890	502	558	1,019	375	345	340	-
Operating loss	413	3,010	574	500	543	1,597	481	420
Total comprehensive income (loss)	813	3,027	592	398	694	-1,056	-1,516	-1,601
Basic net loss per share	(0,005)	(0,029)	(0,012)	(0.002)	(0.003)	(0.006)	(0.010)	(0.010)
Diluted loss	(0,005)	(0,029)	(0,012)	(0,002)	(0.003)	(0.009)	(0.020)	(0.015)

Diluted loss per share was computed based on the net loss attributed to the ordinary shares divided by the weighted average number of ordinary shares outstanding, after adjustment for all potentially dilutive ordinary shares.

Generally, there are no quarterly or seasonal trends associated with the Company's business. Total revenues fluctuate quarter over quarter mainly due to changes in demand for the Company's products. The fluctuations in operating loss are mostly attributable to the timing of expanding the extraordinary expenses for the Company's branding, the IPO, fundraising, changes in development expenses, net of grants received on a cash basis. Fluctuations in total comprehensive income as well as in the basic and diluted loss per share were also affected by all of the aforementioned factors.

Basic and diluted loss per share are in conformity to the Company's comprehensive loss as no significant amount of shares were issued during the reported quarters.

Non-IFRS Financial Measures

Adjusted EBITDA

Adjusted EBITDA for Q1 2024 and Q1 2023 amounted to losses of US$326 and US$453, respectively. Adjusted EBITDA loss for Q1 2024 and Q1 2023 consists of the Adjusted EBITDA of the Company.

05 Liquidity and Capital Resources

oceansix
meaningful solutions

Liquidity and Capital Resources

The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill obligations. In managing working capital, the Company may, where necessary, limit or control the amount of working capital used for operations or other initiatives, pursue additional financing, manage the timing of its expenditures or sell assets. 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 undertook to provide the Company with a credit facility in the amount of up to EUR 2 million as required over the 2 years commencing in September 2022 (the **"September 2022 Facility"**), with each shareholder providing an equal share of any requested amounts. In addition, on April 30, 2023, two of the Company's major shareholders undertook to provide the Company with an additional credit facility in the amount of up to EUR 500 thousand (US$ 533 thousand) as required over the 18 month period commencing on May 1, 2023 with each of the two shareholders providing an equal share of any requested amounts

Liquidity and Capital Resources

(the "**May 2023 Facility**") for a period ending on September 1, 2024.
In April 2024, the Company´s major shareholders agreed to extend the periods of the September 2022 Facility and the May 2023 Facility to December 31, 2025.
In the event the Company has a successful capital raise, the facilities provided in the undertakings will be reduced by the amounts raised in such capital raise with the September 2022 Facility being reduced first and any amounts in excess of the September 2022 Facility will reduce the May 2023 Facility.

The current outstanding funds available to the Company under the September 2022 Facility and the May 2023 Facility amount to EUR 396 thousand.
To ensure the liquidity requirements of the company, in April 2024, RAM.ON agreed to provide the Company with an additional credit facility in the aggregate maximum amount of EUR 2 Mill (the "**May 2024 Facility**"). In the event the Company has a successful capital raise, the May 2024 Facility will be reduced by the amount raised in such capital raise that exceeds the amount not yet provided to the Company by the Shareholders under the September 2022 Facility and the May 2023 Facility.

In April 2024, RAM.ON agreed to extend the periods of the EUR 550 thousand obligation to December 31, 2025. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount ofEUR 321 thousand as of December 31, 2023 according to the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US$ 2 million.

Based on the cash available to the Company as of the date of the approval of the Financial Statements and the credit facilities 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 Financial Statements.

Through Q1 2024 and as of the date of this MD&A, RAM.ON has transferred to the Company an amount equal to EUR [833] thousand, Sullam has transferred an amount in NIS equivalent to EUR 585 thousand in accordance with the September 2022 Facility and May 2023 facility, and Tedea has transferred an amount in NIS equivalent to EUR 685 thousand in accordance with the September 2022 Facility.

Out of the EUR 685 thousand sourced by Tedea, RAM.ON has transferred to the company on behalf of Tedea EUR 460 thousand.

The Company is not subject to any financial ratio maintenance covenants in its bank facilities or other outstanding debt obligations. To maintain current operational capacity, additional sources of capital and/or financing will be required to meet planned growth and to fund our development activities. Liquidity will fluctuate based on demand for working capital resources required for these initiatives.

Additional capital resources may be raised from bank borrowings and loans or grants from governmental institutions. Currently, the Company cannot estimate the nature, amounts and probability of receiving any such loans or grants.

The Company's management and Board estimate, after analyzing the finance and liquidity resources, that the Company has the financial stability to continue its operations for the next twelve months.

Financial Instruments

As of March 31, 2024, the Company had available cash and cash equivalents of US$ 482, as opposed to US$ 379, at the end of Fiscal 2023. The increase in available cash and cash equivalents was mainly due to approximately US$ 323 used for operating activities, approximately US$38 derived from investment activities and US$395 derived from financing activities. An additional US$ (7) represent exchange rate differences of NIS/USD and Euro/USD cash balances.

The Company does not utilize any financial instruments other than bank deposits. The Company maintains bank accounts in Euros, U.S. dollars and NIS in accordance with the expected future use of funds. To date, the Company has not hedged its exposure to currency fluctuations.

Working Capital

The table below sets out the cash and cash equivalents, working capital (deficit) and current and long-term debt and bank credit at the end of end of Fiscal 2023 compared to the end of Q1 2024.

The Company's working capital, including cash and cash equivalents, as of March 31, 2024 and end of Fiscal 2023 was US$(841) and US$(917) respectively.

The increase in the Company's working capital is mainly comprised of the use of cash and cash equivalents to fund the Company's losses from its operations in Q1 2024.

	March 31 2024	December 31 2023
	U.S dollars in thousands	
Cash and cash equivalents	482	379
Working capital (deficit) including cash & cash equivalents	(841)	(917)
Total bank debt & convertible note and warrants liabilities	447	371

*Excluding liabilities to shareholders and affiliated companies.

Cash Flows

The capital sources generated from revenues, as well the commitment of the Company's shareholders to support its operations, provide the Company with enough working capital to meet its short-term financial commitments as they become due. See the section titled "**Liquidity and Capital Resources – Overview**".

The table below highlights the Company's cash flows for Q1 2024 and Q1 2023.

	Three months ended March 31, 2024	Three months ended March 31, 2023
	U.S dollars in thousands	
Net cash used in operating activities	(323)	(633)
Net cash provided by (used in) investing activities	38	218
Net cash provided by (used in) financing activities	395	(15)
Exchange rate differences on balances of cash and cash equivalents	(7)	25
Increase (decrease) in cash and cash equivalents	103	(405)
Cash and cash equivalents at the beginning of the period	379	488
Cash and cash equivalents at the end of the period	482	83

Analysis of Cash Flows for Q1 2024 compared to Q1 2023

The Company's sources of cash include cash and cash equivalents balances at beginning of Q1 2023, net of cash used for financing the Company's loss from its operations, investing activities, finance activities and the effect of changes in currency exchange rates on the non-U.S. dollar currency balance in Q1 2023.

Net cash used in operating activities of the Company amounted to US$(323) and US$(633) for Q1 2024 and Q1 2024, respectively. The decrease in cash used for operating activities in Q1 2024 compared to Q1 2023 was mainly due to losses from operations as described above and changes in asset and liability items.

Net cash provided by (used in) investing activities of the Company amounted to US$38 and US$218 in Q1 2024 and Q1 2023, respectively. The decrease in net cash provided by investing activities was mainly due to proceeds from the sale of machinery and equipment in 2023 versus the receipts from the Finance Lease with a related party, Cabka

Main cash and cash equivalents provided by the Company's financing activity in Q1 2024 consisted mainly of credit from shareholders.

Capital Resources

The Company's main capital resources are composed of cash and cash equivalents generated in previous years from the conversion of loans from shareholders. Furthermore, from time to time, the Company might receive grants from the European Union in connection with its R&D activities. To meet future capital needs, the Company would need to raise additional capital through equity or debt financing or other strategic transactions as well as the commitment of the Company's shareholders to support its operations (see "**Liquidity and Capital Resources**").

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Share Incentive Plan

The Company's share incentive plan, adopted on January 7, 2021, and amended in April 2021 and July 2023, offers equity-based compensation to our executive officers, directors, eligible employees, and non-employee consultants, which has historically been awarded in the form of stock options and restricted securities.

06 Related Party Transactions

Related Party Transactions

In April 2024, the Company major shareholders, RAM.ON, Tedea and Sullam, which holds approximately 17.9%, 18.3% and 18.3% respectively of the issued and outstanding share capital of the Company, agreed to extend the periods of the September 2022 Facility and May 2023 Facility to December 31, 2025. See "**Liquidity and Capital Resources – Overview**" which respect to such facilities.

In April 2024, RAM.ON agreed to provide the Company with an additional credit facility (May 2024 Facility) in the aggregate maximum amount of EUR 2 Mill as required by the Company over the next 18 months commencing on May 1, 2024. In the event the Company has a successful capital raise, the May 2024 Facility will be reduced by the amount raised in such capital raise that exceeds the amount not yet provided to the Company by the Shareholders under the September 2022 Facility and the May 2023 Facility. See "**Liquidity and Capital Resources – Overview**" which respect to such facility.

In April 2024, RAM.ON agreed to extend the periods of the EUR 550 thousand obligation from oceansix GmbH till December 31, 2025. This obligation refers to the expenses incurred by oceansix GmbH in the period prior to the closing of the oceansix Transaction and bears no interest. The final recognition of these undertakings may possibly result in a different amount than those included in the financial statements following the conclusion of the internal accounting between the parties. In addition, RAM.ON agreed not to demand the repayment of the Company's liability in an amount of EUR 321 thousand as of December 31, 2023 under the Service Agreement between RAM.ON and oceansix prior to the earlier of (i), December 31, 2025, or (ii) the consummation of a successful capital raise of at least US$ 2 million. See "**Significant Developments since March 31, 2024**" with respect to the payments made by RAM.ON in connection with its shareholder undertakings.

Related Party Transactions

In October 2023, oceansix GmbH (Lessor) and Cabka GmbH (Lessee) signed a lease agreement for 2 extruders and other accessories. The lease agreement started on October 1, 2023, and has a duration of 2 years. The leasing fees are EUR 21 thousand in monthly instalments and a last one of a total of EUR 17 thousand.

In Q1 2024, RAM.ON provided services to oceansix for a total amount of EUR 83 thousand according to the existing Service Agreement between oceansix and RAM.ON GmbH which was approved by the Shareholders at the 2023 Annual and Special Meeting.

As of the date of this MD&A, RAM.ON has contributed EUR 833 thousand, Sullam has contributed EUR 585 thousand to the Company in accordance with both the September 2022 Facility and the May 2023 Facility and Tedea has contributed EUR 685 thousand under the September 2022 Facility.

Out of the EUR 685 thousand sourced by Tedea, RAM.ON has transferred to the company on behalf of Tedea EUR 460 thousand (see "**Liquidity and Capital Resources – Overview**")

In May 2024, Tedea and Sullam each exercised their vested warrants for the issuance of 2,296,886 Ordinary Shares each, which have been issued.

07 Critical Accounting Judgments and Estimates

Critical Accounting Judgments and Estimates

The preparation of the Company's Annual Financial Statements in conformity with IFRS requires management to make various judgments and estimates in applying the Company's accounting policies that affect the reported amounts and disclosures made in the Company's financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These judgements and estimates are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions described in this section depend upon subjective or complex judgement that may be uncertain and changes in these estimates and assumptions could materially impact the Company's financial statements.

The following are the accounting policies that are subject to judgments and estimates.

Critical Accounting Judgments and Estimates

Discount Rate for a Lease Liability

When the Company is unable to readily determine the discount rate implicit in a lease in order to measure the lease liability, the Company uses an incremental borrowing rate. This rate represents the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. When there are no financing transactions that can serve as a basis, the Company determines the incremental borrowing rate based on its credit risk, the lease term and other economic variables deriving from the lease contract's conditions and restrictions. In certain situations, the Company is assisted by an external valuation expert in determining the incremental borrowing rate.

Grants from the Israel Innovation Authority

Government grants received from the IIA are recognized as a liability, if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows used to measure the amount of the liability.

Impairment of Property, Plant and Equipment

The Company evaluates the need to record an impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount is not recoverable. This requires management to estimate the recoverable amount.

The recoverable amount of the property, plant and equipment is their fair value less costs of sale based on a valuation of an appraiser. The valuation takes into consideration the mechanical condition of the assets, their level of maintenance, hours of operation and year of manufacture. The valuation measures fair value using a market approach based on current prices and other relevant information generated from recent market transactions involving comparable assets. This information is subject to change due to possible future changes in market conditions that are uncertain and difficult to estimate. These changes could have a material impact on the fair value of these assets.

Lease Extension Options

In evaluating whether it is reasonably certain that the Company will exercise an option to extend a lease, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to do so, such as: significant amounts invested in leasehold improvements, the significance of the underlying asset to the Company's operation and whether it is a specialized asset, the Company's past experience with similar leases, etc.

The Company reassesses the term of the lease upon the occurrence of a significant event or a significant change in circumstances that affects whether the Company is reasonably certain to exercise an option or not exercise an option previously included in the determination of the lease term, such as significant leasehold improvements that had not been anticipated on the lease commencement date, sublease of the underlying asset for a period that exceeds the end of the previously determined lease period, etc.

Critical Accounting Judgments and Estimates

The fair value of Convertible Note and Warrant

The fair value of the Convertible Note and Warrant have been measured using a hybrid model combining the Option Pricing Model and an IPO scenario. The key assumptions used in the valuation include the probability of an IPO realization, the IPO price, the cost of capital, the expected volatility of the Company's equity.

08 Risk Factors

Risk Factors

In the ordinary course of business, the Company is subject to a number of financial risks and business related-risks. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Given the nature of the Company's position in the Israeli market, ordinary course risks such as credit risk, foreign exchange risk, and interest rate risk are not material to the Company at this time. The Company has risk management strategies in place which are designed to ensure the Company's risks and the related exposures are consistent with its business objectives and risk tolerance.

Risks Related to Production

We operate our business in an industrial working environment that includes, inter alia, use of heavy machinery, hazardous processes and materials that may cause body injury to our employees or other third party. In the event that such damage is caused, it may have a material effect on our business.

Risks Related to Management and Personnel

We rely on our management and need additional key personnel to grow our business, and the loss of key employees or inability to hire new key personnel could harm our business.

Risks Related to Regulation

If we are unable to comply with regulatory requirements and industry standards, including those regarding product safety, quality, efficacy and environmental impact, we could incur significant costs and suffer reputational harm which could adversely affect results of operations.

Risks Related to Product Liability

We face the risk of exposure to product liability claims, regulatory action and litigation if our products cause loss or injury.

Risks Related to Intellectual Property

We rely on intellectual property and may not be able to protect intellectual property rights throughout the world.

Risks Related to the Ownership of Our Ordinary Shares and warrants

The Principal Shareholders hold significant voting power in the Company and the interests of the Principal Shareholders may not be the same as those of the Company's other shareholders.

Risk Factors

Risks Related to Exchange Rate

Exchange rate fluctuations between the Canadian dollar, the U.S. dollar, Israeli Shekel, Euro and other foreign currencies may negatively affect our future revenues.

Risks Related to Competition

We operate in a highly competitive industry, and may not be able to maintain our operations or develop them as currently proposed if we are unable to outperform our competitors.

Risk Related to Cyber Threats

Significant data breaches or other disruptions to our information technology systems could disrupt our operations, result in the loss of confidential information or personal data, and adversely impact our reputation, business or results of operations.

Risk Related to Natural Disasters

Earthquakes or other catastrophic events out of our control may damage our facilities or those of our contractors and adversely affect our business, financial condition, and results of operations.

Risk Related to General Economic Conditions

Geopolitical instability could impact world economic markets and adversely affect the Company's ability to conduct business.

Risks Related to Our Status as an Israeli Company

Limitations surrounding the use of Israeli government funding.

Miscellaneous

Liquidity problems or bankruptcy of our key customers, could have an adverse effect on our business, financial condition, and results of operations.

With respect to the detailed information of the risk factors, see "Additional Information".

09 Adoption of Accounting Standards

Adoption of Accounting Standards

The financial statements for the year ended December 31, 2019 are the first the Company prepared in accordance with IFRS. For the periods up to and including the year ended December 31, 2018, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Israeli GAAP). Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 31, 2019, together with the comparative period data for the year ended December 31, 2018. In preparing the financial statements, the Company's opening statement of financial position was prepared as of January 1, 2018, the date of the Company's transition to IFRS. For further information see our Annual Financial Statements for the period ending December 31, 2020, and in particular, "Note 22: Reconciliation between Israeli GAAP and IFRS" thereto.

Future Accounting Standards Not Yet Adopted

The Company is not aware of new accounting standards published in Q1 2024 that may affect its financial reporting.

Changes in Accounting Policies

In Q1 2024, the Company did not adopt any other standard, interpretation, or amendment that had been issued but was not yet effective.

Disclosure of Outstanding Security Data

As of the date of this MD&A, the Company has 176,262,953 fully paid and non-assessable Ordinary Shares issued and outstanding. The table below sets forth the current issued and outstanding securities of the Company.

Type of Security	Number	Convertible Into # of Ordinary Shares
Ordinary Shares issued and outstanding	176,262,953	
Options	12,569,932	12,569,932
Warrants (issued and traded)		
Warrants (not exercisable or held in escrow)	11,151,157*	11,151,157*
Restricted Share Units	1,378,132	1,378,132

*Subject to adjustments

10 Additional Information

Additional Information

Additional information relating to the Company, including its annual information form for the financial year ended December 31, 2021, is posted on SEDAR at www.sedar.com.

Additional Information

Risk Factors

In the ordinary course of business, the Company is subject to a number of financial risks and business related-risks. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Given the nature of the Company's position in the Israeli market, ordinary course risks such as credit risk, foreign exchange risk, and interest rate risk are not material to the Company at this time. The Company has risk management strategies in place which are designed to ensure the Company's risks and the related exposures are consistent with its business objectives and risk tolerance.

Risks Related to Production

We operate our business in an industrial working environment that includes, inter alia, use of heavy machinery, hazardous processes and materials that may cause body injury to our employees or other third party. In the event that such damage is caused, it may have a material effect on our business.

Our current and planned operations, including prospect production sites, include the use of potentially dangerous machinery, hazardous materials, high voltage electricity, high-pressured processes, and high temperature processes. In addition, our production environment may include high-decibel noise, extreme weather conditions, as well as other hazardous working conditions and activities. We may be required to compensate employees or third parties suffering injuries by reason of our operations and may have further civil or criminal fines or penalties imposed on us for violations of applicable safety laws or regulations.

We rely on key components to sustain our production process.

Our manufacturing systems are comprised of multiple machinery lines, some of which are operated under extreme conditions of heat, pressure, moisture and other erosive conditions. Some of our machinery has only one replacement parts supplier, in addition to long delivery schedules that range from a few weeks to a few months.

The efficient and effective maintenance of machinery are key factors in maintaining a high level of production. We cannot always foresee breakdowns and malfunctions that reduce production capacity and availability, the occurrence of which could materially adversely affect our business. In addition, our supply chains are complex and continuously exposed to a variety of internal and external risks.

In addition, our ability to compete and grow is dependent on having access, at a reasonable cost and in a timely manner, to electricity, labour, equipment and other inputs. No assurances can be given that we will be successful in maintaining our required supply of labour, equipment and other inputs.

Our supply chain may rely on third parties professional service providers and external advisors for our manufacturing, research and development and distribution. There is no assurance that such third party services will be of satisfactory quality or delivered in a timely manner. Any prolonged disruption of a third-party's ability to provide its services could have an adverse effect on us. Rising costs associated with the third-party services we require to manufacture, develop or distribute our products may also adversely impact our business and our ability to operate profitably.

Global supply chain disruptions began in March 2020 after economic activity was curtailed in order to contain the outbreak of the COVID-19 pandemic. This resulted in closures of many businesses, slowdowns in manufacturing, delivery delays and partial shutdowns of national and international transportation. Amidst the global economy uncertainty and staggering economic damage caused by the pandemic, global demand for various manufacturing components and raw materials increased significantly. This situation has caused a global shortage of the components required for manufacturing, including certain production machinery, as well as delayed delivery times and dramatic increases in shipping costs. Any continued or future shortages in such components or the continued delay of delivery times and resources could have an adverse impact on our business, financial condition or results of operations.

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We are subject to environmental, health and safety regulations and risks, which may subject us to liability under these regulations and risks.

Our current and planned operations are and will be, as the case may be, subject to environmental, health and safety regulation and standards in the jurisdictions in which we and any of our facilities operate. These regulations mandate, among other things, the maintenance of air, water, and soil quality standards. They also establish limitations on emissions and discharges to water, air and land, the generation, handling, transportation, storage and disposal of solid and hazardous waste, and employee health and safety.

We believe that environmental legislation is evolving in a manner that will impose strict standards and enforcement, increased fines and penalties for any non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental or employee health and safety laws or more vigorous enforcement thereof could require extensive changes to our operations or give rise to material liabilities.

We may not have been, or may not be, at all times, in complete compliance with all requirements, and we may incur material costs or liabilities in connection with such requirements, or in connection with remediation at sites we own, or third-party sites where it has been alleged that we have liability, in excess of the amounts we have accrued. We may also incur unexpected interruptions to our operations, administrative injunctions requiring operation stoppages, fines and other penalties.

Failure to comply with applicable laws, regulations and other permits and licenses may result in significant fines or other enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and require us to take corrective measures including significant additional capital expenditures for installation of additional equipment. We may also be required to to compensate those suffering environmental loss or damage by reason of our operations and may have civil or criminal fines or penalties imposed on us for violations of applicable environmental laws or regulations.

Manufacturing difficulties, disruptions or delays could limit supply of our products and limit our product sales.

Manufacturing recycled products that possess the same characteristics as virgin plastic products is difficult and complex. Our ability to adequately manufacture and supply our products in a timely manner is dependent on the uninterrupted and efficient operation of our facilities, which may be impacted by: (i) the availability of power; (ii) the capacity of manufacturing facilities; (iii) contamination from microorganisms, viruses, or foreign particles during the manufacturing process; (iv) compliance with regulatory requirements, including the potential shut down of our facilities by regulators for non-compliance; (v) the timing and actual number of production runs and production success rates and yields; (vi) the availability of skilled employees; (vii) updates of manufacturing specifications; (viii) contractual disputes with our suppliers and contract manufacturers; (ix) the timing and outcome of product quality testing, which may result in the write-off of failed batches; and/or (x) the breakdown, failure, substandard performance or improper installation or operation of equipment and electricity fallout.

If the efficient manufacture and supply of our products is interrupted, we may experience delayed shipments, obsoleting of products, supply constraints, stock-outs, adverse event trends, contract disputes and/or recalls of our products. If we are at any time unable to provide an uninterrupted supply of our products to customers, customers may elect to use, competing products instead of our products, which could have a material adverse effect on our product sales, business, reputation and results of operations.

An inability to renew our leases, or a renewal of our leases with a higher rental rate, may disrupt our operations or increase our operating costs.

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We may be unable to renew or maintain our leases on commercially acceptable terms or at all. In addition, in the event of the non-renewal of any of our leases, we may be unable to locate suitable replacement properties for our facilities or we may experience delays in relocation that could lead to a disruption in our operations.

As part of the plastic production industry we are exposed to the 'NIMBY' phenomenon that may have a material effect on our operations

Our future operations may involve the transportation of plastic waste for recycling and/or processing. Furthermore, our facilities involve high traffic of trucks, industrial noise, malodor and other collateral hazards. Therefore, we may suffer from the phenomenon colloquially known as the 'NIMBY' (Not In My Back Yard) phenomenon. We may confront hard opposition by individuals and public officials, living, working and operating near our existing and prospective sites. In some cases, due to the production industry's negative image and perception in the public, our presence may provoke local opposition from residents and activists. Thus, the Company may be adversely affected if our projects are blocked or delayed. Furthermore, we may suffer from ongoing complaints and claims from local residents and other parties in each of our facilities. Such complaints may cause us to incur heavy expenditures to satisfy such complaints and loss from delays and the cessation of operations of such facilities.

The execution of our strategic plan is dependent on management's ability to enter into successful joint ventures and partnerships with third parties in different regions.

We aim to expand our business to different regions through the establishment of local joint ventures and partnerships with strategic partners. Our strategy aims to provide us with access to new markets, introducing multiple distribution networks, to share investment risks. In addition, collaborating with local strategic partners will give us immediate access to necessary knowledge and expertise in local laws and regulations, players relating to our business, waste market, and our products market. Failure in the execution of our plan as previously mentioned may materially impact our business and may involve significant cost may cause significant delays to our growth.

By entering into joint ventures with local partners, we will have to accept a certain level of risk, due to, inter alia, our inability to protect and keep our know-how, dependence on our partners' good will to share their knowledge and connections, potential lack of honesty by a local partner, potential gap of expectations between the partners, failure in the choose of the right partner with the expected capabilities, skills and expertise, the ability to effectively control the joint venture operations etc.

The future expansion of the Companies production capabilities may encounter difficulties.

The Company may encounter unexpected issues with respect to expanding production capabilities, including difficulties in expanding its current facility, locating an appropriate site for additional facilities, constructing additional suitable facilities or obtaining necessary permits. In addition, the process may require more funds than initially expected and may take longer than anticipated. In addition, the Company may be subject to fines and penalties with respect to the grants that it has received from the IIA. See the section titled "Business Overview".

Risks Related to Management and Personnel

We rely on our management and need additional key personnel to grow our business, and the loss of key employees or inability to hire new key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain

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highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could have a material and adverse effect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements in a timely manner, or at all. We do not maintain key person life insurance policies on any of our employees. Our production process and technology are based on several persons who hold most of the Company's accumulated experience and knowledge. If those persons are to leave, we may suffer an overwhelming loss of valued experience, skills and expertise that may jeopardise our business and growth.

In addition, we are subject to a variety of business risks generally associated with growing companies, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Future growth and expansion could place significant strain on our management personnel and will likely require us to recruit additional management personnel.

There can be no assurance that we will be able to manage our expanding operations (including any acquisitions) effectively, that we will be able to sustain or accelerate our growth or that such growth, if achieved, will result in profitable operations. Additionally, we cannot guarantee that we will be able to attract and retain sufficient management personnel necessary for continued growth, or that we will be able to successfully make strategic investments or acquisitions.

Our senior management team has limited experience managing a public company in Canada, and regulatory compliance may divert its attention from the day to day management of our business and will increase our expenses.

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

We incur significant accounting, legal, insurance and other expenses as a result of being a public company, which could cause our results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSXV substantially increase our expenses, including our accounting and legal costs. Furthermore, compliance with applicable securities laws and regulations makes some activities more time-consuming and costlier. Reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes, and controls, and on our personnel.

Furthermore, we expect that compliance with the laws, rules and regulations that public companies are subject to will make it more expensive for us to obtain director and officer liability insurance and may require us to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as officers.

We may face significant difficulties due to our team's lack of experience in operating manufacturing sites abroad.

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Our management team may lack experience in operating manufacturing sites internationally. As a result, we may experience difficulties in overseeing the operations and marketing of our existing and future products in potential markets.

The Company may not successfully integrate RePack's Business

The post-completion integration of the Repack Asset Transaction involves the integration of companies and businesses that previously operated independently. As a result, the RePack Asset Acquisition presents challenges to our management team, including integration of the operations, systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of management´s attention and the loss of key employees. The difficulties management encounters in the transition and integration process could have an adverse effect on the revenues, level of expenses and operating results of our Company following the completion of the RePack Asset Acquisition. If actual results are less favourable than estimated, the business, results of operations, financial condition and liquidity of the Company could be materially adversely impacted.

The ability to realize the benefits of the RePack Asset Acquisition will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on our ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating RePack's business into oceansix.

Most operational strategic and staffing decisions have not yet been made. The performance of the Company following the RePack Asset Acquisition could be adversely affected if the RePack business cannot retain the key employees transferred to and assumed by the Company to assist in the integration and ongoing operations. As a result of these factors, it is possible that the cost reductions and synergies expected from the integration of the RePack business.

This integration will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities following the RePack Asset Acquisition and from operational matters during this process. The amount and timing of the synergies we hope to realize with the RePack Asset Acquisition may not occur as planned. In addition, the integration process may result in the disruption of ongoing business that may adversely affect the ability of oceansix to achieve the anticipated benefits of the RePack Asset Acquisition.

Our success depends on attracting and retaining talented people within our business. Significant shortfalls in recruitment or retention could adversely affect our ability to compete and achieve our strategic goals.

Attracting, developing, and retaining talented employees, including our engineers, experienced workforce and sales persons, is essential to the successful delivery of our products and success in the applicable market. Furthermore, as we continue to focus on innovation, our need for talented engineers and other professionals will increase. An important factor in our ability to realize our anticipated benefits from the expansion of our sites abroad is our, and our partners, ability to retain key employees at each site. The ability to attract and retain talented employees is critical in the development of new products and technologies which is a major component of our growth strategy.

Competition for employees can be intense and if we are unable to successfully integrate, motivate and reward our current employees in our company, we may not be able to retain them. If we are unable to retain these employees or attract new employees in the future, our ability to effectively compete with our competitors and to grow our business could be adversely affected.

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We may become subject to liability arising from any fraudulent or illegal activity by our employees, contractors and consultants.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal, Israeli and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for us to identify and deter misconduct by our employees and other third parties, and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, monetary fines or contractual damages on us, reputational harm, diminished profits and future earnings, and curtailment of our operations.

Risks Related to Regulation

If we are unable to comply with regulatory requirements and industry standards, including those regarding product safety, quality, efficacy, and environmental impact, we could incur significant costs and suffer reputational harm which could adversely affect results of operations.

We plan to develop, produce and market our products in a number of jurisdictions around the world. This would make us subject to federal, regional and local legislation and regulations in each of the various countries. Our products, which, among other industries, are intended for use in automotive, food & beverage, agriculture and other industrial fields] , may be subject to strict quality and regulatory standards. As a result, we, in turn, are required to meet these strict standards, which, in recent years, have become increasingly stringent and affect both existing as well as new products.

The development, manufacture and sale of our products may subject to various regulatory requirements in each of the countries in which our products may be developed, manufactured and sold. In addition, we may become subject to product safety and compliance requirements established by governments and industry-specific regulatory bodies, or contractually by our customers, including requirements concerning product safety, quality and efficacy, environmental impacts (including packaging, energy and water use and waste management) and other sustainability or similar issues.

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Our products and operations will be subject to regulation by governmental agencies in each of the markets in which we operate. These agencies include, among others: (i) standardization agencies that regulate technical and mechanical requirements for products, processes and quality; (ii) environmental protection agencies that regulate our present and prospect manufacturing facilities; (iii) safety and health agencies that regulate the working and production conditions of our manufacturing sites; (iv) local and international agencies that regulate trade and customs; (v) the labor rights authorities that regulate the rights of our employees, their compensation, pension rights and working condition; and (vi) all other regulators and agencies that involve and regulate industry facilities, taxation, fair trade, intellectual property rights, social duties and local and international laws and regulations.

In recent years, we are witnessing an increase in standardization, registration and reporting requirements concerning many of the above regulations in Europe and around the world.

In addition, we will be subject to various rules relating to health, work safety and the environment at the local and international levels in the various countries in which we plan to operate. Our manufacturing facilities may be subject to environmental standards relating to air emissions, sewage discharges, and the use of hazardous materials, waste disposal practices and clean-up of existing environmental contamination. In recent years, there has been a significant increase in the stringency of environmental regulation and enforcement of environmental standards, and the costs of compliance have risen significantly. We expect this trend will continue in the future.
The regulatory and standardization requirements have a material effect on our business and require significant company resources.

Any change in each of them may have significant effect on our business, its structure and activity and operations and may incur significant additional costs and expenditures. If we are unable to comply with regulatory requirements and industry standards, including those regarding product safety, quality, efficacy and environmental impact, we could incur significant costs and suffer reputational harm which could adversely affect results of operations. Furthermore, gaps in our operational processes or those of our suppliers or distributors can result in products that do not meet our quality control or industry standards or fail to comply with the relevant regulatory requirements, which in turn can result in products that do not comply with applicable standards and requirements. Products that are mislabeled, contaminated or damaged could result in a regulatory non-compliance event or even a product recalls.

Any violation of any of the relevant regulations or standardization, may cause significant impacts on our business, that may include, among others, products disqualifications and returns, major law suits, civil and criminal actions against the company and its management including significant fines, delays or shut downs of facilities and activities, major damage to our reputation and brands, and business collaboration refusals.

Risks Related to Product Liability

We face the risk of exposure to product liability claims, regulatory action and litigation if our products cause loss or injury.

As a manufacturer and distributor of products designed to be used in the automotive, food & beverage, agriculture and other industries, we face a risk of exposure to product liability claims, regulatory action and litigation if our products cause, or are alleged to have caused, significant loss or injury. We may be subject to various product liability claims, including, among others, that the products produced by us caused injury or loss to our clients, include inadequate instructions for use or include inadequate installation.

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If any of the products that we produce or intend to produce are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, malfunctions or harmful side effects, packaging safety and inadequate or inaccurate labeling disclosure. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant attention from our management. There can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the products produced by us were subject to recall, our image, and the image of that product (and other products sold by us) could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products.

We may not be able to obtain insurance coverage for all of the risks we face, exposing us to potential uninsured liabilities.

Our current liability insurance provider renewed our product liability insurance policy in April 2024. However, there is no assurance that we will be able to obtain product liability insurance in the future on the same terms, including with the premium under our current policy, or at all. If our current insurance provider does not renew our product liability insurance policy in the future, it is uncertain at this time whether we will be able to obtain product liability insurance in the future on the same terms, including with the premium under our current policy, or at all. If our current insurance provider does not renew our product liability insurance policy in the future, it is uncertain at this time whether we will be able to obtain insurance coverage from other insurance providers in the future.

If our insurance provider refuses to renew our insurance or our policy is terminated early and we are unable to obtain coverage from other providers, we may incur significant legal expenses and become liable for damages that are not covered by insurance, and our management could expend significant time addressing such claims. These events could have a material adverse effect on our business and the results of our operations.

Risks Related to Intellectual Property

We rely on intellectual property and may not be able to protect intellectual property rights throughout the world.

Our success is heavily dependent upon intangible property and technology that we own and/or license from others. We rely upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information we consider important to the development and success of our business. We utilize various methods to protect our proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. Further, identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors. There can be no assurance that the steps taken by us to protect intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of our intangible property, technology or processes. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, we may have to litigate to enforce our intangible property rights, which could result in substantial costs and divert management's attention and other resources.

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Further, we may be unable to obtain registrations for our intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks, patents or other intellectual property protections, prior registrations of which we are not aware, or we may encounter claims from prior users of similar intellectual property in areas where we operate or intend to conduct operations. If any of our products are approved and marketed for an indication for which we do not have an issued patent, our ability to use our patents to prevent a competitor from commercializing a non-branded version of our commercial products for that non-patented indication could be significantly impaired or even lost. In addition, we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending or contemplated patent applications will result in issued patents. Competitors may independently develop similar products, duplicate our products, design around our patent rights, or obtain patents and proprietary rights that block or compete with our products.

Policing the unauthorized use of our current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources, and filing, prosecuting, and defending patents on all of our product candidates in all jurisdictions throughout the world would be prohibitively expensive. Therefore, we have filed applications and/or obtained patents only in key markets, such as Israel, Canada, the United States and certain countries in Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and their products may compete with ours.

In addition, if competitors infringe on our intellectual property, we may have to participate in litigation, interference or other proceedings that are expensive and divert management's attention to determine the right to a patent or other intellectual property or the validity of any patent granted. In any infringement proceeding, some or all of our current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defence proceedings could put one or more of our current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued.

We have entered into assignment of invention agreements with our research and development employees pursuant to which such individuals agreed to assign to us all rights to any inventions created during or as a result of their employment or engagement with us or in our field of business. A significant portion of our intellectual property has been developed by our employees in the course and as a result of their employment with us. Under the Israeli Patent Law, 5727 1967 (the "Patent Law"), inventions conceived by an employee during the scope of his or her employment with a company and as a result thereof are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no agreement between an employer and an employee with respect to the employee's right to receive compensation for such "service inventions," the Israeli Compensation and Royalties Committee (the "Patent Committee"), a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her service inventions and the scope and conditions for such remuneration. The Patent Committee (decisions of which have been upheld by the Israeli Supreme Court) has held that employees may be entitled to remuneration for their service

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nventions despite such employees having specifically waived any such rights to remuneration. A recent decision by the Patent Committee clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that in certain circumstances; such waiver does not necessarily have to be explicit. In order to determine the scope and validity of such wavier, the Patent Committee will examine, on a case by case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Patent Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). As a result of certain of the Patent Committee's decisions and uncertainty regarding how the Patent Committee reaches decisions, there is considerable uncertainty around the application of the Patent Law.

Although our employees have agreed to assign to us service invention rights and have specifically waived their right to receive any special remuneration for such assignment beyond their regular salary and benefits, we may face claims that the assignment is not enforceable or demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

Risks Related to the Ownership of Our Ordinary Shares and warrants

There are risks related to forward-looking information in this MD&A.

The forward-looking information included in this MD&A relating to, among other things, our future results, performance, achievements, prospects, intentions or opportunities or the markets in which we operate or expect to operate is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those described in this MD&A. See **"Forward-Looking Information**".

The Principal Shareholders hold significant voting power in the Company and the interests of the Principal Shareholders may not be the same as those of the Company's other shareholders.

Sullam, Tedea, Clover Wolf and RAM.ON (the "Principal Shareholders") hold significant voting power in the Company, and the interests of each of the Principal Shareholders may conflict with or differ from the interests of the Company's other shareholders. Currently, the Principal Shareholders hold, in the aggregate, approximately 66.00% of the Company's issued and outstanding Ordinary Shares, or approximately 77.00% on a fully diluted basis.

Additionally, each of Principal Shareholders (and their respective affiliates) may hold or may acquire investments and assets that may compete with the Company. Accordingly, the interests of the Principal Shareholders and their respective affiliates, may not be the same as those of the Company's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Company or the Company's minority shareholders. The Principal Shareholders and their affiliates may also pursue, for their own account, acquisition opportunities that could be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

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As long as the Principal Shareholders own or control a significant number of our outstanding Ordinary Shares, they will have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other shareholders may vote, including the election and removal of directors and the size of our Board, any amendments to our Articles of Association, or the approval of any merger, acquisition or other significant corporate transaction, including a sale of all or substantially all of our assets.

Circumstances may occur in which the interests of the Principal Shareholders and their affiliates could be in conflict with the interests of other shareholders, and the Principal Shareholders would have significant influence to cause the Company to take actions that align with its interests. In addition, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquiror from attempting to obtain control of the Company, which could cause the market price of the Ordinary Shares to decline or prevent shareholders from realizing a premium over the market price for their Ordinary Shares.

The market price of our Ordinary Shares may be volatile, which could result in substantial losses for investors purchasing our Ordinary Shares.

The price of our Ordinary Shares will fluctuate with market conditions and other factors. If a holder of Ordinary Shares sells its Ordinary Shares, the price received may be more or less than the original investment. Some of the factors that may cause the market price of our Ordinary Shares to fluctuate include:

- actual or anticipated fluctuations in our quarterly results of operations
- recommendations by securities research analysts
- changes in the economic performance or market valuations of companies in the industry in which we operate
- addition or departure of our executive officers and other key personnel
- sales or perceived sales of additional Ordinary Shares
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies.

Currently, our officers, directors and Principal Shareholders (greater than 10% shareholders) collectively control, directly or indirectly, approximately 77% of the voting power and interests in our outstanding Ordinary Shares on a fully diluted basis. Subsequent sales of our Ordinary Shares by these shareholders, or the market perception that holders of a large number of Ordinary Shares intend to sell Ordinary Shares, could have the effect of lowering the market price of our Ordinary Shares. Further, the perceived risk associated with the possible sale of a large number of Ordinary Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our shareholders to sell their Ordinary Shares, thus causing the market price of our Ordinary Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Ordinary Shares by our officers, directors or Principal Shareholders could cause other institutions or individuals to engage in short sales of the Ordinary Shares, which may further cause the market price of our Ordinary Shares to decline.

From time to time, our directors and executive officers may sell Ordinary Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive

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officers may sell a significant number of Ordinary Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Ordinary Shares. These sales could cause the market price of our Ordinary Shares to decline. Any decline in the market price of Ordinary Shares may also impede our ability to raise additional capital and might cause remaining holders of Ordinary Shares to lose all or part of their investment.

There are risks associated with the potential dilution of our Ordinary Shares.

We may raise additional funds in the future by issuing equity securities. Such equity securities could contain rights and preferences superior to those of the Ordinary Shares issued prior to such issuance and holders of Ordinary Shares will have no pre-emptive rights in connection with such further issues. Our board of directors (the "Board of Directors" or the "Board") has the discretion to determine if an issuance of equity securities is warranted, the price at which such issuance is effected and the other terms of issue of any equity securities, including Ordinary Shares or equity securities convertible into Ordinary Shares. In addition, additional Ordinary Shares may be issued by us in connection with the exercise of options granted to our employees and directors. To the extent holders of our options or other convertible securities convert or exercise their securities and sell the Ordinary Shares they receive, the trading price of the Ordinary Shares may decrease due to the additional number of Ordinary Shares available in the market. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Ordinary Shares. In addition, we cannot predict the size of future issuances of our equity securities, including Ordinary Shares, or the effect, if any, that future issuances and sales of our equity securities, including Ordinary Shares will have on the market price of our Ordinary Shares. Sales of substantial amounts of our Ordinary Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Ordinary Shares.

At the date of this MD&A, we have 176,262,953 Ordinary Shares outstanding. In addition, currently there are options (including restricted share units) to acquire 13,948,064 Ordinary Shares outstanding. The Ordinary Shares issuable upon the exercise of these options, will, to the extent permitted by any applicable vesting requirements, lock-up agreements and restrictions under applicable securities laws in Canada, also become eligible for sale in the public market.

Prior to the listing of our Ordinary Shares on the TSXV there had been no prior public market for our Ordinary Shares, and an active trading market may not develop.

We began listing on the TSXV in April 2021. Prior to such listing, there was no market through which our Ordinary Shares were sold and, if a market for our Ordinary Shares does not develop or is not sustained, you may not be able to resell your Ordinary Shares. This may affect the pricing of the Ordinary Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Ordinary Shares and the extent of issuer regulation. If an active and liquid trading market for the Ordinary Shares does not develop or is not maintained, investors may have difficulty selling their Ordinary Shares. There can be no assurance that there will be sufficient liquidity of the Ordinary Shares on the trading market, or that we will continue to meet the listing requirements of the TSXV or any other public listing exchange on which the Ordinary Shares are or may subsequently be listed.

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about us or our business, our trading price and volume could decline.

The trading market for our Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry

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analysts commence covering us, the trading price for our Ordinary Shares would be negatively impacted. If we obtain securities or industry analyst coverage and one or more of the analysts who cover us downgrade our Ordinary Shares or publish inaccurate or unfavourable research about our business, or more favourable relative recommendations about our competitors, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Ordinary Shares could decrease, which could cause our trading price and volume to decline.

We may not be able or willing to pay any dividends.

No dividends on the Ordinary Shares have been paid to date and there is no assurance as to whether we will be profitable enough to pay dividends, or determine to do so even if sufficiently profitable. We anticipate that, for the foreseeable future, we will retain future earnings and other cash resources for the operation and development of our business. Payment of any future dividends will be at the discretion of the Board of Directors after considering many factors, including our earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements. Our Board must also approve any dividends at their sole discretion. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

We lack adequate financing.
We have limited capital and resources and there is no assurance that we will have sufficient capital to fully implement our business plan. Currently, we generate negative cash flows from our operations and we are required to fund our operations as well as our planned investments and expansion. We do not have any significant bank credit facility or other working capital credit line under which we may borrow funds for working capital, capital investments or other general corporate purposes. Should we fail in future efforts to provide adequate working capital, and other sources of finance, we will experience difficulties in all areas. This would have a material adverse effect on our business, results of operations, financial condition and prospects. With respect to the commitment of the Company's shareholders to support its operations, see the section titled "**Liquidity and Capital Resources – Overview**".

Risks Related to Exchange Rate
Exchange rate fluctuations between the Canadian dollar, the U.S. dollar, Israeli Shekel, Euro and other foreign currencies may negatively affect our future revenues.

We will be exposed to the financial risk related to the fluctuation of foreign exchange rates. Commencing July 2022, as a result of the Flome Transaction and the oceansix Transaction, our main operations have been maintained in Euro. Currently, we generate the majority of our revenues in Euro. The majority of our operating expenses are incurred in Europe, including executive compensation, employee salaries and payments to service providers in Europe. We also maintain expenses in U.S. dollar, Canadian dollars and NIS and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes. In addition, a portion of our financial assets and liabilities are denominated in currencies in addition to Euros. Therefore, our financial results may be affected by fluctuations in currency exchange rates. Although exposure to currency fluctuations to date has not had a material adverse effect on our business, there can be no assurance that any future hedging transactions we engage in will provide sufficient protection and that such fluctuations in the future will not have a material adverse effect on our operating results and financial condition. To date, we have not hedged our exposure to currency fluctuations.

Risks Related to Competition
We operate in a highly competitive industry, and may not be able to maintain our operations or develop them as currently proposed if we are unable to outperform our competitors.

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An increase in the number of companies competing in the [recycling industry in general, and plastic bag and sheet recycling specifically, and the] thermoforming manufacturing industry, could limit our ability to expand our operations abroad. Some competitors may have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. There is no assurance that we will be able to compete successfully against current and future competitors. Mergers and acquisitions in plastic production industry may result in more concentrated resources among a smaller number of competitors. To remain competitive, we will require continued investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis.

The current competition landscape in plastic production industry, could limit our ability to expand our operations abroad. Some competitors may have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. There is no assurance that we will be able to compete successfully against current and future competitors. Mergers and acquisitions in plastic production industry may result in more concentrated resources among a smaller number of competitors. To remain competitive, we will require continued investment in research and development, marketing, sales and client support. We may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis.

We may fail to develop and manufacture high quality products that compete successfully against other products or solutions.

Our business development and growth are highly dependent on the development of new products that we will produce in our existing and prospect sites. Our success depends on our ability to develop more efficient production processes for existing market products to be distributed and sold around the world. Such future products need to be able to compete in high competition environments, and therefore will need to meet require regulations, high standards and quality and to maintain reasonable profits under competitive prices for the Company to effectively compete.

Because of the importance of developing production processes and producing new market-existing products, failure to develop and adapt new products production process or major delays in such developments and production implementation, could adversely affect our business, financial condition, and results of operations.

Our existing and prospective products are in competitive landscapes which are characterized as having strong competition and low barriers to entry.

The industrial, agricultural and construction plastic products markets are highly competitive and consist of many manufacturers, low raw materials cost, advanced production processes, worldwide production sites with no real boundaries. Some of the worldwide manufacturers are also constantly monitoring and attempting to anticipate new products demand, seeking ideas which will appeal to consumers, and introducing new products that compete with our existing and prospect products.

Competition in our business is further based, among other things, on innovation, product quality, regulatory compliance, pricing, quality of customer service, and understanding of potential customers. It is difficult for us to predict the timing, scale and success of our competitors in these areas. In particular, the discovery and development of new products, materials and solutions, protection of our know-how and development and retention of key employees are critical to our ability to effectively compete in our business. Advancement in technologies have also enhanced the ability of our competitors to develop substitutable products. Increased competition by existing or future competitors, including aggressive price

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competition, could result in the loss of sales, reduced pricing and margin pressure and could adversely impact our sales and profitability. New products and other solutions to our existing and prospective products, as well as higher quality, lower prices and better branding of solutions and products by our existing and future competitors, may adversely affect our business, financial condition, and results of operations.

Risk Related to Cyber Threats
Significant data breaches or other disruptions to our information technology systems could disrupt our operations, result in the loss of confidential information or personal data, and adversely impact our reputation, business or results of operations.

We rely on information technology systems, including some managed by third-party providers, to conduct business and support our business processes, including those relating to product design, product development, manufacturing, sales, order and invoice processing, production, distribution, internal communications and communications with third parties throughout the world, processing transactions, summarizing and reporting results of operations, complying with regulatory, tax or legal requirements, and collecting and storing customer, supplier, employee and other stakeholder information. Cybersecurity incidents, data breaches and operational disruptions caused by cyberattacks or cyber-intrusions are constantly evolving in nature, becoming more sophisticated and are being made by groups and individuals with a wide range of expertise and motives.

Risk Related to Natural Disasters
Earthquakes or other catastrophic events out of our control may damage our facilities or those of our contractors and adversely affect our business, financial condition, and results of operations.

A catastrophic event where we have important operations, such as an earthquake, tsunami, flood, typhoon, fire, or other natural or manmade disaster, could disrupt our operations or those of our contractors and impair production or distribution of its products, damage inventory, interrupt critical functions, or otherwise adversely affect our business, financial condition, and results of operations.

Risk Related to General Economic Conditions
Geopolitical instability could impact world economic markets and adversely affect the Company's ability to conduct business.
Geopolitical instability (including military conflict and the accompanying international responses, including economic sanctions) can be disruptive to the world economy and result in additional volatility in commodity markets, international trade and financial markets, which could impact the Company.

On February 24, 2022, Russia commenced a military invasion of Ukraine. In response, many jurisdictions have imposed strict sanctions against Russia and its interests, including Canada, the United States, the European Union, the United Kingdom, and others, which may impact world economic markets and have follow-on effects in particular industries. While we do not have any operations in Ukraine or Russia, our business may be impacted by the ongoing conflict between Russian and Ukraine and the related economic sanctions. The conflict and economic sanctions may also give rise to additional indirect impacts, including increased fuel prices, supply chain challenges, volatile commodity prices, logistics and transportation disruptions and heightened cybersecurity disruptions and threats. Increased fuel prices and ongoing volatility of such prices may have adverse impacts on our costs of doing business. As geopolitical conflicts occur, re-occur or escalate, they could have a material adverse effect on business, financial condition or results of operations of the Company.

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Risks Related to Our Status as an Israeli Company

Limitations surrounding the use of Israeli government funding

We have received funding from the Israeli government through the IIA for certain research and development activities and may receive additional grants in the future. Any Israeli government funding that we receive for research and development expenditures may limit or prohibit our ability to manufacture products and transfer know-how outside of Israel and require us to satisfy specified conditions. The terms of such grants may trigger additional payments to the IIA following our decision to manufacture products or transfer or license any related IP outside of Israel, and we may be required to pay penalties in such cases or upon sale of IP, under the Israeli Encouragement of Research, Development and Technological Innovation Law, 5744-1984, and the regulations promulgated thereunder (the "R&D Law").

As of the date of this MD&A, we have received a total amount of US$ 700 thousand from the IIA, such amount has to be repaid as 1.3-3% of sales of products developed with the use of the IIA grants. As of the date of this MD&A the future possible payments under such grants are approximately US$ 430 thousand remains outstanding on such grants. In addition to paying any royalty due, we must abide by other restrictions associated with IIA funding, that continue to apply even following repayment to the IIA.

Although products based on IIA-funded technologies and know-how may be sold freely, the transfer of or grant of any right (including licenses or liens) in the underlying IIA-funded technologies and know-how is restricted. Any such transfer, license or grant of right is subject to the approval of the IIA and if the transfer, license or grant of right is made to an entity outside of Israel, then it is generally conditioned on payment of a redemption fee, which may be substantial. Any approval, if given, will generally be subject to additional financial obligations. These restrictions may impair our ability to outsource manufacturing, engage in change of control transactions or otherwise transfer or license our know-how outside of Israel by being required to obtain the approval of the IIA for certain actions and transactions and pay additional royalties, penalties and other amounts to the IIA. Such amounts may be up to six times the total of the grants actually received plus interest (minus any royalties paid). In addition, any change of control and any change of ownership of shares that would make a non-Israeli citizen or resident an "interested party" (as that term is defined in the R&D Law), requires written notice to the IIA.

If we fail to comply with the restrictions and conditions imposed in connection with IIA funding, we may be subject to the sanctions that are set forth under Israeli law, including the possible refund of any payments previously received together with interest and an adjustment based on the Israeli consumer price index, and in certain circumstances we may also be subject to criminal charges. The difficulties and cost of obtaining the approval of the IIA for the transfer or license of manufacturing rights, technology or know-how outside of Israel could prevent us from entering into strategic alliances or other transactions that provide for such a transfer or license, which in turn could adversely affect our business, results of operations and financial condition.

Regarding potential expenses in the event that the Company's will use IIA supported know-how outside of Israel in the future and the related ramifications on the IIA funding received, see the section titled "Summary of Factors Affecting Our Results of Operations – Development Expenses."
Your rights and responsibilities as a shareholder will be governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of Canadian companies.

The rights and responsibilities of the holders of our Ordinary Shares are governed by our amended and restated articles of association and by Israeli

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law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in Canadian companies. Certain provisions in the Israeli Companies Law, 5759-1999 (the "Companies Law") may be interpreted to impose additional obligations and liabilities on holders of our Ordinary Shares that are not typically imposed on shareholders of Canadian companies. For example, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our Ordinary Shares that are not typically imposed on shareholders of Canadian corporations.

As an Israeli incorporated Company our business and operations may be adversely affected by political, economic and military conditions in Israel.

We are incorporated under Israeli law. In addition, certain of our directors are residents of Israel. Accordingly, political, economic and military conditions in the Middle East in general, and in Israel in particular, may directly affect our business and results of operations, and we may be adversely affected by a significant increase in the rate of inflation or a significant downturn in economic or financial conditions in Israel.

In recent years, Israel has been engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel, may be developing nuclear weapons and has targeted cyber-attacks against Israeli entities. On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on Israeli population within the State of Israel, mostly in southern and central Israel, including areas near our headquarters, manufacturing and research and development facilities. These attacks resulted in extensive deaths, injuries and kidnapping of civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and a military campaign against this terrorist organization, accompanied by the draft of several hundred thousand Israeli military reservists, commenced in parallel to Hamas' continued rocket and terror attacks. Following the attack by Hamas on Israel's southern border, Hezbollah in Lebanon also launched missile, rocket and shooting attacks against Israeli military sites, troops and Israeli towns in northern Israel. In response to these attacks, the Israeli army has carried out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon, and the two sides have been trading attacks on one another since that time. Furthermore, the Houthi movement, which controls parts of Yemen, has been launching attacks on marine vessels traversing the Red Sea, which were thought to either be in route towards Israel or to be partly owned by Israeli businessmen. It is possible that other terrorist organizations, including Palestinian military organizations in the West Bank, as well as other hostile countries, such as Iran, will join the hostilities. It is currently not possible to predict the duration or severity of the ongoing conflict. As we have moved our operations and headquarters to Europe, up to the present time, the war has not had a material effect on our business, operations and financial conditions. However, the ongoing conflict is still evolving and developing, and could still disrupt our business and operations.

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Several countries, principally in the Middle East, as well as certain companies, organizations and movements, restrict their commercial activities with Israel or Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Similarly, Israeli companies are subject to limitations while conducting business with entities from several countries. Such business restrictions and boycotts, particularly if they become more widespread, may materially and adversely impact our ability to sell our products and the expansion of our business. We could be adversely affected by the interruption or curtailment of trade between Israel and its trading partners. Furthermore, the Israeli government has recently been pursuing legislative changes which, if adopted, will alter the current state of separation of powers among the three branches of government and, as a result, have sparked a considerable political debate. Many individuals, organizations and institutions, within and outside of Israel, have voiced concerns over the potential negative impacts of such changes and the controversy surrounding them on the business and financial environment in Israel. Such negative impacts may include, among others, a downgrade in Israel's sovereign credit rating, increased interest rates, currency fluctuations, inflation, civil unrest and volatility in securities markets, which could adversely affect the conditions in which we operate and potentially deter foreign investors and organizations from investing or transacting business in Israel. If any of the foregoing risks were to materialize, it may have an adverse effect on our business, our results of operations and our ability to raise additional funds.

Enforcing a Canadian judgment against us and our current executive officers and directors, or asserting Canadian securities law claims in Israel, may be difficult.

As a corporation incorporated in Israel and with operations in Europe, service of process upon us and upon our directors and officers, most of whom reside outside of Canada, may be difficult from within Canada. Furthermore, because a majority of our assets and most of our directors and officers are located outside of Canada, any judgment obtained in Canada against us or any of them may be difficult to collect within Canada and may not be enforced by an Israeli court.

We have been informed by our legal counsel in Israel that it may be difficult to assert Canadian securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws on the basis that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. There is little binding case law in Israel addressing these matters. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. Consequently, our investors may be effectively prevented from pursuing remedies under Canadian securities laws against us or any of our non-Canadian directors and officers. Provisions of Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and negatively affect the price of our Ordinary Shares.

Israeli corporate law regulates mergers and requires tender offers for acquisitions of shares above specified thresholds; requires special approvals for certain transactions involving directors, officers or significant shareholders; and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and therefore negatively affect the price of our Ordinary Shares. For example, under the Companies Law, upon the request of a creditor of either party to a proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger.

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Our Company must comply with both Canadian and Israeli tax laws, and our Subsidiaries are subject to other foreign laws and regulations, and Israeli tax considerations may make potential transactions difficult unappealing to us or to our shareholders, especially for those shareholders whose country of residence does not have a tax treaty with Israel, which exempts such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances, but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction, during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. In order to benefit from the tax deferral, a pre-ruling from the Israel Tax Authority might be required.

Miscellaneous

Liquidity problems or bankruptcy of our key customers, could have an adverse effect on our business, financial condition, and results of operations.

Our sales to customers are typically made on credit without collateral. There is a risk that key customers will not pay, or that payment may be delayed because of bankruptcy, contraction of credit availability to such customers, weak sales, or other factors beyond our control, which could increase our exposure to losses from bad debts. In addition, when key customers cease doing business with us because of bankruptcy, or significantly reduce the number of orders, it can have an adverse effect on our business, financial condition, and results of operations.