



K.B. RECYCLING INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

DATED APRIL 13, 2022

3 HA'-AVODA ST, BEIT-SHEAN, ISRAEL

[HTTPS://WWW.ALKEMY.SOLUTIONS/](https://www.alkemy.solutions/)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis (this "MD&A") provides information concerning the financial condition of K.B. Recycling Industries Ltd. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2021. This MD&A should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2021 and 2020, including the notes thereto (the "Annual 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", "Alkemy", "us", "our" or "we" refers to K.B. Recycling Industries Ltd.

Basis of Presentation

Our Annual 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). All references in this MD&A to: (i) "Fiscal 2021" are to our fiscal year ended December 31, 2021, (ii) "Fiscal 2020" are to our fiscal year ended December 31, 2020; and (iii) "Fiscal 2019" are to our fiscal year ended December 31, 2019.

This MD&A is dated April 13, 2022.

Foreign Exchange

The Annual Financial Statements are presented in U.S. dollars in thousands, while the functional currency of the Company is the New Israeli Shekel ("NIS"). Once we commence exports out of Israel and establish new activities outside of Israel, we will be impacted by currency fluctuations as we expect that a significant portion of our revenues will be in currency other than the NIS.

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

	For the year ended		
US\$1.00 converted to NIS	December 31, 2021	December 31, 2020	December 31, 2019
Highest rate during the period	3.342	3.862	3.746
Lowest rate during the period	3.074	3.210	3.456
Average rate for the period	3.229	3.437	3.5645
Rate at the end of the period	3.110	3.215	3.456

Operating segments

We operate in one principal business segment - recycled plastic industrial products.

In both Fiscal 2020 and Fiscal 2021, our revenues were mostly generated from customers in Israel and all production activities were performed in Israel and all non-current assets were located in Israel.

Non-IFRS Financial Measures

This MD&A makes reference 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. 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.

Business Overview

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

As of the date hereof, and following the closing of our initial public offering in April 2021 (see “*Significant Developments for the year ended December 31, 2021*”), our main shareholders are Tedeia Technological Development and Automation Ltd. (“**Tedeia**”) and Sullam Holdings L.R. Ltd. (“**Sullam**”), each holding approximately 23.75% of our outstanding share capital and 21.53% on a fully diluted basis. Prior to the closing of our initial public offering in April 2021, each of Sullam and Tedeia held 49.5% of our outstanding share capital.

Our recycling and production unit, which integrates the production of finished goods with the recycling process itself, is designed to reduce the cost of plastic raw material and increase the profit margin per metric ton of recycled plastic. The equipment required to carry out our industrial process can be modified to be installed in existing facilities. Our process results in the production of a finished product, for use in various applications, including, initially, in the construction industry.

We have developed a process and know-how for the recycling of post-consumed plastic bags and sheets which we refer to as the ‘*waste-to-product*’ process. We produce a variety of recycled plastic products from highly pollutive recycled plastics (polyethylene), which we extract from domestic waste streams (i.e., garbage bags, grocery bags and food wrappings and packaging).

Our one-step process reduces inputs such as energy, labour, machinery use and various other production expenses compared to traditional recycling and production methods. Traditional recycling and production methods typically recycle plastic with low contamination, use a mix of recycled plastic and virgin plastic and involve separate recycling and production processes. Our ‘*waste-to-product*’ process is able to use 100% highly contaminated plastic waste and our products are produced in one step, directly from the contaminated plastic waste. This allows us to benefit from savings on labour, energy, machinery and transportation costs. Our ‘*waste-to-product*’ process involves a single melting and cooling of post-consumed plastic waste, all performed in one facility, which results in the final recycled plastic product. Our process does not require separate recycling and production plants.

Currently, all of the polyethylene used in manufacturing our products are made of 100% recycled plastic from domestic and agricultural waste streams, which are provided to us by, among other sources, waste management companies, recycling corporations and waste traders. We also operate one agricultural waste site in Israel where we receive pre-sorted plastic waste from farmers which we then sort and compact into bales for our own production needs.

Corporate History; Highlights

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.

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.

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.

The outbreak of COVID-19 and the restrictions imposed in an effort to prevent the spread of COVID-19, mainly the lockdown restrictions introduced in Israel three times during Fiscal 2020 had a material adverse impact on the Company's operations and caused a decrease in the Company's revenues during Fiscal 2020.

In March 2020, as a result of the effects of the COVID-19 pandemic, and in order to allow the Company to sustain its activity and to extend its runway, the Company implemented a material restructuring plan, according to which management significantly reduced the Company's work force and other operating expenses to the minimum required to allow the continuation of its operations and R&D efforts.

Furthermore, due to the restrictions on movement of passengers and border closures around the world the Company delayed its plans to explore new markets and most of its marketing efforts were put on hold in April 2020. As a result, the Company's management team anticipated that this would cause delays in the Company's export plans.

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 polyethylene 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 thousand (the "**Convertible Note**") and (ii) a warrant to purchase ordinary shares of the Company ("**Ordinary Shares**"), for cash consideration of \$ 1,500 thousand. 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.

On December 23, 2020, we filed application Ser. No. 280311 with the Israel Patent Office (the "**Patent Office**") seeking a patent for our 'waste-to-product' process. In May 2021, the Patent Office notified us that this application was allowed following a patent search and substantive examination. On August 31 2021, the application was finally approved and the patent was registered in the Israeli Patent Office Journal.

On April 21, 2021, we consummated our initial public offering in which raised net proceeds of approximately US\$ 8.4 million, and on April 28, 2021 our equity securities commenced trading on the TSX Venture Exchange (the "**TSXV**") (see "**Significant Developments for the year ended December 31, 2021**").

On June 4, 2021, we completed a private placement for aggregate gross proceeds of approximately US\$ 1.0 million (see "**Significant Developments for the year ended December 31, 2021**"). See "Liquidity and Capital Resources" for a description of the use of such proceeds.

On January 21, 2022, we entered into a Share Purchase Agreement to purchase oceansix GmbH ("**oceansix**"), a German company focused on developing technologies and products solutions (the "**Proposed Transaction**") (see "**Significant Developments since December 31, 2021**").

Current Manufacturing Capacity and Planned International Expansion

Our business growth plan consists of three main avenues:

1. developing new products for production under our ‘*waste-to-product*’ process and expanding our product offerings;
2. exporting our products out of Israel; and
3. establishing and erecting new production sites outside of Israel that employ our ‘*waste-to-product*’ process.

Currently, our production site, which is located in Israel contains one fully-operational production line with an output capacity of approximately 150 metric tons per month (i.e., 1,800 metric tons per year). For the duration of 2022, we intend to invest in increasing the capacity of our current production site by improving existing machinery and adding new machinery, as necessary.

We are currently in the process of looking for strategic partners and locations for new plants outside of Israel. In order to successfully deploy our factory units and ‘*waste-to-product*’ process abroad, we intend to collaborate and develop relationships with two types of local partners: (1) waste management partners; and (2) target market industry partners. We aim to work with experienced local partners that have local business connections and an understanding of the relevant business ecosystem. Our plan is to enter into agreements with partners in the waste management or waste trading industry in order to obtain stable and ongoing sources of high quality raw materials (post-consumed plastic sheets and bags waste).

In each country, in conjunction with local partner(s), we intend to build and operate a local site to recycle plastic and produce products using our ‘*waste-to-product*’ process. Local partners will, subject to the finalization of agreements with any such applicable partner(s), strategically assist with waste management and recycling, as well as with the manufacturing and distribution of our products in such countries. Local partners will also help us evaluate and determine which products to manufacture (based on their knowledge of the local market), logistical advantages and disadvantages, competitors, and applicable regulations.

We are currently in the process of developing new production processes for the production of additional types of commercial plastic products, such as soil stabilization products for road construction and landscaping, acoustic and thermal isolation products made of expanded polyethylene and large scale three dimensional products such as bins and containers.

We have made certain advancements in the development of production processes and products, including, among others, the development of production processes for expanded polyethylene (EPE) based products and die molding (profile type) based products, thermoforming production trials, anti-slip geo-membranes, the improvement of products’ mechanical properties, sheet based products welding techniques and injection molding production based products, which may allow us to expand the range of development processes and the products we may offer in the future if and when future conditions will allow for their commercialization. In addition, as part of our efforts to expand overseas, in the event the Proposed Transaction with oceansix is successfully completed, we may be better able to focus on the development and production of additional products and expand our operations into the European market.

Competitive Landscape

We operate in the plastic recycling industry, as well as in the target markets for our plastic products. As a result, we compete with both recycling companies and companies that 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 barriers to entry in the recycling industry are generally low as the required machinery is commonplace and low-cost raw materials are generally available.

Significant Developments for the year ended December 31, 2021

1. On March 29, 2020, the Company entered into a service agreement, (the “**A-Labs Agreement**”), with A-Labs Finance and Advisory Ltd. (“**A-Labs**”), pursuant to which A-Labs provides the Company with investment banking services. The A-Labs Agreement was supplemented and amended on January 10, 2021 and February 11, 2021.

Pursuant to the A-Labs Agreement, the Company is obligated to pay A-Labs a consulting monthly retainer fee of US\$ 15 thousand. Furthermore, upon the closing of an investment round, private placement or a public offering of the Company's Ordinary Shares or an M&A transaction (a “**Transaction**”), A-Labs shall be entitled to: (a) a cash consideration equal to 5% of all amounts actually received by the Company or its shareholders in such Transaction (the “**Cash Consideration**”); and (b) shares of the Company equal to 5% of the total funds received by Company in the Transaction, calculated on the basis of the fully diluted share capital of the Company only upon and subject to the conversion of any convertible notes or other convertible instrument issued or sold by the Company (including pursuant to the Convertible Note Purchase Agreement into Ordinary shares upon a public offering of the Company's shares (the “**Shares Consideration**”).

Following the amendment to the A-Labs Agreement signed on January 10, 2021, the Company and A-Labs agreed that the monthly retainer fee the Company shall pay A-Labs will be \$ 10 thousand for the period commencing on July 2020 until the date of the public offering of the Company.

Pursuant to the second amendment to the A-Labs Agreement, entered into effect as of February 11, 2021, the Cash Consideration and Shares Consideration payable to A-Labs was amended and replaced. Following the second amendment, A-Labs is entitled to a total cash consideration of \$ 560 thousand, out of which an amount of \$ 150 thousand was already paid as of the date of the second amendment (instead of the Cash Consideration described above). In addition, at the closing of such offering the Company shall issue and grant A-Labs a warrant exercisable for a period of 24 months following such closing which shall entitle A-Labs to purchase 3,263,886 Ordinary Shares of the Company at an exercise price of \$ 0.152 per share (instead of the Shares Consideration described above).

2. On January 7, 2021, the Company's board of directors (the “**Board of Directors**”) approved our share incentive plan (the “**Plan**”). The Plan allows for the grant of options, shares, restricted shares and RSUs (collectively, the “**Awards**”), to provide long-term incentives to our employees, directors, officers, consultants or any individual employed by a person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company. The Plan promotes greater alignment of interests between employees and shareholders, and supports the Company's longer-term performance objectives, while providing a long-term retention element. On such date, the Company granted options to certain employees and the Chairman of the Board, subject to the Israel Tax Authority approval of the Plan, with the following terms:
 - Company CEO – options to purchase 1,973,500 Ordinary Shares with an exercise price NIS 0.20 per Ordinary Share. Subject to the Company's continued engagement, the options shall vest as follows: (i) 657,700 options shall vest on March 1, 2021; and (ii) the remaining options shall vest on March 1, 2022 and March 1, 2023, in two equal portions;
 - Chairman of the Board - options to purchase 1,973,500 Ordinary Shares with an exercise price NIS 0.20 per Ordinary Share. Subject to the Company's continued engagement, the options shall vest as follows: (i) 657,700 options shall vest on March 1, 2021; and (ii) the remaining options shall vest on March 1, 2022 and March 1, 2023, in two equal portions;
 - Amichai Krupik - options to purchase (A) 1,973,400 Ordinary Shares with an exercise price NIS 0.20 per Ordinary Share. Subject to the Company's continued engagement, the options shall vest as follows: (i) 657,800 options shall vest on March 1, 2021; and (ii) the remaining options shall vest on March 1, 2022 and March 1, 2023, in two equal portions and (B) 1,315,800 with an exercise price of NIS 0.01 which are fully vested.
3. On February 23, 2021, the authorized share capital of the Company was increased by 1,000,000 ordinary shares, with a nominal value of NIS 1 each, following such increase the authorized share capital of the Company was NIS 3,000,000 divided into 3,000,000 ordinary shares with NIS 1 nominal value. Following the increase of the authorized share capital the Company approved a share split whereby each 1 ordinary share, NIS 1 nominal value, was divided into 100 ordinary share of NIS 0.01 nominal value.
4. On February 25, 2021, we completed a private placement of 4,334,862 Subscription Receipts (the “**Subscription Receipts**”) pursuant to prospectus and registration exemptions at a price of C\$0.29 per Subscription Receipt for aggregate gross proceeds of C\$1,257,109.98 (the “**Private Placement of Subscription Receipts**”). Each Subscription Receipt was convertible into on Subscription Receipt Unit comprised of one (1) Ordinary Share and one-half of one (0.5) Warrant, issuable on the deemed exercise of each Subscription Receipt.
5. On March 14, 2021, the Company granted a member of the Board of Directors options to purchase 100 Ordinary Shares with an exercise price (as determined on April 21, 2021) of CAD 0.2175 per Ordinary Share, which was subsequently adjusted to CAD 0.33 on May 7, 2021. Subject to the Company's continued engagement, the options shall vest as follows: (i) 34 options shall vest March 14, 2022; and (ii) the remaining options shall vest on March 14, 2023 and March 14, 2024, in two equal portions.

6. In March 2021, the Company approved the grant to each of Sullam and Tedeia, respectively, of warrants to purchase up to 13.0% of the Company's share capital on a fully diluted basis immediately following the Closing (the "**Founders Warrants**"). Pursuant to the Founders Warrant, each of Sullam and Tedeia have, following the Closing, the right to purchase at a price per share equal to NIS 0.01 per Ordinary Share: (i) 2.5% of the Company's share capital on a fully diluted basis immediately following closing of the Company's initial public offering upon the establishment of an operational manufacturing site outside of Israel for the production of the Company's products, whether through the purchase of an existing site, construction of a new factory, or following a joint venture, partnership or entering into a sub-contracting agreement with any third party for the production of the Company's products in a pre-existing factory (a "**Manufacturing Site**") within two (2) years from the Closing; (ii) an additional 2.5% following the establishment of an additional Manufacturing Site within 2 (two) years of the Closing; and (iii) an additional 1.5% if the Company's annual revenues, based on its audited Annual Financial Statements, together with the Company's proportional share in the annual revenues of a Manufacturing Site (provided the financial results of such Manufacturing Site are not consolidated into the Company's audited Annual Financial Statements) for any of the calendar years 2021, 2022, or 2023 exceeds US\$8,000,000.
7. On April 12, 2021, the Board of Directors resolved to appoint two external directors and approved the entering by the Company into a Director Services Agreement with each of the two external directors (the "**Director Services Agreements**"), all subject to the Company's shareholders approving their appointment as external directors of the Company. Under the Director Services Agreements, as amended, the Company undertook to grant the external directors options to purchase 736,516 Ordinary Shares. Following and subject to the approval of the shareholders and the Company's continued engagement with the directors, the options shall vest as follows: (i) 245,506 options will vest at the first anniversary of the date of grant, and (ii) the remainder of the options will vest in two equal portions of 245,505 on the second and third anniversaries of the date of grant. On May 7, 2021, the Board of Directors approved the abovementioned option grants at an exercise price of CAD 0.33 per option, subject to the ratification and approval of the Company's shareholders. On July 20, 2021, the Company's shareholders approved the appointment of the external directors and the Director Services Agreement as well as the option grant.
8. On April 21, 2021 we consummated our initial public offering (the "**Offering**" or "**IPO**" and the "**Closing**", respectively) of 6,282,984 units of the Company (the "**Offering Units**") at a price of C\$0.29 per Unit, for total gross proceeds of approximately C\$1,822,065, including the exercise in full of the Underwriters' (as defined below) over-allotment option.

Each Offering Unit was comprised of one Ordinary Share and one-half of one warrant to purchase an Ordinary Share (each whole warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire one Ordinary Share at a price of C\$0.51 per Ordinary Share for 24 months following the closing date of the Offering.

Concurrently with the Offering, we issued 14,358,545 Class A units (the "**Class A Units**") at a price of C\$0.58 per Class A Unit for aggregate gross proceeds of approximately C\$8,327,956 to specified investors resident in Israel by way of private placement (the "**Private Placement of Class A Units**"). Each Class A Unit consists of two Ordinary Shares and one Ordinary Share purchase warrant.

Upon the Closing, each Subscription Receipt converted into one Subscription Receipt Unit.

In total, we have raised an aggregate of approximately C\$11.4 million from the Offering, the Private Placement of Class A Units and the Private Placement of Subscription Receipts.

Following the Closing, the Private Placement of Subscription Receipts, the Private Placement of Class A Units and the exercise of the Over-Allotment Option, there were 117,545,136 Ordinary Shares and 19,667,468 Warrants of the Company issued and outstanding.

The TSXV approved the listing of the Ordinary Shares and Warrants and the Ordinary Shares and Warrants began trading on the TSXV on April 28, 2021 under the symbols "AKMY" and "AKMY.WT", respectively.

9. On April 21, 2021, the Company received an approval from the Israeli Innovation Authority (the "**IIA**") IIA for grants to fund 50% of the approved budget for Fiscal 2021 for two IIA approved research and development programs (the "**Approved Programs**"). The total grants may amount to approximately US\$ 200 thousand if the approved budgets for the Approved Programs are utilized during Fiscal 2021 in accordance to the approved programs' terms and conditions.
10. On April 21, 2021 and April 30, 2021, the Board of Directors approved a private placement (the "**Post IPO Private Placement**" and, together with the Private Placement of Subscription Receipts, and the Private Placement of Class A Units, the "**Private Placements**") and the issuance by the Company of an additional 4,337,928 units to certain investors resident in Israel at a price of CAD 0.29 per unit (for aggregate gross proceeds of approximately CAD 1,257 thousand). Each unit is comprised of one ordinary share of the Company (an "**Ordinary Share**") and one-half of one Ordinary Share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant will entitle

the holder thereof to acquire one Ordinary Share at a price of C\$0.51 per Ordinary Share until April 21, 2023. The Post IPO Private Placement was completed on June 4, 2021.

11. On April 27, 2021, the Company entered into an Issuer Trading Services Agreement with Generation IACP Inc. (“**GIACP**”), pursuant to which the Company retained GIACP on a non-exclusive basis to provide the Company with trading services with respect to the Company’s Ordinary Shares traded on the TSXV. The term of the agreement is for an initial six month period with automatic six month renewals, unless terminated by one of the parties. Under the agreement, the Company will pay GIACP a monthly fee of CAD 7,500, which shall increase by 3.0% on an annual basis, for the services being provided.
12. In April 2021, the Company secured insurance for its directors and officers through a directors and officers liability insurance policy, for a total amount of USD 10 million. An annual premium of approximately USD \$80 is payable by the Company under this policy.
13. On May 18, 2021, the Company entered into a marketing agreement with Hybrid Financial Ltd. (“**Hybrid**”), pursuant to which Hybrid would provide the Company with marketing and capital markets services. The term of the agreement was for an initial six month period with automatic three month renewals, unless otherwise terminated. Under the agreement, the Company paid Hybrid a one-time fee of CAD 50,000 and a monthly fee of CAD 22,500 for the first six months. On November 26, 2021, the Company amended the agreement with Hybrid and will continue to pay Hybrid a monthly fee of CAD 22,500 until October 28, 2022, at which time the monthly fee shall be reduced to CAD 15,000 thereafter.
14. In May 2021, the Company entered into a services agreement with A-Labs, pursuant to which A-Labs will provide the Company with, among other services, press release drafting and wire services. The term of the agreement is for one year with automatic 12 month renewals, unless terminated by one of the parties. Under the agreement, the Company will paid A-Labs a monthly fee of \$ 52,500 for the first two months, after which time the monthly fee increased to \$35,000.
15. On June 8, 2021, Mr. Noah Herschoviz was appointed to the Board of Directors. Mr. Herschoviz was reappointed by the Company’s shareholders the Company’s July 20, 2021 Annual General Meeting. Mr. Herschoviz is co-founded A-Labs and currently serves as A-Labs’ managing partner.
16. On June 15, 2021, the Company signed an extension to its Memorandum of Understanding, dated May 2020, with Tambour (Chemical and Paints) Ltd. (“**Tambour**”), pursuant to which Tambour conducts a nationwide pilot of the Company’s products, thereby extending the pilot period.
17. On June 29, 2021, the Board of Directors, approved, subject to shareholder approval, the grant of 2,756,264 restricted share units (“**RSUs**”) to Mr. Amichai Krupik with each RSU representing the right to receive one Ordinary Share. Subject to Mr. Krupik’s continuing to be an employee of the Company, Mr. Krupik will receive: (i) 1,378,132 RSUs upon an operational manufacturing site being established by the Company outside of Israel within five years from the date of the grant; and (ii) 1,378,132 RSUs upon a second operational manufacturing site being established outside of Israel within five years from the date of the grant. On July 20, 2021, the Company’s shareholders approved the RSU grant.
18. On July 20, 2021, the Company convened an annual and special meeting (the “**Meeting**”) of its shareholders. At the Meeting, the shareholders passed all of the proposed resolutions, including with respect to the re-appointment of its external auditor, an amendment to the Company’s articles of association, the re-appointment of the members of the Board of Directors, the appointment of its external directors, and the grant of RSUs to Mr. Amichai Krupik, as discussed above.
19. On August 15, 2021, the Company appointed Monarov & Co. to serve as its internal auditor in accordance with the Israeli Companies Law, 5759-1999.
20. On December 23, 2020, we filed application Ser. No. 280311 with the Israel Patent Office (the “**Patent Office**”) for a patent of our ‘waste-to-product’ process. In May 2021, the Patent Office notified us that this application has been allowed by the Patent Office, following a patent search and substantive examination. On August 31 2021, the application was finally approved and the patent was registered in the Israeli Patent Office Journal.
21. On August 31, 2021, the Company entered into a consulting agreement with RAM.ON consult GmbH (now “oceansix GmbH”) – a spin-off company of the German-based Cabka Group. Through this agreement, oceansix will assist the Company to enter into and expand in the European market.

Significant Developments since December 31, 2021

1. In January 2022, the Company and Tambour extended the Memorandum of Understanding until December 31, 2022.
2. On January 21, 2022, we entered into a Share Purchase Agreement (the “**oceansix agreement**”) to purchase oceansix GmbH, from RAM.ON finance GmbH (“**RAM.ON finance**”). The Proposed Transaction is subject to approval by the TSXV and by the shareholders of Alkemy (see “**Proposed Transaction**”).
3. On March 1, 2022, Shmulik Porre, our CEO, tendered his resignation. Following Mr. Porre’s resignation, Amichai Krupik was appointed as the interim CEO until the Company is able to appointment a permanent CEO. Mr. Krupik previously served as the Company’s CEO between 2017 and May 2020, after which he served as the Company’s Founder for Innovation and Technology Development. We have begun the search for a more permanent CEO.
4. On March 3, 2022, Mr. Arnon Eshed was appointed to the Company’s Board of Directors. Mr. Eshed is an experienced businessman and manager and has served as CEO of Palram (1990) Industries Ltd., a public company with an international presence that operates in the field of thermoplastic technology. Mr. Eshed will continue to serve on the Board of Directors until the Company’s next annual meeting at which time he shall be subject to reappointment by the Company’s shareholders.

Summary of Factors Affecting Our Results of Operations

Our ability to continue to grow our business and enhance our financial performance depends on our ability to: (i) successfully utilize our ‘waste-to-product’ process and “know-how” to manufacture new products; and (ii) improve our manufacturing capacity by entering into strategic partnerships internationally. 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 locally and internationally.

Maintaining Our Technological Advantage

The success of our business depends on our ability to continue to take advantage of our “know-how” and unique one-step ‘waste-to-product’ process 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 in the recycling and production of plastic products will depend to a large extent on our ability to form and maintain long-term relationships with waste management companies, distributors, agents and local governments. 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 recycling industry as well as the plastic production industries are both heavily regulated. The industry is heavily dependent on incentive programs from national and local governments to encourage activities as well as regulations restricting waste dumping and incineration, while, at the same time, subject to restrictions and regulations for industrial corporations. 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 Availability of Plastic Waste

We are highly dependent on the availability of post-consumed polyethylene bags and sheets and any material change in the availability and percentage of plastic in the composition of domestic waste or changes in the regulatory environment affecting the usage of plastic sheets and bags may have a material effect on our business.

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

The Company primarily operates in the plastic recycling industry which currently includes sales of our products to the construction industry. 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, title has transferred, all the risks of ownership have 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.

Cost of Revenues

Cost of revenues consists of our production costs which are comprised primarily of labor, energy, materials, consumables, consultants, water and sludge treatment, 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 recycling of plastic waste and 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.

Development Expenses

Development expenses consist of costs related to the development of production processes, production improvements, new products and machinery improvements and 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 IIA.

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, internet site, brochures, products samples, advisors and agents.

General and Administrative Expenses

General and administrative expenses are incurred in the day-to-day operations of the Company 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 operating expenses of the Company. The calculation of operating loss does not include the effects of financial expenses or taxes.

Finance Expenses, Net

Finance expenses, net consists 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, 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.

Selected Annual Financial Information

The following table sets out a summary of our results of operations for **Fiscal 2021, Fiscal 2020 and Fiscal 2019** as well as selected balance sheet data as at the end of Fiscal 2021, Fiscal 2020 and Fiscal 2019. The selected financial information for **Fiscal 2021 Fiscal 2020 and Fiscal 2019** was derived from our audited Annual Financial Statements.

	Year ended December 31,		
	2021	2020	2019
	U.S. dollars in thousands (except loss per share)		
Revenues from sales	1,158	955	1,510
Cost of sales	2,311	1,974	2,828
Gross loss	(1,153)	(1,019)	(1,318)
Development expenses (net of government grants)	351	68	20
Selling and marketing expenses	244	196	366
General and administrative expenses	3,064	1,446	552
Other expenses, net	83	14	-
Operating loss	(4,895)	(2,743)	(2,256)
Finance expenses	(1,793)	(1,717)	(154)
Loss	(6,688)	(4,460)	(2,410)
Other comprehensive income (loss): <u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Adjustments arising from translating financial statements from functional currency to presentation currency	269	(86)	(85)
Total comprehensive loss	(6,419)	(4,546)	(2,325)
Basic and diluted loss per share (in U.S. dollars)	(0.07)	(0.07)*	(0.04)*

Adjusted to reflect the split of the Company's shares.

	December 31,		
	2021	2020	2019
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5,909	1,617	55
Restricted deposits	-	-	36
Trade receivables	514	401	508
Other accounts receivable	315	191	55
Inventories	81	127	144
	<u>6,819</u>	<u>2,336</u>	<u>798</u>
NON-CURRENT ASSETS:			
Right of use assets	1,001	1,046	1,127
Long-term deposits	85	71	66
Property, plant and equipment, net	1,694	1,869	1,786
Other assets	-	237	-
	<u>2,780</u>	<u>3,223</u>	<u>2,979</u>
	<u><u>9,599</u></u>	<u><u>5,559</u></u>	<u><u>3,777</u></u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	-	94	148
Current maturities of lease liabilities	149	117	131
Trade payables	619	379	586
Other payables	697	719	524
	<u>1,465</u>	<u>1,309</u>	<u>1,389</u>
NON-CURRENT LIABILITIES:			
Lease liabilities	1,023	1,065	1,071
Other liabilities	242	161	168
Convertible Note	-	4,152	-
Warrant	2,213	414	-
	<u>3,478</u>	<u>5,792</u>	<u>1,239</u>
EQUITY:			
Share capital and share premium	47,040	35,697	34,376
Warrants	453	-	-
Adjustments arising from translating financial statements from functional currency to presentation currency	259	(10)	76
Reserve from share-based payment transactions	1,369	548	14
Accumulated deficit	(44,465)	(37,777)	(33,317)
	<u>4,656</u>	<u>(1,542)</u>	<u>1,149</u>
	<u><u>9,599</u></u>	<u><u>5,559</u></u>	<u><u>3,777</u></u>

	Year ended		
	Dec-31		
	2021	2020	2019
	Audited		
Adjusted EBITDA - Loss	U.S. dollars in thousands		
Operating loss	(4,895)	(2,743)	(2,256)
Depreciation and amortization	410	371	348
Shares based compensation	821	534	10
Adjusted EBITDA - Loss	(3,664)	(1,838)	(1,898)

Analysis of Results for Fiscal 2021.

IFRS Measures

Revenues from Sales

Revenues from sales for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$1,158 and US\$955 and US\$1,510, respectively. The increase in revenues from sales in Fiscal 2021 compared to Fiscal 2020 is mainly generated from the increase of sales of sheet based products and changes in the composition of products sold in Israel, which included a larger portion of laminated products with higher prices in Fiscal 2021. Revenues from sales in Fiscal 2021 are all related to the sales of final sheet based products while revenues from sales in Fiscal 2020 include approximately US\$83 of sales of plastic raw materials resin. In the first quarter of 2020, we completed the shutdown of our plastic raw material manufacturing vertical.

The decrease in revenues from sales in Fiscal 2020 compared to Fiscal 2019 mainly resulted from the shutdown of our plastic raw material manufacturing vertical and the effects of COVID-19, including the measures taken in relation thereto. In Fiscal 2019, the Company sold plastic sheets based products in the total amount of US\$1,221, and plastic raw materials in the amount of US\$289.

Cost of Sales

Cost of sales for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$2,311 and US\$1,974 and US\$2,828, respectively. The increase in cost of sales in Fiscal 2021 compared to Fiscal 2020 mainly resulted from the increase in sales, changes in the composition of product sales and their manufacturing costs as well as the increase of maintenance costs due to extraordinary equipment repairs. Furthermore, the shutdown of our plastic raw material manufacturing vertical, combined with the reorganization of the Company in March 2020, allowed for higher profitability per product in Fiscal 2021.

The decrease in cost of sales in Fiscal 2020 compared to Fiscal 2019 mainly resulted from the shutdown of the plastic raw material manufacturing vertical, combined with the reorganization of the Company in March 2020 and from the decrease of sales related to COVID 19 effect.

Gross Loss

Gross losses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$1,153 and US\$1,019, and US\$1,318 respectively. The increase in gross losses in Fiscal 2021 compared to Fiscal 2020 was mainly due to an increase in maintenance costs resulting from extraordinary equipment repairs, in contrast to the Company's decision to gradually reduce its operations in raw material production combined with the reorganization of the Company in March 2020.

The decrease in gross losses in Fiscal 2020 compared to Fiscal 2019 was mainly due to: (1) the Company's decision to gradually reduce its operations in raw material production; and (2) the reorganization of the Company in March 2020.

Development Expenses (net of Government grants)

Development expenses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$351 and US\$68 and US\$20, respectively.

Development expenses, include, *inter alia*, labor, materials and energy costs involved with development activity as well as laboratory tests, advisory fees and all other costs incurred in the Company's process and products developments, net of grants received from the IIA in connection with such developments. Development grants received from the IIA for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$123, nil and US\$178, respectively. The increase in development expenses in Fiscal 2021 compared to Fiscal 2020, was mainly due to the launch of several development projects for production process of new products as well as development projects for the improvements of product characteristics under the Company's adopted development strategy. The increase in development expenses in Fiscal 2020 compared to Fiscal 2019 was mainly due to the decrease of development grants received from the IIA. Due to Covid-19 and the reorganization made by the Company, the actual development activity in Fiscal 2020 was lower than Fiscal 2019 and Fiscal 2021 and therefore the gross research and development expenses (regardless of grants received) in Fiscal 2020 was materially lower than Fiscal 2019 and Fiscal 2021.

Selling and Marketing Expenses

Selling and marketing expenses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$244 and US\$196 and US\$366, respectively.

The increase in selling and marketing expenses in Fiscal 2021 compared to Fiscal 2020, was mainly due to the halt of marketing activities in response to the COVID-19 outbreak in 2020 and the renewal of some marketing efforts in the second half of 2021.

The decrease in sales and marketing expenses in Fiscal 2020 compared to Fiscal 2019 was mainly due to the halt of marketing activities in response to the COVID-19 outbreak, as well as the reduction in sales expenses as a result of the sales decrease in the plastic raw material vertical.

General and Administrative Expenses

General and administrative expenses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$3,064, US\$1,446 and US\$552, respectively. The increase in general and administrative expenses in Fiscal 2021 compared to Fiscal 2020 was mainly due, *inter alia*, to additional expenses in connection with the Company's new branding, share based payments, procuring investment banking services and IPO related expenses.

The increase in general and administrative expenses in Fiscal 2020 from Fiscal 2019 was due, *inter alia*, to one-time expenses incurred in connection with the Company's new branding, share based payments, procuring investment banking services and the recruitment of Mr. Shmulik Porre as the Company's Chief Executive Officer.

Operating Losses

The Company's Operating losses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$4,895, and US\$2,743 and US\$2,256, respectively. The increase in the operating losses in Fiscal 2021 compared to Fiscal 2020 was mainly due to increased general and administrative expenses, increased maintenance costs resulting from extraordinary equipment repairs and the increase in the Company's development activities,

net of the decrease in expenses due to the efficiency measures implemented by management as well as the closing of the plastic raw material manufacturing segment.

The increase in the operating losses in Fiscal 2020 compared to Fiscal 2019 was due to several one-time expenses in connection with the rebranding of the Company and procuring certain investment banking services, taking into account a deduction of the decrease in expenses due to the efficiency measures implemented by management, the reduction of the Company's development activities, as well as the closing of the plastic raw material manufacturing segment.

Finance Expenses.

Finance expenses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$1,793, US\$1,717 and US\$154, respectively. The increase in finance expenses in Fiscal 2021 compared to Fiscal 2020 was mainly due to the increase of finance expenses arising from currency exchange rate changes (mainly US\$ and Euro versus the NIS), net of a decrease in the change in fair value of financial liabilities designated at fair value through profit or loss which mainly includes the changes in the fair value of the Convertible Note issued to Clover Wolf in August 2020 and changes in the fair value of issuance of warrant in the IPO.

The increase in finance expenses in Fiscal 2020 compared to Fiscal 2019 mainly resulted from changes in the fair value of the Convertible Note and Warrant issued to Clover Wolf in August 2020 and increased expenses related to exchange rate losses.

Losses

Losses for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were US\$6,688, US\$ 4,460 and US\$2,410, respectively. The increase in losses for Fiscal 2021 compared to Fiscal 2020 was mainly due to additional expenses in connection with the rebranding of the Company, procuring certain investment banking services in connection with the IPO, the increase in maintenance costs resulting from extraordinary equipment repairs and the increase in the Company's development activities and the increase in expenses incurred due to changes in the exchange rates of the US\$ and the Euro Versus the NIS, net of the decrease in expenses due to the efficiency measures implemented by management as well as the closing of the plastic raw material manufacturing segment and the decrease in the expenses related to the fair value of financial liabilities designated at fair value through profit or loss.

Multiple factors contributed to the increase in losses for Fiscal 2020 from Fiscal 2019, including decreased sales of plastic sheet based products, the closing of our plastic raw material manufacturing segment, changes in the fair value of the Convertible Note and Warrant issued to Clover Wolf in August 2020, exchange rate losses and several one-time expenses incurred in connection with the rebranding of the Company and certain investment banking activities.

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.

Non-IFRS Financial Measures

Adjusted EBITDA

Adjusted EBITDA for Fiscal 2021, Fiscal 2020 and Fiscal 2019 amounted to losses of US\$3,664, US\$1,838 and US\$1,898, respectively. The increase in Adjusted EBITDA loss in Fiscal 2021, as compared to Fiscal 2020, was mainly due to increased operating losses. Such increase was mainly due to expenses incurred in connection with extraordinary equipment repairs, the rebranding of the Company, certain investment banking activities, the IPO and the recruitment of Mr. Shmulik Porre as the Company's Chief Executive Officer, net of the decrease in expenses due to the efficiency measures implemented by management as well as the closing of the plastic raw material manufacturing segment.

The decrease in Adjusted EBITDA loss in Fiscal 2020 compared to Fiscal 2019 was mainly due to increases in share-based compensation for Fiscal 2020 as opposed to Fiscal 2019.

	For the year Ended December 31,		
	2021	2020	2019
	Audited	Audited	Audited
	U.S. dollars in thousands		
Net loss used in computation of basic earnings per share	6,688	4,460	2,410
Weighted average number of ordinary shares*)	102,360	62,890	60,198
Basic loss per share	0.07	0.07*	0.04*
Balance at the beginning of the year	62,890	60,198	57,900
The effect of conversion of Shareholders loans to ordinary shares	-	2,692	2,298
Shares issued in initial public offering and private placements	58,993	-	-
Weighted average number of ordinary shares used in computation of basic loss per share	102,360	62,890*	60,198*

Adjusted to reflect the split of the Company's shares.

Summary of quarterly results of operations (in thousands of US\$):

	Three months ended:							
	December	September	June	March	December	September	June	March
	31, 2021	30, 2021	30, 2021	31, 2021	31, 2020	30, 2020	30, 2020	31, 2020
Total revenues	270	219	282	313	245	172	210	328
Operating loss	1,333	1,219	1,205	773	1,135	601	248	759
Total comprehensive income (loss)	1,670	(3,808)	(2,812)	(1,093)	(2,492)	(957)	(362)	(735)
Basic and Diluted income (loss) per share	0.02	(0.03)	(0.03)	(0.02)	(0.05)	(0.02)	(0.01)	(0.01)

Basic and diluted income (loss) per share for 2020 is adjusted to reflect the split of the Company's shares. 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. Commencing in the fourth quarter of 2020 and continuing until the second quarter of 2021 when it was converted, the Company's comprehensive income (loss) was materially affected by changes in the fair value of the Clover Wolf Convertible Note. Comprehensive income (loss) was also affected by changes in the fair value of the Warrants. The material decrease of the fair value in the Warrants in the fourth quarter of 2021, due in part to fluctuations in the Company's stock price, generated positive comprehensive income, as opposed to prior quarters.

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.

Liquidity and Capital Resources

Overview

The Company believes it has sufficient liquidity to support continued operations and to meet its short-term liabilities and commitments as they become due. The Company manages its liquidity risk by monitoring its operating requirements. 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 not subject to any financial ratio maintenance covenants in its bank borrowings 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 intends to submit additional grant applications to the IIA in connection with future research and development programs. Currently, the Company cannot estimate the probability of receiving IIA approval for such grants and the expected amounts of such grants.

In order to realize our growth plan, we have designated capital investments and expenditures, including the development of products and productions processes, investments in our existing Israeli facility and activities in other jurisdictions, either through joint ventures,

acquisitions or independently initiating activities. The table below shows our evaluation of the future utilization of the net proceeds received from the Offering, and the Private Placements versus the actual investment made using such proceeds until December 31, 2021.

Use of Proceeds for the Year Ended December 31, 2021

(in thousands of US\$)

		Estimated	Actual	Difference
Research & Development:	Development of new products' production processes	US\$550	US\$351	US\$199
Capital Expenditures & Expansion:	Investments in current Israeli manufacturing facility (machinery and other equipment)	US\$500	US\$122	US\$371
	Activities in other jurisdictions	US\$3,300	US\$156	US\$3,145
Other:	Working capital	US\$48	0	US\$48
	General corporate expenses	US\$3,222*	US\$2,310	US\$912
Total estimated use of net proceeds:		US\$7,620*	US\$2,946	US\$4,675

(*) Adjusted with additional US\$650, the net proceeds of the Post IPO Private Placement.

Research and Development expenses incurring during the period between the IPO and the end of Fiscal 2021 consisted of expenses related to the development of expanded polyethylene (EPE) based products production processes, thermoforming production trials, anti-slip geo-membranes, die molding (profile type) based products production processes, products' mechanical properties improvements, sheet based products welding techniques and injection molding production based products. **Financial Instruments**

As of December 31, 2021, the Company had available cash and cash equivalents of US\$5,909, as opposed to US\$1,617, at the end of Fiscal 2020, and US\$55 at the end of Fiscal 2019. The fluctuations in available cash and cash equivalents generally reflect the timing and receipt of equity financing, which increased cash resources in certain periods, while continued funding of the Company's operations decreased cash resources. The increase in the Company's cash and cash equivalents at the end of Fiscal 2021 as compared to the end of Fiscal 2020 was mainly due to the net proceeds raised through the IPO, the Private Placement of Subscription Receipts and the Private Placement of Class A Units.

The increase in available cash and cash equivalents in Fiscal 2020 from Fiscal 2019 was mainly due to the cash proceeds from the issuance of the Convertible Note under the Convertible Note Purchase Agreement in August 2020 and additional investments by the Principal Shareholders (holders of over 10% of the Company's share capital) in the aggregate amount of US\$1,321.

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 Fiscal 2021 compared to the end of Fiscal 2020 and Fiscal 2019.

	December 31,		
	2021	2020	2019
	Audited		
	U.S. dollars in thousands		
Cash and cash equivalents	5,909	1,617	55
Working capital (deficit) including cash & cash equivalents	5,354	1,027	(591)
Current bank debt & convertible note and warrants liabilities	2,213	4,660	148

The Company's working capital, including cash and cash equivalents, as of December 31, 2021, December 31, 2020 and December 31, 2019 was US\$5,354 and US\$1,027 and US\$(591), respectively.

The increase in the Company's working capital for Fiscal 2021 is mainly comprised of the cash raised in the IPO, the Private Placement of Subscription Receipts and the Private Placement of Class A Units net of the use of cash and cash equivalents to fund the Company's losses from its operations and capital investments made in Fiscal 2021.

The increase in the Company's working capital for Fiscal 2020 was mainly composed of the increase of cash and cash equivalents of US\$1,562. This gap is the result of the capital raise through the Convertible Note in August 2020, net of the use of cash and cash equivalents to fund the Company's losses from its operations and capital investments.

The Company's current convertible note and warrants liabilities as of December 31, 2021 and December 31, 2020 were US\$2,213 and US\$4,660, respectively. The decrease was mainly due to the conversion of the convertible notes into the Company's ordinary shares during the IPO in April 2021 and the decrease in the fair value of the warrants.

The Company's management and board of directors estimate, after analyzing the finance and liquidity resources of the Company, that the Company has the financial stability to continue its operations for the next twelve months. This estimation is based on, among other things, the cash and cash equivalents balance as at December 31, 2021, the measures undertaken by the Company to save costs and reduce the number of employees and the expected use of proceeds and estimated cash flows in the near future.

Capital Resources

Capital expenditures of the Company in Fiscal 2021 and Fiscal 2020 were immaterial. The Company incurs capital expenditures for machinery improvements and adaptations, backup machinery and replacement parts and additional required machinery. The main capital resources of the Company in Fiscal 2021 included the funds raised under the IPO and the Private Placements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Guarantees

In connection with the lease agreement for our premises in Beit She'an, as security for compliance with the Company's obligations, the Company provided its landlord with: (i) a bank guarantee in the amount of approximately NIS 128,000 in favor of the landlord (the amount underlying the bank guarantee is linked to the consumer price index); and (ii) two promissory notes in the aggregate amount of NIS 597,500.

Share Incentive Plan

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

Related Party Transactions

In March 2021, the Company issued the Founders Warrants to Tedeia and Sullam. See “*Significant Developments for year ended December 31, 2021*” above.

Danny Haklai, the Company’s Chief Financial Officer, provides his services to the Company as an independent contractor pursuant to a consulting agreement between the Company and Mordechai Haklai & Sons (1998) CPA Company, effective as of September 1, 2020.

Commencing on January 2018 and continuing through September 30, 2020, the Company sold products to Nitzavim Ltd., an Israeli private company owned partially by Tedeia (“*Nitzavim*”), in the aggregate amount of US\$85. Nitzavim is a construction products wholesaler and distributor and these transactions were for the purchase of Company products by Nitzavim for distribution to its clients. The contract was reviewed and approved by the Company’s independent board members who confirmed that it was entered into on market terms.

The Proposed Transaction

On January 21, 2022, we entered into the oceansix agreement, pursuant to which the Company has agreed to purchase oceansix, a German company focused on developing technologies and products solutions from recovered materials, from RAM.ON finance, a company beneficially owned by Mr. Gat Ramon, the founder and MD of the CABKA Group GmbH, a leading recycling corporation specializing in transforming post-consumer and post-industrial waste into material-handling solutions. In consideration for oceansix, we have agreed to issue at closing 20,295,037 Ordinary Shares, each having a par value of NIS 0.01 to RAM.ON finance. The Proposed Transaction also includes earn-out payments involving the issuance of additional Ordinary Shares to RAM.ON finance upon the achievement of certain milestones. The maximum number of Ordinary Shares to be issued to RAM.ON finance, if all milestones are satisfied, is limited to 148,166,312 Ordinary Shares.

Among other closing conditions, the Proposed Transaction is subject to approval by the TSXV and by the shareholders of Alkemy. For more details, see our press release dated January 21, 2020 filed on SEDAR at www.sedar.com.

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.

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.

Upon its commencement, 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.

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.

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, and ordinary course risks such as credit risk, liquidity 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.

Risk Related to COVID-19

The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition.

In December 2019, COVID-19 was first reported in Wuhan, China, and on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The outbreak has reached more than 160 countries and has led governments and other authorities around the world, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders.

The outbreak of COVID-19 and the restrictions imposed in an effort to prevent the spread of COVID-19, mainly the "lockdowns" introduced in Israel from mid-March until the end of May 2020 and during September 2020 until the end of 2020 had a material adverse impact on the Company's operations and caused a decrease in the Company's revenues during Fiscal 2020.

Since the end of 2020, a substantial number of Israeli residents have received vaccinations through a countrywide vaccination project, which has been credited with a reduction in the spread of COVID-19 and infection rates in Israel during Q2 2021. In parallel, the Israeli government lifted almost all lockdown restrictions and has allowed for the opening of various sectors of the Israeli economy, subject to certain restrictions. Nevertheless, the introduction of a variant strain of COVID-19 (the "Delta Variant") began to spread in Israel causing a "fourth wave" and the Israeli government responded by reinstating certain restrictions on, among other things, gatherings and travel into Israel. At this time, as infection rates began decreasing during Q3 2021, the Israeli government has been weighing the relaxing of certain travel restrictions for vaccinated individuals.

Towards the end of Q4 2021 and the beginning of 2022, the Omicron variant of COVID-19 began to spread in Israel causing a "fifth wave" of the COVID-19 pandemic. The Israeli government again responded by reinstating certain restrictions on, among other things, travel into Israel. As of the date of this MD&A, the Israeli government has already begun relaxing certain travel restrictions.

The COVID-19 pandemic and further measures to prevent its spread could have an additional negative impact our business in a number of ways, including, among other things, our ability to produce and operate our existing and prospective sites, ability to market and sell our products

in Israel and around the world and have significant impact on our chains of supply of plastic waste, replacement parts, machinery and equipment. Following the COVID-19 outbreak, inquiries and partnerships processes have decreased materially.

The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you that conditions in the bank lending, capital and other financial markets will not continue to deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained. In addition, the deterioration of global economic conditions as a result of the pandemic may ultimately decrease environmental awareness that supports our business plan.

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.

We rely on the availability of post-consumed polyethylene bags and sheets in significant quantities and in different locations in our production process, a disruption in the availability of this key component, or an increase in its cost, could adversely affect our business.

Our business, its operations and growth are highly dependent on our ability to secure unlimited quantities of polyethylene bags and sheets extracted and sorted out of waste streams as well as electricity, water and other utilities. Our production process consumes considerable energy, making us vulnerable to rising energy costs. Any significant interruption, price increase or negative change in the availability or economics of required materials and supplies and, in particular, the availability and price of sorted post-consumed polyethylene bags and sheets, or rising or volatile energy costs, could adversely affect us.

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.

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 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 fallouts.

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.

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 we are part of the waste industry we are exposed to the ‘NIMBY’ phenomenon that may have a material effect on our operations

Our operations involve the transportation of plastic waste for recycling and there 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 ‘waste 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.

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 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 transition to being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new 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 expect to 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

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.

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.

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 construction, soil stabilization, 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.

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 Israel 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 construction industry, 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.

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 July 2020. 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 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 spend 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 licence 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.

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 inventions 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 waiver, 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 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\$700,000 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\$430,000 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.

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 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.

Our corporate headquarters and principal research and development activities are located in Israel and, therefore, our business and operations may be adversely affected by political, economic and military conditions in Israel.

We are incorporated under Israeli law and our corporate headquarters, including our principal manufacturing and research and development facilities, are located in Israel. In addition, certain of our key employees and directors and officers 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, product development 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.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries, and there have been occurrences of terrorist violence. In recent years, hostilities between Israel and Hezbollah in Lebanon (and Syria) and Hamas

in the Gaza Strip have both involved missile strikes in various parts of Israel causing disruption of economic activities. Our corporate headquarters and principal manufacturing and research and development activities are located in the range of missiles that could be fired from Lebanon, Syria or the Gaza Strip into Israel. In addition, Israel faces threats from more distant neighbors, in particular, Iran (which is believed to be an ally of Hamas in Gaza and Hezbollah in Lebanon). Any armed conflicts involving Israel or in the region or any political instability in the region, including acts of terrorism as well as cyberattacks or any other hostilities involving or threatening Israel, would likely negatively affect business conditions and could make it more difficult for us to conduct our operations in Israel, which could increase our costs and adversely affect our financial results. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East, such as damages to our facilities resulting in disruption of our operations. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflict involving Israel could adversely affect our operations and results of operations.

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.

Strikes and work stoppages in Israel and the obligations of our personnel to perform military service may prevent us from continuing our production and marketing activities.

General strikes or work stoppages, including at Israeli ports, have occurred periodically or have been threatened in the past by Israeli trade unions due to labor disputes. These general strikes or work stoppages may have an adverse effect on the Israeli economy and on our business, including our ability to deliver products to our customers and to receive raw materials from our suppliers in a timely manner and could have a material adverse effect on our results of operations.

As of the date of this MD&A we have 20 employees (which includes consultants) based in Israel. Our operations could be disrupted by the obligations of some of our personnel to perform military service. Certain of our employees in Israel, including executive officers, may be called upon to perform obligatory military reserve service on an annual basis until they reach the age of 40 (and in some cases, up to age 49) and, in certain emergency circumstances, may be called to immediate and prolonged active duty on very short notice. Our operations could be disrupted by the absence for military service for extended periods of a significant number of our employees. Such disruption could materially and adversely affect our business and results of operations.

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 and headquartered in Israel, service of process upon us and upon our directors and officers and any Israeli experts, 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, officers and such Israeli experts 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 irrevocably appointed Miller Thomson LLP as our agent to receive service of process in any action against us in any Canadian federal or provincial jurisdiction arising out of the Offering or any purchase or sale of securities in connection with the Offering.

Name of Agent	Address of Agent
Miller Thomson LLP	40 King St. W. Suite 5800, Toronto, ON M5H 4A9 Attention: Lawrence Wilder

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.

Our Company must comply with both Canadian and Israeli tax laws, 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.

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, Tedeia and Clover Wolf (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 63.69% of the Company’s issued and outstanding Ordinary Shares, or approximately 56.41% 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.

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; and
- 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 56.41% 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 the 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 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 121,883,064 Ordinary Shares outstanding. In addition, currently there are options (including restricted share units) to acquire 10,807,696 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 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 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.

Management may be unable to use the proceeds of the Offering and the Private Placements effectively.

We currently intend to allocate the net proceeds received from the Offering and the Private Placements as described under the “Liquidity and Capital Resources” section of this MD&A, however, management will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under “Liquidity and Capital Resources” if it believes it would be in our best interests to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds of the Offering and the Private Placements. Any failure by management to apply these funds effectively could have a material adverse effect on our business, financial condition or results of operations, or cause the price of our Ordinary Shares to decline significantly. Additionally, we may not be successful in implementing our business strategies and plans and our actual capital expenditures and capital expenditure requirements may be materially different from expected expenditures described in this MD&A.

Risks Related to Exchange Rate

Exchange rate fluctuations between the Canadian dollar, the U.S. dollar, Israeli Shekel 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. We generate substantially all of our revenues in NIS. The majority of our operating expenses are incurred in Israel, including executive compensation, employee salaries and payments to service providers in Israel. We also enter into foreign currency transactions for imported goods and equipment predominantly from Europe, and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes between the U.S. dollar, the Euro and the NIS. In addition, a portion of our financial assets is held in NIS. As a result, our financial results may be affected by fluctuations in the exchange rates of currencies between the NIS and other currencies. 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.

An increase in the number of companies competing in the recycling industry in general, and plastic bag and sheet recycling specifically, 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 the recycling and waste management industries 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 in order for the Company to effectively compete.

Because of the importance of developing production process 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 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.

We have significant operations near major earthquake faults, and our Israeli headquarters in Beit She'an, Israel which is near the Jordan Rift Valley. 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.

Risk Related to our Clients' Financial Condition

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.

Risk Related to the Proposed Transaction

The conditions precedent to the Proposed Transaction may not be met.

The completion of the Proposed Transaction is subject to a number of conditions precedent that must be satisfied or waived, certain of which are outside of our control. Conditions precedent in favour of RAM.ON finance include representations and warranties of the Company in the oceansix Agreement being true and correct at the time of the closing of the Proposed Transaction and the Company having performed or complied in all

respects with its obligations and covenants under the oceansix Agreement. There can be no certainty, not can the Company provide any assurance that these conditions will be satisfied on a timely basis or at all. Accordingly, there can be no assurance that we will complete the Proposed Transaction on the basis described herein. If the Proposed Transaction is not completed, the market price of the Ordinary Shares may be adversely affected.

The Proposed Transaction may be terminated

RAM.ON finance has the right to terminate the oceansix Agreement in certain circumstances, including in circumstances outside the control of Alkemy, such as the required shareholder approval not being obtained. Accordingly, there is no certainty, nor can we provide any assurance, that the oceansix Agreement will not be terminated by RAM.ON finance before the completion of the Proposed Transaction.

The Proposed Transaction may divert the attention of Alkemy's management.

The Proposed Transaction could cause the attention of our management team to be diverted from the day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Proposed Transaction and could have an adverse effect on the business, operating results or prospects of the Company regardless of whether the Proposed Transaction is ultimately completed.

The Company and oceansix may not integrate successfully.

If approved, the Proposed Transaction will involve the integration of companies that previously operated independently. As a result, the Proposed Transaction will present challenges to our management team, including the 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 completion of the Proposed Transaction. If actual results are less favorable than Alkemy and oceansix currently estimate, 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 Proposed Transaction 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 Alkemy's and oceansix's businesses following completion of the Proposed Transaction.

Most operational and strategic decisions and staffing decisions have not yet been made. The performance of the Company after completion of the Proposed Transaction could be adversely affected if Alkemy cannot retain key employees 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 combination of the Company and oceansix will not be realized.

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 completion of the Proposed Transaction and from operational matters during this process. The amount and timing of the synergies Alkemy and oceansix hope to realize 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 Alkemy to achieve the anticipated benefits of the Proposed Transaction.

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

Amendment to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors":

In February 2021, the IASB issued amendment to IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” (the “**IAS 8 Amendment**”). The purpose of the IAS 8 Amendment is to introduce a new definition of the term “accounting estimates”.

Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The IAS 8 Amendment clarifies what are changes in accounting estimates and the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The IAS 8 Amendment is to be applied prospectively for annual periods beginning on January 1, 2023 and it applies to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier adoption is permitted.

The Company estimates that the above IAS 8 Amendment is not expected to have a material impact on its financial statements.

Amendment to IAS 12, “Income Taxes”:

In May 2021, the IASB issued an amendment to IAS 12, “Income Taxes” (“**IAS 12**”), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 (the “**IAS 12 Amendment**”).

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the “initial recognition exception”. The IAS 12 Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The IAS 12 Amendment is to be applied for annual periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the IAS 12 Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the IAS 12 Amendment is initially applied. The cumulative effect of the initial application of the IAS 12 Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the above IAS 12 Amendment is not expected to have a material impact on its financial statements.

Changes in Accounting Policies

In Fiscal 2021, the Company did not adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Outstanding Security Data

As of the date of this MD&A, the Company has 121,883,064 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	121,883,064	
Options	8,051,432	8,051,432
Warrants (issued and traded)	19,667,468	19,667,468
Warrants (not exercisable or held in escrow)	35,412,655*	35,412,655
Restricted Share Units	2,756,264	2,756,264

*Subject to adjustments

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.