WATER WAYS TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020

WATER WAYS TECHNOLOGIES INC.
(FORMERLY KNOWN AS SAGITTARIUS CAPITAL CORPORATION)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

WATER WAYS TECHNOLOGIES INC.

We have audited the consolidated financial statements of Water Ways Technologies. Inc. and its subsidiaries (formerly known as Sagittarius Capital Corporation) (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of comprehensive income (loss), changes in shareholder's equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements relevant to the audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

The information, other than the consolidated financial statements and our auditor’s report thereon, included in the Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Auditor’s responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation’s to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
The engagement partner on the audit resulting in this independent auditor's report is Tomer Fromovich.

Tel-Aviv, Israel
April 30, 2021

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollars in thousands)

	Note	December 31, 2020	December 31, 2019
CURRENT ASSETS:			
Cash and cash equivalents		319	237
Restricted Cash		205	176
Trade accounts receivable, net		3,376	3,165
Other accounts receivable	5	544	1,092
Inventory	6	1,040	852
Total current assets		**5,484**	**5,522**
NON-CURRENT ASSETS:			
Deferred tax asset		63	135
Other accounts receivable	5	127	139
Intangible assets, net	7,8	1,101	289
Goodwill	8	916	129
Property, plant and equipment, net	9	243	298
Total non-current assets		**2,450**	**990**
TOTAL ASSETS		**7,934**	**6,512**
CURRENT LIABILITIES:			
Short term loans and current portion of long-term loans	11	1,430	1,660
Lease liabilities		18	17
Trade accounts payable	13	3,682	2,702
Deferred revenues		-	2
Other accounts payable	10	342	269
Total current liabilities		**5,472**	**4,650**
NON-CURRENT LIABILITIES:			
Long-term loans	11	265	116
Contingent liability	8	365	-
Share issuance liability	8	1,050	-
Lease liabilities		45	65
Tax liability	8	188	
Derivative - warrants	14	52	14
Total non-current liabilities		**1,965**	**195**
SHAREHOLDERS' EQUITY:	14		
Share capital		*	*
Additional paid in capital		2,946	2,905
Reserves		48	93
Retained earnings (deficit)		(2,451)	(1,331)
Water Ways Technologies Inc shareholders' equity		**543**	**1,667**
Non-controlling interest		(46)	-
Total shareholders' equity		**497**	**1,667**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**7,934**	**6,512**

* Represent an amount lower than 1 thousand.

The accompanying notes are an integral part of the financial statements

April 30, 2021		
Date of approval	Ohad Haber CEO & Executive Director	Guy Nathanzon CFO

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCONE (LOSS)
(US Dollars in thousands, except for share and per share amounts)

	Note	Year ended December 31 2020	2019
Revenues:	16		
Services		2,334	4,178
Products		7,143	5,450
Total revenues		**9,477**	**9,628**
Cost of revenues:	17		
Services		1,920	3,681
Products		6,181	4,741
Total cost of revenues		**8,101**	**8,422**
Gross profit		**1,376**	**1,206**
Listing expenses		-	1,727
Sales and marketing expenses*	19	662	593
General and administrative expenses*	18	1,640	1,262
Operating loss		**(926)**	**(2,376)**
Finance expenses	20	294	146
Finance Income	20	126	97
Share in loss of associated company		-	10
Loss before taxes on income		**(1,094)**	**(2,435)**
Tax on income (recovery)	21	72	(66)
Loss for the period		**(1,166)**	**(2,369)**
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Foreign currency translation differences		(59)	61
Total other comprehensive loss		**(59)**	**61**
Net comprehensive loss		**(1,225)**	**(2,308)**
Loss for the year attributed to:			
Non-controlling interests		(46)	-
Water Ways Technologies Inc Shareholders'		(1,120)	-
Loss for the period		**(1,166)**	**(2,369)**
Total Comprehensive loss for the year attributed to:			
Non-controlling interests		(46)	-
Water Ways Technologies Inc Shareholders'		(1,079)	-
Net comprehensive loss		**(1,225)**	**(2,308)**
Basic profit per share attributable to shareholders :		(0.012)	(0.027)
Weighted average number of common shares outstanding:		90,048,924	87,426,889
Diluted profit per share attributable to shareholders :		(0.012)	(0.027)
Weighted average number of common shares outstanding:		90,048,924	87,426,889

*Reclassified from Selling, general and administrative expenses

The accompanying notes are an integral part of the financial statements

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(US Dollars in thousands, except for share and per share amounts)

<u>For the year ended December 31, 2020</u>

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share-based payment	Currency translation adjustment	Total	Non-controlling interests	Total Shareholders' equity
	(US$ in thousands)								
Balance on January 1, 2020	**89,589,222**	*****	**2,905**	**(1,331)**	**32**	**61**	**1,667**	**-**	**1,667**
Net income				(1,120)			(1,120)	(46)	(1,166)
Other comprehensive income (loss):									
Exchange differences on translating foreign operation	-	-	-	-	-	(59)	(59)	-	(59)
Total comprehensive income	**-**	**-**	**-**	**(1,120)**	**-**	**(59)**	**(1,179)**	**(46)**	**(1,225)**
Stock based compensation	-	-	-	-	14	-	14	-	14
Shares on debt – Note 14B2	828,077	*	38				38		38
Warrant exercise – Note 14B4	66,964	*	3				3		3
Balance on December 31, 2020	**90,484,263**	*****	**2,946**	**(2,451)**	**46**	**2**	**543**	**(46)**	**497**

<u>For the year ended December 31, 2019</u>

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share-based payment	Currency translation adjustment	Total Shareholders ' equity
	(US$ in thousands)						
Balance on January 1, 2019(**)	**74,172,369**	*****	**1,544**	**1,038**	**-**	**-**	**2,582**
Net income				(2,369)			(2,369)
Other comprehensive income:							
Exchange differences on translating foreign operation	-	-	-	-	-	61	61
Total comprehensive income	**-**	**-**	**-**	**(2,369)**	**-**	**61**	**(2,308)**
Reverse Take Over (Note 4A)	2,800,000	*	524	-	-	-	524
Stock based compensation	-	-	-	-	32	-	32
Issuance of shares, net	12,438,282	-	818	-	-	-	818
Shares issued upon acquisition	178,571	-	19	-	-	-	19
Balance on December 31, 2019	**89,589,222**	*****	**2,905**	**(1,331)**	**32**	**61**	**1,667**

*Represent an amount lower than 1 thousand.
**Represents number of common shares after giving effect to the share split.
The accompanying notes are an integral part of the financial statements.

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollars in thousands)

	For the year ended December 31, 2020	For the year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(1,166)	(2,369)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	139	77
Stock based compensation	14	32
Listing expenses	-	1,727
Accrued interest	74	60
Change in short term deposits	(10)	(9)
Share in profit in associated company	-	(8)
Loss from realization of associated company	-	18
(increase) decrease in trade accounts receivable, net	(211)	171
Decrease (increase) in other accounts receivable	560	(524)
(increase) in inventory	(189)	(142)
Increase in trade accounts payable	980	22
Increase (decrease) in other accounts payable	72	(37)
Change in fair value of derivative- warrants	38	(93)
Decrease (increase) in deferred taxes	72	(117)
Net cash provided by (used in) operating activities	**373**	**(1,192)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(34)	(9)
Acquisition of business (Note 8)	-	(363)
Capitalized development costs	(47)	(152)
Change in short term deposits	(19)	-
Net cash (used in) provided by investing activities	**(100)**	**(524)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank loans	(1,450)	(1,018)
Receipt of bank loans	1,295	1,981
Reverse Take Over (Note 4, Appendix B)	-	9
Lease payments	(18)	(9)
Issuance of shares and warrants, net	-	818
Net cash (used in) provided by financing activities	**(173)**	**1,781**
Effect of foreign exchange rate on cash	**(18)**	**(61)**
Increase in cash and cash equivalents	**82**	**4**
Cash and cash equivalents at beginning of the period	**237**	**233**
Cash and cash equivalents at the end of the period	**319**	**237**

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

*Represent an amount lower than 1 thousand.

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - APPENDICES
(US Dollars in thousands)

APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	For the year ended December 31	
	2020	2019
Tax	-	30
Interest	78	60

APPENDIX B – REVERSE TAKEOVER:

	As of March 6, 2019
Working capital other than cash	114
Issuance of shares upon reverse take over	524
Issuance cost	(629)
Cash received	9

APPENDIX C - NON-CASH ACTIVITY:

	For the year ended December 31	
	2020	2019
Acquisition of business (Note 8)	1,415	-
Shares for debt (Note 14)	40	-
Sale of associated company against other accounts receivable	-	172
Shares to be issued	-	19

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

NOTE 1 - GENERAL:

A. Water Ways Technologies Inc. ("**Water Ways**", "**WWT**" or the "**Company**" formerly known as Sagittarius Capital Corporation) was incorporated under the Business Corporations Act (Ontario) on April 20, 2007 and was classified as a Capital Pool Corporation as defined by TSX Venture Exchange ("**TSX-V**" or "**Exchange**") Policy 2.4. Water Ways Technologies Inc. is the parent company of Irri-Al-Tal Ltd. ("**Irri-Al-Tal**"), Heartnut Grove WWT Inc. ("**HGWWT**"), Zoryan Trade S.A. ("**Zoryan**"**)** and Maravey Corporation S.A. ("**Maravey**"), and indirectly through Irri-Al-Tal of H.D.P Irrigation Ltd. ("**H.D.P**") and IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd. ("**IRRI-AL TAL (Shanghai)**"). The Company's registered address and principal place of business is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

B. 1. Irri-Al-Tal was incorporated on October 11, 2003 under the laws of the State of Israel. Irri-Al-Tal registered and head office address is P.O. Box 7, Kibbutz Ramat-David 3658700, Israel. Irri-Al-Tal is an agriculture technology company that specializes in providing water irrigation solutions to agricultural producers. Irri-Al-Tal competes in the global irrigation water systems market with a focus on developing solutions with commercial applications in the micro and precision irrigation segments of the overall market.

2. On March 6, 2019, Water Ways completed its Qualifying Transaction by completing a reverse takeover -see also Note 4.

3. On June 17, 2019, the Company announced that it had closed its previously announced acquisition of certain assets of Heartnut Grove Inc. ("**Heartnut**") – see also Note 8.

4. On October 27, 2019, Water Ways, thorough Irri-Al-Tal, established a new Israeli company, H.D.P, of which Irri Al-Tal holds a 73% interest – see also Note 8.

5. On February 26, 2020, H.D.P established a new wholly owned subsidiary in the Republic of China, IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd. – see also Note 8.

6. On September 2, 2020, Water Ways entered into an agreement granting it the right to purchase a 52% interest in two companies, incorporated and existing in the Oriental Republic of Uruguay, Zoryan and Maravey. Zoryan is expected to obtain a license to grow cannabis and extract oil therefrom ("**Extract License**") and Maravey is expected to obtain a medical cannabis production license. The aggregate cost of acquiring the shares in both Maravey and Zoryan is $400 ("**Purchase Price**") to be paid to the previous shareholders of Zoryan and Maravey. Payment of the Purchase Price will be subject to the standard condition precedent including: the entering into of definitive agreements (including a shareholder agreement) as well as the receipt of all regulatory approvals and the issuance of the Extract License.

NOTE 1 – GENERAL (CONT.):

C. The 2019 Novel Coronavirus infection ("**Coronavirus**", "**Covid-19**" or the "**Event**") pandemic poses a major public health threat. It has hindered the movement of people and goods worldwide, and many governments are instituting restrictions on both individuals and businesses. The resulting impact on financial reporting will be significant. Significant development and spread of the coronavirus did not take place until January 2020, with the World Health Organization (WHO) announcing the coronavirus as a global health emergency on January 30, 2020, which prompted national governments around the world to begin putting actions in place to slow the spread of Covid-19. Furthermore, significant measures taken by the Chinese government and by private sector organizations did not take place until early 2020. On March 11, 2020, the WHO declared Covid-19 a global pandemic and suggested worldwide containment and mitigation measures. In response to the pandemic, the Company has adjusted its business practices with a focus on the health and well-being of our employees and their families, customers, partners, service providers, and communities. Certain of the Company's offices have been subject to government-mandated lockdowns for some periods of time. However, the Company's teams have been able to perform their functions remotely without meaningful reductions in the Company's ability to service its customers.

The Company has not experienced any cancellations of existing orders or agreements but has experienced many delays in orders and execution of them. As a result of the spread of the Coronavirus, the Company had no business in the Republic of China in January and February. In early March, this restriction was lifted, and the company was to re-commence operations in the Republic of China. The Company's Canadian business through the subsidiary HGWWT was not affected significantly by the Corona virus.

Additionally, the effect of the Coronavirus was minimal on its operations in Ethiopia, Uzbekistan and Israel. The Company's business in South America came to a standstill in March. Certain South American governments announced in March that they were closing their borders and called on citizens to self-quarantine for 15 days. The borders were opened again at the beginning of April 2020 and as a result the Company commenced its shipment to South America. The Event struck just as the Company was establishing IRRI-AL TAL (Shanghai) and the Company's business in China came to a standstill in 2020. The Company's Canadian business operating through HGWWT has not been significantly impacted by the Coronavirus throughout 2020 and its operations remained solid.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The financial statements have been prepared under the historical cost convention except for certain financial liabilities which are measured at fair value until conversion. The Company has elected to present the statement of comprehensive income using the function of expense method.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. *De-facto* control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether *de-facto* control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The consolidated financial statements present the results of WWT and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Business Combination

The consolidated financial statements of the Company include the accounts of the Company and the following subsidiaries:

Entity Name	Jurisdiction of Incorporation	Percentage of WWT Ownership (Direct and Indirect)
Water Ways Technologies Inc.	Canada	Parent Company
Irri-Al-Tal Ltd.	Israel	100%
Heartnut Grove WWT Inc.	Canada	100%
H.D.P Irrigation Ltd.	Israel	73%
IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd.	People's Republic of China	73%
Maravey Corporation S.A.	Oriental Republic of Uruguay	52%
Zoryan Trade S.A.	Oriental Republic of Uruguay	52%

Non-controlling interests

The Company recognizes any non-controlling interest in its acquisitions on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Foreign currency

The financial statements are prepared in US Dollars (the functional currency). Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

Transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the statements of the financial position date.
- Expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange used to convert the related statements of financial position items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognized in the statement of comprehensive income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Foreign currency (cont.)

References to "CAD$" or "CDN$" dollars refer to Canadian Dollars. All the amounts in the report, regardless of currency are referenced in thousands (other than amounts relating to the exercise price of securities or per share amounts).

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year in which they are identified. Actual results could differ from those estimates.

Listing costs

The Company allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing or otherwise not incremental and directly attributable to issuing new shares, were recorded as an expense in the statement of comprehensive income. Costs that were related to both share issuance and listing were allocated between those shares based on the number of shares.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items. A provision is made to reduce excess and obsolete inventories to net realizable value.

Goodwill and Impairment

Goodwill represents the excess of the costs of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost of a business combination comprise the fair values of assets given, liabilities assumed and equity instruments issued. Any costs of acquisition are charged to profit or loss. Goodwill is recognized as an intangible asset with any impairment in carrying value being charged to the income statement. The Goodwill is not systematically amortized and the Company reviews goodwill for impairment once a year, or more frequently if events or changes to circumstances indicate that there is an impairment.

Intangible assets

Intangible assets include internally generated capitalized development costs. Intangible assets with a finite useful life are amortized over their useful life. The amortization period and the amortization method for an

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Intangible assets (cont.)

intangible assets are reviewed at least at each year end and adjustments, where applicable, are made on a prospective basis. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable (see also "Impairment of non-financial assets"). Capitalized development costs are not being amortized yet because the development has not been completed and the assets are yet to be in use. Subsequent expenditure on capitalized intangible assets is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates.

Acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value. Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the assets may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred. During the years ended December 31, 2020 and 2019, the Company capitalized development costs in the amounts of $46 and $152, respectively.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Depreciation is computed by the straight line method, based on the estimated useful lives of the assets, as follows:

	%
Computers	33
Furniture and equipment	6-15
Electronic equipment	6-15
Rights of Use-Lease	20

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Share-based payments

Where equity settled, share options are awarded to employees, the fair value of the options calculated at the grant date is based on the share's fair price and other considerations pursuant to a Black-Scholes option value calculation and is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

Deferred taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies. Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed based on tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred taxes are recognized in Profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable. Any resulting reduction or reversal is recognized on "income tax" within the statement of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Earnings per share

Earnings per share are calculated by dividing the net profit or loss attributable shareholders by the weighted number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as employee

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Earnings per share (cont.)

options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential ordinary shares that are converted during the period are included in the diluted earnings per share only until the conversion date, and since that date they are included in the basic earnings per share.

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from contracts with customers. The Company adopted IFRS 15 using the 'modified' retrospective method with the cumulative effect of initially applying IFRS 15 at the date of initial application, accordingly, under this transition method, an entity may elect to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application. The Company sells its products and services directly through its sales force and independent sales agents.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies its performance obligations under the contract.

Revenue is measured as the amount of consideration that the Company is expected to receive in exchange for transferring goods or providing services to the customer. The amount of consideration is usually a fixed price at the contract inception. Taxes assessed by various government entities, such as sales taxes, use and value-added taxes, collected at the time of sale are excluded from revenue.

Revenue from sales of irrigation equipment and water systems to agricultural producers is recognized when the customer has taken control of the goods, which occurs at a point in time based on the shipping terms. Revenue from providing project services is derived from long-term fixed-price contracts with customers pursuant to which the Company provides design, installation and maintenance of turnkey irrigation systems for application in various agricultural and aquaculture operations. Revenues on these long-term fixed-price contracts are recognized using the percentage-of-completion method. In using the percentage of completion method, revenues are generally recorded on the basis of the percentage of cost incurred to date on a contract relative to the estimated total expected contract cost. Management uses past-experience, project plans and an assessment of the risks and uncertainties specific to the project in order to estimate total expected contract cost. The percentage of completion is established by the costs incurred to date as a percentage of the estimated total costs of each contract (cost-to-cost method). Contract costs include all direct material and labor costs, as

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition (cont.)

control is transferred over time since, the Company's performance does not create an asset with an alternative use to the Company.

The Company utilizes various forms of financial guarantees from first-tier international banks to provide payment assurance for the receivables from its customers, the Company's management believes that its credit risk is limited to projects which have not yet been completed, but for which the Company has recognized revenue. The Company provides a one-year manufacturer (back to back with the manufacturer – a third party) warranty for all the components that are part of a system. Such warranty does not provide the customer with additional services; therefore, the service cost is not recognized as a financial obligation to the Company and is not accounted as a separate performance obligation but rather as a provision.

Cash and cash equivalents

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks, the maturity of which do not exceed three months at the time of deposit and which are not restricted.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When there are no quoted prices in active markets for identical assets or liabilities, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of financial instruments by fair value hierarchy

Assets and liabilities measured in the statements of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

(US Dollars in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Fair value measurement (cont.)

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

Items carried at fair value as of December 31, 2020 and 2019 are classified in the table below:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
	December 31, 2020			
Warrants	-	-	(52)	(52)

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
	December 31, 2019			
Warrants	-	-	(14)	(14)

*see Note 14

Financial instruments

1. Financial assets

   The Company classifies its financial assets into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

   Amortized cost: These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment provisions for trade accounts receivable are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within general and administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

2. Financial Liabilities

Financial liabilities are presented and measured based on the following classification:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss if it is either held for trade or designated as a financial liability at fair value through profit or loss.

A financial liability is classified as held for trade, if:

- It was incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee)

  A financial liability, except for a financial liability held for trade or contingent consideration from a business combination that is not classified as equity, is classified as a financial liability at fair value through profit or loss upon initial recognition, when:
- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would have otherwise arisen had it not been for this designation; or
- The financial liability is part of a group of financial liabilities or financial assets and financial liabilities and is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy of the Group, and information about the group is provided internally on that basis to the Group's key management personnel; or
- It is part of a contract containing one or more embedded derivatives and the Group may designate the entire hybrid contract (asset or liability) as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value. Any gain or loss arising on re-measurement of fair value is recognized in profit or loss. The net gain or loss recognized in the statement of profit or loss incorporates interest paid on financial liabilities and is included in the finance expenses item within the statement of profit or loss.

3. De-recognition

- Financial assets - The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.
- Financial Liabilities - The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. The Company recognizes an allowance for expected credit losses ("**ECL**") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECL are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade accounts receivable and contract assets, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company had assessed its financial assets that are subject to the expected credit loss model, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the expected credit losses and their measurement.

In order to manage the credit risks associated with customer receivables, the Company aims to secure certain financial guarantees prior to entering into a business relationship with its customers. To this end, the Company has developed a three-level matrix, which is based on past experience and historical data along with projections of the future brought into consideration, in order to group the ECL:

1. Receivable guaranteed by an irrevocable letter of credit from a first-tier international bank taking into consideration the creditworthiness of the bank that provides such assurance ("**LC Client**").

2. Receivables which are not guaranteed by a letter of credit but fall under a foreign trade risk insurance policy issued by an international insurer guaranteeing the receivable in the event of non-payment, including among others: political and foreign currency risks ("**Insurance Guaranteed Client**").

3. Customers who do not comply with the terms of the above policy - the Company takes into consideration specific history such as: length of relationship with the customer, unpaid balances, past late payments, general business and economic factors in a jurisdiction where the customer conducts business supported by external market research ("**Other Clients**").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

ECL are measured as the unbiased probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, ECL are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default. The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions.

As of December 31, 2020, and December 31, 2019, ECL for trade and other account receivables are not material, and as such are not disclosed in the financial assets measurement categories in accordance with IAS 39 and IFRS 9. These figures are not presented in a separate measurement category on the loss allowance at that date, in accordance with IFRS 7 but are embodied within the net figure presented. As of December 31, 2020, and December 31, 2019 the allowance for Doubtful debt is $85 and $42 respectively.

Definition of default, including reasons for selecting the definition

Prior to commencing a business relationship, the Company will enter into an agreement with the customer. The agreement or contract typically includes details of the terms of payment to which the customer is entitled. In most cases, the customer updates the Company if there is a delay in the payment beyond the terms of the agreement. Any delays in payment for more than two months are subject to approval of the Company's management. If a customer's scheduled payment is delayed by more than two months and such delay is not approved by the Company's management, the CEO of the Company will, typically, make direct contact with the customer's management and inform them of the overdue obligation and that the Company will pursue remedies available to collect the overdue payment. If the customer and the Company are not able to resolve the matter at that time, the receivable is considered to be in default as the collectability is no longer confidently expected. If the collection effort is not successful, the Company will retain legal counsel in the applicable country to assist with collection and sends a demand letter to that effect.

Write-off policy

The Company writes off its financial assets if any of the following occur:

- Inability to locate the debtor.
- Discharge of the debt in a bankruptcy.
- It is determined that the efforts to collect the debt are no longer cost effective given the size of receivable.

The collections department must comply with the collection efforts outlined in the policy to collect on delinquent customer accounts before any write-offs are made.

(US Dollars in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

Aging Schedule based on due date

	Within payment terms	0-30 days over payment terms	30+ days over payment terms	Total
Aging Schedule as of December 31,2020	2,993		383	3,376
Aging Schedule as of December 31,2019	2,945	-	220	3,165

Provision for doubtful debts

The Company recognized a provision for doubtful accounts in the amount of $85 on December 31, 2020, and of $42 on December 31, 2019.

Accounts receivable by region, type of services

	As of December 31, 2020	As of December 31, 2019
Projects		
South and Central America	327	646
Africa	411	447
Asia	515	672
Israel	78	168
Products		
South and Central America	1,409	952
Africa	196	1
Europe	37	4
Israel	208	186
North America	195	89
Total	**3,376**	**3,165**

Three-level matrix

	As of December 31, 2020	As of December 31, 2019
LC Clients	1,360	447
Insurance Guaranteed Clients	1,220	2,070
Other Clients	796	648
Total	**3,376**	**3,165**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

Credit risk management practices

For significant transactions with customers for amounts over $200 the Company aims to secure a letter of credit from a first-tier international bank before accepting the credit risk. In the event of the fulfillment of a milestone according to the contract, the financial institution that provided the letter of credit is required to transfer the consideration to the Company. For transactions with customers in amounts less than $200 but above $1 the Company seek to obtain insurance for the customer's balance from third parties.

New standards, interpretations and amendments not yet effective

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 1 - Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023.
The Company evaluates the expected impact of the IAS 1 amendments on its financial position as December 31, 2020, as a reclassification of its derivative liability - warrants in the amount of $52 from Non – Current Liabilities to Current Liabilities.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position are the recognition and amortization of development costs and the useful life of property and equipment and income tax.

Revenue and cost of revenues recognition

The Company enters into long-term fixed-price contracts with customers to provide irrigation and water systems. Revenues on these long-term fixed-price contracts are recognized under the percentage-of-completion method. In using the percentage of completion method, revenues are generally recorded based on the percentage of cost incurred to date on a contract relative to the estimated total expected contract cost.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.):

Revenue and cost of revenues recognition (cont.)

Management uses historical experience, project plans and an assessment of the risks and uncertainties inherent in the arrangement to establish the total estimated costs. The percentage of completion is established by the costs incurred to date as a percentage of the estimated total costs of each contract (cost-to-cost method). Contract costs include all direct material and labor costs.

Taxes on income

The Company recognized tax-related assets and liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Amortization of capitalized development costs and the useful life of property and equipment

Intangible assets and property and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the statement of comprehensive income in specific periods.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the assets may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

NOTE 4 - REVERSE TAKEOVER:

Completion of the Qualifying Transaction with Sagittarius

On March 6, 2019, Water Ways (formerly Sagittarius) completed its Qualifying Transaction by completing a share exchange with Irri-Al-Tal. Sagittarius acquired all the issued and outstanding shares of Irri-Al-Tal pursuant to a Securities Exchange Agreement between Irri-Al-Tal and Water Ways by issuing 75,338,152 post-consolidated Common Shares in the capital of Sagittarius to the security holders of Irri-Al-Tal, including those exchanged following the completion of the Concurrent Private Placement (as hereinafter defined), but not including those issued pursuant to the Offering (as defined below)..

In connection with the Qualifying Transaction, Sagittarius also completed an offering ("**Offering**") of units ("**Units**") for gross proceeds of $2,111 by issuing 11,272,500 Units. Each Unit was comprised of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant was exercisable into one Common Share (a "**Warrant Share**") at CAD 0.40 per Warrant Share (subsequently repriced, as above) until March 6, 2021 (see Subsequent Events Note 24).

Pursuant to the Securities Exchange, all shareholders of Irri-Al-Tal ("**IAT**")exchanged their IAT Shares for post-consolidated Common Shares of Sagittarius on a 1:2 basis and the convertible securities of Irri-Al-Tal were

(US Dollars in thousands)

NOTE 4 - REVERSE TAKEOVER (CONT.):

exchanged for corresponding securities of Sagittarius on a 1:2 basis. At the same time, Sagittarius changed its name from "Sagittarius Capital Corporation" to "Water Ways Technologies Inc.".

The fair value of the consideration is as follows:

	06/03/2019
Fair value of common shares (2,800,000 shares at CAD 0.25 per share)	524
Total fair value of consideration	**524**
Less: Net negative assets of Sagittarius	(105)
Listing expense	**629**

The Company incurred additional listing expenses, which mainly relate to broker's fees legal fees, and capital advisory fees. The aggregate amount of the listing expenses equals $1,727.

For accounting purposes, Irri-Al-Tal is considered the accounting acquirer and Water Ways is considered the acquired company. As a result of the transaction described above, the former shareholders of Irri-Al-Tal acquired control of the Company as they owned the majority of the outstanding shares of the Company upon completion of the transaction. Therefore, the transaction constitutes a reverse takeover and is accounted for with Irri-Al-Tal being identified as the acquirer and the net assets of Water Ways being recorded at fair value at the date of the transaction.

Consequently, the historical results of operations are those of Irri-Al-Tal. Since Water Ways' former operations did not constitute a business, the acquisition of Water Ways was not a business combination pursuant to IFRS 3 and the transaction was accounted for as a reverse takeover of the publicly traded company.

The reverse takeover was accounted for under IFRS 2 Share-based Payments. Accordingly, the acquisition of Water Ways was accounted at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments Irri-Al-Tal would have had to issue to the owners of Sagittarius to affect the transaction. The difference between the net assets acquired and the fair value of the consideration granted was treated as a listing expense.

NOTE 5 - OTHER ACCOUNTS RECEIVABLE:

	As of December 31, 2020	**As of December 31, 2019**
Prepaid expenses	244	342
Advances to suppliers	25	23
Government authorities	63	194
Shareholder (Note 22)	24	27
Other	316	645
	672	**1,231**

(US Dollars in thousands)

NOTE 6 - INVENTORY:

	As of December 31, 2020	As of December 31, 2019
Finished goods	1,040	850
products in transit and prepayments	-	2
	1,040	**852**

NOTE 7 - INTANGIBLE ASSETS:

	Customer Base	Capitalized Development Costs	Total
Cost			
As of January 1, 2019	-	-	-
Additions	153	152	305
As of December 31, 2019	153	152	305
Additions	817	47	864
As of December 31, 2020	970	199	1,169
Accumulated amortization			
As of January 1, 2019	-	-	-
Amortization	16	-	16
As of December 31, 2019	16	-	16
Amortization	52	-	52
As of December 31, 2020	68	-	68
Book value, net:			
As of December 31, 2020	902	199	1,101
As of December 31, 2019	137	152	289

NOTE 8 - GOODWILL:

A. On June 17, 2019, the Company announced that it had closed its previously announced acquisition of certain assets of Heartnut Grove Inc., a Canadian distributor of irrigation and agriculture components, based in Mount Brydges, Ontario. Heartnut was established in 2004.

Water Ways established a wholly owned Canadian subsidiary named Heartnut Grove WWT Inc to acquire certain Heartnut assets including its customer base, inventory, certain equipment and goodwill for total consideration of $382 payable as follows:

- $363 was paid in cash and;
- $19 was paid by issuance of 178,571 Common Shares, at market value of CAD$0.14 per Common Share.

(US Dollars in thousands)

NOTE 8 - GOODWILL (CONT.):

Upon closing, Heartnut transferred its commercial operations and its sole shareholder and managing director, became an employee and manager of HGWWT and entered into an employment agreement with HGWWT. The Company also retained the current Heartnut sales force.

The purchase consideration was allocated between the acquired tangible assets and intangible assets, based on their fair values. Fair values were estimated with the assistance of an independent third party.

Management is fully responsible for the valuation of the assets. The fair value assigned to identifiable intangible assets acquired has been determined by using valuation methods that accounts for replacement costs, using estimates and assumptions determined by management.

Based on the above, the Company determined that the purchase price exceeded the fair values of assets acquired by approximately $129, which is recognized as goodwill. Within the purchase price allocation, an amount of $153 was allocated to the customer list to be amortized over a six - year period. The table below summarizes the preliminary fair value of assets acquired at the purchase date:

	June 15, 2019
Inventory	50
Fixed Assets	50
Customer List	153
Goodwill *	129
Total net assets acquired	**382**

* Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. The goodwill is attributed to the expected benefits arising from the synergies of the combination of the activities of the Company and acquired company.

B. On September 18, 2019, the Company signed a non-binding Letter of Intent (the "**LOI**") with its Chinese agent (the "**Agent**"), Owner of "Oren Irrigation" ("**Oren**"), a Chinese company and its Israeli agent (the "**Additional Holder**") to establish a new distribution subsidiary for the huge and growing Chinese irrigation market. According to the terms of the non-binding LOI, the Company will together with the Agent and the Additional Holder form a new Chinese subsidiary in which WWT will indirectly hold 73% of the equity interest and the Agent and the Additional Holders will together hold a 27% equity interest. Pursuant to the terms of the LOI, the Agent, who has been operating in the Chinese irrigation market for many years, will assign to the new subsidiary his knowhow and well-established business relationship with the Chinese market. The Agent will cease to be active in the Chinese irrigation market as an independent contractor and manager of Oren and will become the CEO of IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd. pursuant to an employment agreement containing standard employment and non-competition clauses. In order to complete the establishment of IRRI-AL TAL (Shanghai), on October 27, 2019, Water Ways, thorough Irri Al-Tal, established a H.D.P Irrigation Ltd. On February 26, 2020, H.D.P established IRRI-AL TAL (Shanghai).

NOTE 8 - GOODWILL (CONT.):

On October 2, 2020 ("**Closing Date**"), The Company signed the final agreement ("**Final Agreement**") with the Agent and the Additional Holder concluding the terms as set below.

- According to the Final Agreement, the Company purchased certain assets including the Agents' and the Additional Holders' customer base and goodwill for total $1,750, comprised of $1,050 liability to issue shares and contingent liability consideration of $700 payable as follow: $700 in cash will be paid to the Agent out of the Company's profit in IRRI-AL TAL (Shanghai) by 5 annual installments starting 1 year after opening the company. The cash contingent liability is subject to two :
    a) gross margin of 35% from IRRI-AL TAL (Shanghai) projects and;
    b) IRRI-AL TAL (Shanghai) will be .

  Using an independent third-party, the Company used the weighted average cost of capital in order to determine the fair value of the discounted cash consideration over a period of 6 years with amortization rate of 17%, amounting to $365 and;
- $700 in WWT shares at a price of CAD$0.25 ("**Target Price**") will be paid to the Agent over a period of 5 years. If share price does not reach Target Price within 5 years, the company will issue the Agent shares in the amount equivalent to $700. Alternatively, the Company can choose to pay the difference between the share price and Target Price in cash and;
- $350 in WWT shares at the Target Price will be paid to the Additional Holder over a period of 5 years. If share price does not reach Target Price within 5 years, the company will issue the Agent shares in the amount equivalent to $350. Alternatively, the Company can choose to pay the difference between the share price and Target Price in cash.

The purchase consideration was allocated between the acquired intangible assets, based on their fair values. Fair values were estimated with the assistance of an independent third party.

Management is fully responsible for the valuation of the assets. The fair value assigned to identifiable intangible assets acquired has been determined by using valuation methods that accounts for replacement costs, using estimates and assumptions determined by management. Based on the above, the Company determined that the purchase price exceeded the fair values of assets acquired by approximately $786, which is recognized as goodwill. Upon the purchase price allocation, an amount of $817 was allocated to customer list to be amortized over 8 years.

(US Dollars in thousands)

NOTE 8 - GOODWILL (CONT.):

The table below summarizes the fair value of assets acquired at the purchase date:

	October 2, 2020
Customer list	817
Tax liability	(188)
Goodwill *	786
Total net assets acquired	**1,415**

* Goodwill represents the identifiable intangible assets acquired. The goodwill is attributed to the expected benefits arising from the synergies of the combination of the activities of the Company and acquired company.

The table below summarizes the Company's goodwill:

	As of December 31, 2020	As of December 31, 2019
HGWWT	129	129
IRRI-AL TAL (Shanghai)	787	-
	916	**129**

(US Dollars in thousands)

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Electronic Equipment	Leasehold Improvements	Motor Vehicles	Office Equipment	Rights of Use-Lease	Total
Cost						
As of January 1, 2019	152	95	229	69	-	545
Additions	21	6	42	6	90	165
Disposal	-	-	(31)	-	-	(31)
As of December 31, 2019	173	101	240	75	90	679
Additions	12	-	22	8	-	42
Disposal	-	-	(20)	-	-	(20)
As of December 31, 2020	185	101	242	83	90	701
Accumulated depreciation						
As of January 1, 2019	125	81	86	41	-	333
Additions	13	4	30	4	8	59
Disposal	-	-	(11)	-	-	(11)
As of December 31, 2019	138	85	105	45	8	381
Additions	15	4	32	19	18	88
Disposal	-	-	(11)	-	-	(11)
As of December 31, 2020	153	89	126	64	26	458
Book value, net:						
As of December 31, 2020	32	12	116	19	64	243
As of December 31, 2019	35	16	136	30	82	298

(US Dollars in thousands)

NOTE 10 - OTHER ACCOUNTS PAYABLE:

	As of December 31, 2020	As of December 31, 2019
Advances from customers	64	10
Government authorities	89	54
Vacation accrual	61	76
Employee related liabilities	47	68
Other	81	61
Total other account payable	**342**	**269**

NOTE 11 – LOANS:

A. Composition of Loans:

	As of December 31, 2020	As of December 31, 2019
Total loans	1,695	1,776
Less – current portion and short-term loans	(1,430)	(1,660)
Total long-term portion of loans	**265**	**116**

Long-term loans from banks are due as follows:

	As of December 31, 2020	As of December 31, 2019
First year (current portion)	1,430	1,661
Second year	70	87
Third year	85	29
Fourth year and thereafter	110	-
Total loans	**1,695**	**1,777**

B. Details of the loans:

1. On May 29, 2016, the Company secured a loan in the amount of $130, which bears an interest rate equal to the Bank of Israel Prime Lending Rate ("**Prime**") plus 3.5% per annum. The loan will be repaid in 72 monthly installments ending on May 29, 2022. The Company is required to restrict cash as security for the loan in the amount of $36 until the total repayment of the loan.

2. On August 15, 2016, the Company secured a loan in the amount of $18, which bears an interest rate equal to Prime plus 2.5% interest per annum. The loan will be repaid in 60 monthly installments ending on July 15, 2021.

3. On November 4, 2016, the Company secured a loan in the amount of $29, which bears an interest rate equal to Prime plus 2.1% interest per annum. The loan will be repaid in 60 monthly installments ending on November 3, 2021.

NOTE 11 – LOANS:

B. Details of the loans (cont.):

4. On October 13, 2016, the Company secured a loan in the amount of $157, which bears an interest rate equal to Prime plus 4.3% interest per annum. The loan will be repaid in 60 monthly installments ending on October 13, 2021. The company had restricted cash on amount of $38 until the total repayment of the loan.

5. On June 12, 2017, the Company secured a loan in the amount of $127, which bears an interest rate equal to Prime plus 4.2% interest per annum. The loan will be repaid in 60 monthly installments ending on June 13, 2022. The company had restricted cash on amount of $38 that restricted to this loan until the total repayment of loans.

6. On May 16, 2019, the Company secured a loan in the amount of $756, which bears an interest rate equal to Prime plus 6.24% interest per annum. On August 14, 2019, the Company had made an early repayment of $286. The remaining loan balance will be repaid in one installment on May 16, 2021.

7. On January 6, 2020, the Company secured a loan in the amount of $288, which bears an interest rate equal to 5.48% per annum. The loan will be repaid in 12 monthly installments ending on January 2, 2021.

8. On January 16, 2020, the Company secured a loan in the amount of $18, which bears an interest rate equal to 7.76% per annum. The loan will be repaid in 36 monthly installments ending on January 16, 2023.

9. On February 20, 2020, the Company secured a loan in the amount of $288, which bears an interest rate equal to 11.08% per annum. The loan will be repaid in 60 monthly installments ending on March 2, 2025.

10. On April 4, 2020, as part of the Canada Emergency Business Account government program to businesses arising from the Coronavirus Event, the Company secured a loan in the amount of $28, which bears an interest rate of nil until December 31, 2022. After December 31, 2022, the loan will bear a 5% interest rate per annum on the outstanding balance. The loan was received by the Company's subsidiary, HGWWT. On December 31, 2022, if HGWWT have repaid at least 75% of the initial principal amount and provided that such repayment was not required due to an Event of Default, the remaining portion of the initial principal amount will be forgiven. For greater certainty, the maximum amount of HGWWT CEBA loan that can be forgiven is $7.

11. On June 9, 2020, the Company secured a loan in the amount of $30, which bears an interest rate equal to 3.92% per annum. The loan will be repaid in one installment on March 3, 2021.

12. On August 8, 2020, the Company secured a loan in the amount of $100, which bears an interest rate equal to 3.85% per annum. The loan will be repaid in one installment on February 2, 2021.

NOTE 11 – LOANS (CONT.):

B. Details of the loans (cont.):

13. On September 8, 2020, the Company secured a loan in the amount of $70, which bears an interest rate equal to 3.97% per annum. The loan will be repaid in 9 monthly installments ending on June 8, 2021.
14. On October 12, 2020, the Company secured a loan in the amount of $29, which bears an interest rate equal to 3.97% per annum. The loan will be repaid in one installment on March 3, 2021.
15. On November 11, 2020, the Company secured a loan in the amount of $110 which bears an interest rate equal to 3.97% per annum. The loan will be repaid in one installment on November 11, 2021.
16. On December 7, 2020, the Company secured a loan in the amount of $35 which bears an interest rate equal to 3.97% per annum. The loan will be repaid in 11 monthly installments ending on November 11, 2021.
17. On December 13, 2020, the Company secured a loan in the amount of $114 which bears an interest rate equal to 5.19% per annum. The loan will be repaid in 11 monthly installments ending on one installment on May 10, 2021.

The covenants relating to the subsidiary Irri-Al-Tal and to the loans and credit facilities include the following:

- In 2019 and 2020 the shareholder's equity shall not be less than 20% of total liabilities and shareholder's equity;
- The ratio between the net short term financial debt and the operating working capital shall not exceed 70%;
- Restriction on repayments of shareholders' loan;
- Certain restrictions on the CEO's salary.

NOTE 12 – LIENS AND COMMITMENTS:

A. Liens

1. Three of the Company's motor vehicles are pledged as security to the banks and financial Institutions who granted the loans for the purchase of the motor vehicles. The total amount of the loans secured by the Company’s motor vehicles is $23. The pledges are in place until the loans have been repaid.
2. The Company recorded a floating charge over all of the Company’s assets in favor of an Israeli bank.
3. The Company recorded a first charge over the assets of the Company in the amount of $280 to an Israeli bank until the total repayment of loans which have a balance of $79 as of December 31, 2020.

B. Leases

The Company leases its office facilities and warehouses under operating leases. Total rent expense under these operating leases was $102 and $83 for the years ended December 31, 2020, and 2019, respectively.

(US Dollars in thousands)

NOTE 13 – TRADE PAYABLES:

	As of December 31, 2020	As of December 31, 2019
Open accounts	3,586	2,596
Cheques payable	96	106
Total trade payables	**3,682**	**2,702**

NOTE 14 – SHAREHOLDERS' EQUITY:

Common Shares confer upon their holders the right to receive notice, to participate and vote in general meetings of the Company and the right to receive dividends, if and when declared.

Shares, Warrants and Options Outstanding as of December 31, 2020:

Security	Number Outstanding	Exercise Price in CAD	Expiry Date
Ordinary shares	90,484,263		
Warrants exercisable	3,909,538	0.25*	06/03/2021
Warrants exercisable	1,023,498	0.25*	06/03/2021
Warrants exercisable	901,800	0.25	06/03/2021
Warrants exercisable	6,219,141	0.4*	06/03/2021
Options	3,973,527	0.25*	See Note 14B
Options	1,200,000	0.06	14/05/25
Fully diluted shares	**107,711,769**		

***** repriced to $0.06 /share, as discussed below. See Subsequent Events Note 24

A. Qualifying Transaction (see also Note 4)

Water Ways completed an Offering of 11,272,500 Units for gross proceeds of CAD$2,818. Each Unit was comprised of one Common Share and one-half of one Warrant. Each Warrant was exercisable into one additional Common Share ("**Warrant Share**") at CAD$0.40 (subsequently repriced, as above) per Warrant Share until March 6, 2021. In connection with the Offering, Sagittarius paid the following:

(i) a cash commission of CAD$ 225; (ii) a corporate finance fee of CAD$40; and (iii) 901,800 non - transferable broker warrants (each, a "**Broker Warrant**"). Each Broker Warrant entitles the holder to one Common Share at a price of CAD$0.50 until March 6, 2021.

Immediately prior to the closing of the Securities Exchange, Irri-Al-Tal completed a non-brokered private placement ("**Concurrent Private Placement**") of IAT Units raising gross proceeds of CAD$291.

Each IAT Unit was issued at a price of CAD$0.50 and was comprised of one IAT Share and one-half of one ordinary share purchase warrant ("**Concurrent Warrant**"). Each whole Concurrent Warrant entitled the holder thereof to acquire one ordinary share at a price of CAD$0.80 per share until March 5, 2021. The securities issued in connection with the Concurrent Private Placement were exchanged into Common Shares and Warrants of Sagittarius, respectively, on the 1:2 basis in accordance with the terms of the Securities Exchange Agreement.

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

A. Qualifying Transaction (cont.)

After completion of the Offering and the Securities Exchange, Water Ways Technologies had 89,414,384 Common Shares issued and outstanding, of which 84.3% were held by former Irri-Al-Tal shareholders (of which 1.3% of the total is attributed to the participants in the Concurrent Private Placement), 3.1% held by shareholders of Sagittarius who were shareholders prior to completion of the Offering and the Securities Exchange, and 12.6% held by purchasers of the Units under the Offering. In addition, immediately after completion of the Securities Exchange, Water Ways Technologies had 11,219,141 common share purchase warrants issued and outstanding, of which 5,636,250 were the Warrants underlying the Units issued to the participants in the Offering, and 5,582,891 were the warrants held by former Irri-Al-Tal warrant holders.

In addition, Water Ways Technologies had 1,701,800 broker warrants outstanding, of which 901,800 represents the Broker Warrants issued in connection with the Offering and the balance was issued in the Securities Exchange in consideration for the Broker Warrants.

B. The following details the outstanding ordinary shares, warrants, and stock options:

1. Water Ways Technologies - Balance at the date hereof:

Security	Number Outstanding
Ordinary shares	90,484,263

2. Options and Warrants granted to employees and service providers:

On May 14, 2020, the Company announced that:

a) In accordance with the terms of its stock option plan (the "**SOP**") it had granted 200,000 stock options ("**Options**") to each of its directors as well as its Chief Financial Officer, for an aggregate of 1,200,000 Options. The Options have an exercise price of $0.06 and vest in two equal installments, with one-half of the Options vesting immediately (the "**Initial Date**") and one-half vesting on the 12-month anniversary of the Initial Date. The Options expire five years from the Initial Date and are subject to such terms and conditions as may be required by the Exchange.

b) Subject to receiving Exchange approval, it intended to reprice a total of 2,973,527 stock options (the "**May 2019 Options**"), previously issued in accordance with the terms of the SOP. The May 2019 Options previously had an exercise price of $0.25 which were adjusted to the New Exercise Price. 473,527 of the May 2019 Options have been approved for repricing by the Exchange, on June 12, 2020, and the remaining 2,500,000 have been approved by the Exchange, on June 12, 2020, subject to receipt of the requisite disinterested shareholder approval, obtained at the annual and special meeting of shareholders of the Company held on November 16, 2020.

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

B. The following details the outstanding ordinary shares, warrants, and stock options (cont.):

c) In order to conserve cash it has agreed to issue 150,000 Common Shares at a deemed price of $0.05 per Common Share to settle a debt to an arm's length service providers (the "**SP**"). The issuance of the Common Shares to the SP was approved by the Exchange on June 1, 2020. All securities issued to the SP were subject to a four month hold period which will expire on the date that is four months and one day from the date of issue.

d) In order to conserve cash it has agreed to issue 678,077 Common Shares at a deemed price of $0.07 per Common Share to settle a debt to an arm's length service providers (the "**Additional SP**"). The issuance of the Common Shares to the Additional SP was approved by the Exchange on September 17, 2020. All securities issued to the Additional SP were subject to a four month hold period which will expire on the date that is four months and one day from the date of issue.

A summary of the status of the Company's option plan granted to employees as of December 31, 2020 and changes during the relevant period ended on that date is presented below:

	Year ended December 31, 2020		**Year ended December 31, 2019**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at beginning of year	3,973,527	CAD$0.25*	-	-
Granted	1,200,000	CAD$0.06	3,973,527	CAD$0.25
Exercised	-	-	-	-
Forfeited and cancelled	-	-	-	-
Outstanding at end of the period	5,173,527	CAD$0.21*	3,973,527	CAD$0.25
Exercisable options	3,656,860	CAD$0.21*	1,515,193	CAD$0.25

***** repriced to $.06 /share, as discussed below. See Subsequent Events Note 24

The options to employees outstanding as of December 31, 2020 are comprised, as follows:

Exercise price*	**Outstanding as of December 31, 2020**	**Weighted average remaining contractual term** (years)	**Exercisable as of December 31, 2020**	**Weighted average remaining contractual term** (years)
CAD$0.25	1,000,000	3.15	1,000,000	3.15
CAD$0.25	2,750,000	3.46	1,833,333	3.46
CAD$0.06	1,200,000	4.36	600,000	4.36
CAD$0.25	223,527	3.46	223,527	3.46
	5,173,527		3,656,860	

***** repriced to $.06 /share, as discussed below. See Subsequent Events Note 24

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

B. The following details the outstanding ordinary shares, warrants, and stock options (cont.):

3. Share option plan

On June 19, 2019, the Company approved a share option plan (the "**Plan**"). Under the Plan, the Company granted 3,973,527 options with a CAD$0.25 exercise price per share to its directors, officers, employees and consultants of which the Company granted:

1,000,000 options with a CAD$0.25 exercise price per share to its directors in eight equal amounts at the end of every quarter, commencing with the quarter ended March 31, 2019.

2,750,000 options with a CAD$0.25 exercise price per share to its employees in 3 equal portions, commencing June 19, 2019.

223,527 options with a CAD$0.25 exercise price per share to a consultant commencing June 19, 2019.

All of the above options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. The fair value was based on the received financial instruments and not according to the fair value of the services rendered. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

All the options to employees were repriced on November 16, 2020 and have CAD$0.06 exercise price per share.

4. Derivative liability - Warrants:

On May 14, 2020, the Company announced that subject to receiving the approval of the Exchange, it intended to amend (the "**Amendment**") the exercise price of 6,219,141 previously issued common share purchase warrants, exercisable into an equal number of common shares in the capital of the Company ("**Common Shares**") having an exercise price of $0.40 ("**Series 1 Warrants**") and 5,000,000 previously issued common share purchase warrants, exercisable into an equal number of Common Shares, having an exercise price of $0.25 (the "**Series 2 Warrants**" and together with the Series 1 Warrants collectively, the "**Warrants**") to an exercise price, in respect of all Warrants, of $0.06 (the "**New Exercise Price**"). As per the requirements of the Exchange, the Amendment required the incorporation of an accelerated expiry provision such that the remaining exercise period of the Warrants was reduced to 30 days if, for any 10 consecutive trading days during the unexpired term of such Warrants, the closing price of the Common Shares exceeds the New Exercise Price by 25% or more (which would be a trading price of $0.075 per Common Share or higher), with the 30-day expiry period commencing on the day the Company either: (i) disseminates a press release or (ii) sends a written notice to the holders of the Warrants, advising of the commencement of the forced exercise period. On June 1, 2020, the Company received conditional approval of the Exchange to the Amendment - see also Note 24).

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

B. The following details the outstanding ordinary shares, warrants, and stock options (cont.):

4. Derivative liability – Warrants (cont.):

The following table reflects the continuity of warrants for the periods presented:

Warrant activity	**Exercisable on December 31, 2020**	**Weighted average exercise price**
Balance – Beginning of Period	13,320,941	CAD$0.31
Issued during the period	-	-
Expired during the period (Broker Warrant)	1,200,000	CAD$0.175
Exercised during the period	66,964	CAD$0.06
Balance – End of Period	**12,053,977**	**CAD$0.33**

Warrant activity	**Exercisable on December 31, 2019**	**Weighted average exercise price**
Balance – Beginning of Period	6,200,000	CAD$0.31
Issued in the RTO Private Placement (note 4B)	6,219,141	CAD$0.31
Issued to brokers for RTO Private Placement (note 4B)	901,800	CAD$0.31
Balance – End of Period	**13,320,941**	**CAD$0.31**

The following table summarizes information about outstanding warrants as of December 31, 2020:

Date of issuance	**Date of expiry**	**Weighted average exercise price**	**Exercisable on September 30, 2020**
April 16, 2018	March 06, 2021	CAD$0.31*	3,909,538
May 29, 2018	March 06, 2021	CAD$0.31*	1,023,498
March 06, 2019	March 06, 2021	CAD$0.31*	7,120,941
			12,053,977

***** repriced to $.06 /share, as discussed below. See Subsequent Events Note 24

The fair value measurement of the warrants in the table above, using the Black-Scholes model, is based on significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. The key inputs that were used in measuring the fair value of the Warrants were: risk free interest rate- 1.65%, expected volatility-35%, expected dividend yield 0% and expected term- 1.5 year. The Company considers expected volatility of the shares of comparable companies and its Common Shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

B. The following details the outstanding ordinary shares, warrants, and stock options (cont.):

4. Derivative liability – Warrants (cont.):

	Warrants
Warrants as of January 1, 2020	(14)
Receipts of Warrants	-
Change in fair value	(38)
Warrants as of December 31, 2020	(52

	Warrants
Warrants as of January 1, 2019	(69)
Receipts of Warrants	(39
Change in fair value	94
Warrants as of December 31, 2019	(14

NOTE 15 – SEGMENT REPORTING:

The Company identifies Mr. Haber who is the Company's CEO and principal shareholder as its Chief Operating Decision Maker ("**CODM**").

As the Company's CODM, Mr. Haber receives information on a segregated basis (for review on a regularly basis) of each business unit, i.e. projects (services) and products (components) as well as information segregated for geographical areas. The financial statements present within statements of comprehensive income the revenues from each segment on a standalone basis as well as cost of sale of each segment – i.e. there are no transactions between segments. The information as presented in the consolidated financial statements is essentially the same information provided to the CODM and the same information regarding decisions about allocating resources.

The Company accounts for its segment information in accordance with IFRS 8 "Segment Reporting" which establishes annual and interim reporting standards for operating segments of a company based on the Company's internal accounting methods.

Operating segments are based upon its internal organization structure, the way the Company's operations are managed and the availability of separate financial information. The Company has two operating segments: products segment and project-services segment.

Summarized financial information by segment, based on the Company's internal financial reporting system utilized by the Company's chief operating decision makers, follows:

(US Dollars in thousands)

NOTE 15 – SEGMENT REPORTING (CONT.):

For the year ended December 31, 2020:

	HGWWT	Irri-Al-Tal	Irri-Al-Tal	IRRI-AL TAL (Shanghai)	Water Ways	Company Total
	Products		Project Services			
Revenues	2,894	4,250	2,112	196	25	9,477
Cost of revenues	(2,356)	(3,826)	(1,722)	(178)	(19)	(8,101)
Segment gross profit	538	424	390	18	6	1,376
Non-allocated expenses*						2,362
Finance expenses, net*						168
Loss before provision for income taxes						**(1,154)**

*H.D.P., Zoryan and Maravey included

Non-current assets as of December 31, 2020:

	HGWWT	Irri-Al-Tal	IRRI-AL TAL (Shanghai)	Water Ways	Company Total
Deferred tax asset	36	27	-	-	63
Other accounts receivable	-	127	-	-	127
Intangible assets	111	199	791	-	1,101
Goodwill	129	-	786	-	915
Property, plant and equipment, net (including ROU asset)	96	141	6	-	243

For the year ended December 31, 2019:

	HGWWT	Irri-Al-Tal	Irri-Al-Tal	IRRI-AL TAL (Shanghai)	Company Total
	Products		Project Services		
Revenues	380	5,071	4,173	4	9,628
Cost of revenues	325	4,416	3,681	*	8,422
Segment gross income	55	655	492	4	1,206
Non-allocated expenses					3,582
Finance income, net					49
Share in losses of an associated company					10
Loss before provision for income taxes:					**(2,435)**

Non-current assets as of December 31, 2019:

	HGWWT	Irri-Al-Tal	Water Ways	Company Total
Deferred tax asset	38	97	-	135
Other accounts receivable	2	137	-	139
Intangible assets	137	152	-	289
Goodwill	129	-	-	129
Property, plant and equipment, net (including ROU asset)	131	167	-	298

(US Dollars in thousands)

NOTE 16 – REVENUES:

1. Geographic Areas Information:

The following present total revenues for the years ended December 31, 2020 and 2019:

	For the year ended December 31	
	2020	**2019**
Africa	1,425	422
South and Central America	3,081	4,277
Asia	758	3,197
Europe	334	206
Israel	789	1,105
North America	3,064	421
Others	26	-
	9,477	**9,628**

2. Principal Customers:

Major customers over 10% of the Company's revenues:

	For the year ended December 31	
	2020	**2019**
Customer A	17%	18%
Customer B	9%	12%
Customer C	5%	12%

NOTE 17 – COST OF REVENUES:

	For the year ended December 31	
	2020	**2019**
Cost of goods	7,496	7,441
Salary and related expenses	228	369
Others	377	612
Total	**8,101**	**8,422**

NOTE 18 – GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31	
	2020	**2019***
Salary and related expenses	836	634
Office expenses	199	122
Professional services	416	225
Depreciation	122	68
Other	67	213
Total	**1,640**	**1,262**

*Reclassified to Sale and Marketing expenses

(US Dollars in thousands)

NOTE 19 – SALES AND MARKETING EXPENSES:

	For the year ended December 31	
	2020	**2019***
Salary and related expenses	475	388
Other	187	205
Total	**662**	**593**

*Reclassified from Selling, general and administrative expenses

NOTE 20 – FINANCIAL EXPENSE AND INCOME:

Financial expenses

	For the year ended December 31	
	2020	**2019**
Currency translation differences	109	(16)
Revaluation of derivatives	38	-
Bank fees and Credit cards interest	147	162
Total	294	146

Financial income

	For the year ended December 31	
	2020	**2019**
Interest on cash on deposits	*	1
Currency translation differences	126	
Revaluation of derivatives	-	96
Total	126	97

NOTE 21 - TAXES ON INCOME:

A. Tax rate applicable in Israel:

Israeli corporate tax rates are 23% in 2020 and 2019.

On December 2016, the Israel government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards. Accordingly, the tax rate will be 24% in 2017 and 23% in 2018 and onwards.

(US Dollars in thousands)

NOTE 21 - TAXES ON INCOME (CONT.):

B. Tax reconciliation:

	For the year ended December 31	
	2020	2019
Profit (loss) before tax	(1,094)	(2,435)
Corporate statutory tax rate	23%	23%
Theoretical tax charge at applicable corporate statutory rate	(252)	(560)
Effect of expenses that are not deductible in determining taxable profit	-	203
Effect of loss on securities without creating deferred tax	254	202
Change in deferred taxes on temporary differences	70	59
Previous year tax	-	27
Others	-	3
Income tax expense (recovery)	72	(66)

C. Provision for Taxes:

	For the year ended December 31	
	2020	2019
Current year tax	2	(152)
Deferred tax	70	35
Previous year tax	-	51
	72	(66)

D. Deferred tax assets (liabilities):

Deferred tax assets (liabilities) reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax liabilities resulting from temporary differences are as follows:

	Balance – January 1, 2020	Recognized in profit or loss	Balance - December 31, 2020
Temporary differences:			
Provisions for employee benefits	(17)	4	(13)
Total	(17)	4	(13)
Carry-forward tax losses	152	(76)	76
Total	**135**	**(72)**	**63**

NOTE 21 - TAXES ON INCOME (CONT.):

	Balance – January 1, 2019	Recognized in profit or loss	Balance - December 31, 2019
	USD in thousands		
Temporary differences:			
Provisions for employee benefits	18	(35)	(17)
Total	18	(35)	(17)
Carry-forward tax losses	-	152	152
Total	**18**	**117**	**135**

NOTE 22 – RELATED PARTIES AND SHAREHOLDERS:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key management personnel, as summarized below. Transactions with related parties, if any, are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

Related Party	**Expense Nature**	**For the year ended December 31, 2020**	**For the year ended December 31, 2019**
Branson Corporate Services Ltd. *	Bookkeeping Services Fees	30	18
Fogler, Rubinoff LLP **	Legal Fees	1	90
FMI Capital Advisory Inc. *	Consulting Fees	-	41
Director	Consulting Fees	27	59

Payables to related parties:

Related Party	**Nature**	**As of December 31, 2020**	**As of December 31, 2019**
Branson Corporate Services *	Bookkeeping Services	-	2
Director	Various Expenses	-	10

* A company in which, Adam Szweras, a former director has a non-controlling indirect interest.

** A law firm in which, Adam Szweras, a former director of the Company is a member.

(US Dollars in thousands)

NOTE 22 – RELATED PARTIES AND SHAREHOLDERS (CONT.):

The following transactions arose with related parties:

	For the year ended December 31	
	2020	**2019**
Salary paid to the CEO	191	314

Salary and related expenses paid to:

	For the year ended December 31	
	2020	**2019**
Salary paid to the CFO	127	146
Salary paid to the CTO	93	104
Salary paid to the Vice President of Operations and Projects	125	182

Receivables from related parties:

	As of December 31, 2020	**As of December 31, 2019**
Balances owed by (to) the CEO	24	27

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, payables, and other payable. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Company to manage these risks are discussed below.

(US Dollars in thousands)

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to promote the prompt collection of customers' balances.

The Company's main financial assets are cash and cash equivalents, which represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions in Israel. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	As of December 31, 2020	As of December 31, 2019
Cash and cash equivalents	319	237
Restricted Cash	205	176
Trade accounts receivable, net	3,376	3,165
Other accounts receivable	672	1,231
Total	**4,572**	**4,809**

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel and Canadian Dollar. The Company's policy is not to enter into any currency hedging transactions. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Assets:	December 31, 2020				
	CNY	NIS	CAD	EURO	Total
Cash and cash equivalents	21	19	91	39	170
Short term deposit	-	121	-	15	136
Trade accounts receivable	42	408	53	37	540
Other accounts receivable	-	481	172	-	653
	63	1,029	316	91	1,499

(US Dollars in thousands)

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.)

Assets:	December 31, 2019			
	NIS	CAD	EURO	Total
Cash and cash equivalents	18	48	*	66
Short term deposit	112	-	13	125
Trade accounts receivable	265	89	5	359
Other accounts receivable	685	37	-	722
	1,080	175	18	1,272

Liabilities:	December 31, 2020				
	CNY	NIS	CAD	EURO	Total
Short term bank credit	-	186	-	-	186
Lease liabilities	-	-	18	-	18
Trade accounts payable	48	109	200	583	940
Other accounts payable	5	261	17	-	283
	53	556	235	583	1,427

Liabilities:	December 31, 2019			
	NIS	CAD	EURO	Total
Short term bank credit	233	-	-	233
Lease liabilities	-	17	-	17
Trade accounts payable	261	184	21	466
Other accounts payable	215	44	-	259
	709	245	21	975

* Represent an amount lower than 1 thousand.

Sensitivity analysis

A 10% strengthening of the United States Dollar against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

(US Dollars in thousands)

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):
Sensitivity analysis (cont.)

	2020	2019
Linked to NIS	473	370
	10%	10%
	47	37
Linked to CNY	10	-
	10%	10%
	1	-
Linked to CAD	81	(70)
	10%	10%
	8	(7)
Linked to EURO	(492)	(3)
	10%	10%
	49	-

Liquidity risks

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The Company has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having an available adequate amount of committed credit facilities. As of December 31, 2020, and 2019, the following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	December 31, 2020	December 31, 2019
Short term bank credit	1,430	1,660
Trade accounts payable	3,682	2,702
Other accounts payable	323	288
	5,435	**4,650**

NOTE 24 – SUBSEQUENT EVENTS:

A. On March 11, 2021, the Company announced that prior to the expiry of its repriced Warrants it received instructions to exercise a total of 10,036,458 Warrants (equaling 89% of all outstanding Warrants) resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of CAD$602.