WATER WAYS TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021

WATER WAYS TECHNOLOGIES INC.

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INDEPENDENT AUDITORS' 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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, 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:

Management’s Discussion and Analysis for the year ended December 31, 2021.

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.

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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 28, 2022

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, 2021	December 31, 2020
CURRENT ASSETS:			
Cash and cash equivalents		2,599	319
Restricted Cash		66	205
Trade accounts receivable, net		4,393	3,376
Other accounts receivable	4	666	544
Inventory	5	1,961	1,040
Total current assets		**9,685**	**5,484**
NON-CURRENT ASSETS:			
Deferred tax asset		39	63
Other accounts receivable	4	125	127
Intangible assets, net	6,7	959	1,101
Goodwill	7	916	916
Property, plant and equipment, net	8	361	243
Total non-current assets		**2,400**	**2,450**
TOTAL ASSETS		**12,085**	**7,934**
CURRENT LIABILITIES:			
Short term loans and current portion of long-term loans	10	885	1,430
Lease liabilities		18	18
Trade accounts payable	12	4,336	3,682
Deferred revenues		330	-
Other accounts payable	9	509	342
Total current liabilities		**6,078**	**5,472**
NON-CURRENT LIABILITIES:			
Long-term loans	10	489	265
Contingent liability	7	365	365
Share issuance liability	7	700	1,050
Lease liabilities		26	45
Tax liability	7	158	188
Derivative - warrants	13	5,037	52
Total non-current liabilities		**6,775**	**1,965**
SHAREHOLDERS' EQUITY:	13		
Share capital		*	*
Additional paid in capital		6,780	2,946
Reserves		252	48
Retained earnings (deficit)		(7,863)	(2,451)
Water Ways Technologies Inc shareholders' equity (deficiency)		**(831)**	**543**
Non-controlling interest		63	(46)
Total shareholders' (deficiency) equity		**(768)**	**497**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**12,085**	**7,934**

* Represent an amount lower than 1 thousand.

The accompanying notes are an integral part of the financial statements

April 28, 2022		
Date of approval	Ohad Haber CEO & Executive Director	Dor Sneh 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 2021	2020
Revenues:	15		
Services		6,991	2,334
Products		9,168	7,143
Total revenues		**16,159**	**9,477**
Cost of revenues:	16		
Services		5,451	1,920
Products		7,748	6,181
Total cost of revenues		**13,199**	**8,101**
Gross profit		**2,960**	**1,376**
Sales and marketing expenses	18	1,302	662*
General and administrative expenses	17	2,604	1,640*
Operating loss		**(946)**	**(926)**
Finance expenses	19	(414)	(294)
Finance Income	19	193	126
Revaluation of derivatives	13	(4,141)	-
Loss before taxes on income		**(5,308)**	**(1,094)**
Tax on income (recovery)	20	(5)	72
Loss for the period		**(5,303)**	**(1,166)**
Other comprehensive profit:			
Item that will not be reclassified to profit or loss:			
Foreign currency translation differences		3	(59)
Total other comprehensive loss		**3**	**(59)**
Net comprehensive loss		**(5,300)**	**(1,225)**
Loss for the year attributed to:			
Non-controlling interests		109	(46)
Water Ways Technologies Inc Shareholders'		(5,412)	(1,120)
Loss for the period		**(5,303)**	**(1,166)**
Total Comprehensive loss for the year attributed to:			
Non-controlling interests		109	(46)
Water Ways Technologies Inc Shareholders'		(5,409)	(1,079)
Net comprehensive loss		**(5,300)**	**(1,225)**
Basic profit per share attributable to shareholders:		(0.045)	(0.012)
Weighted average number of common shares outstanding:		117,911,797	90,048,924
Diluted profit per share attributable to shareholders:		(0.045)	(0.012)
Weighted average number of common shares outstanding:		117,911,797	90,048,924

*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)

For the year ended December 31, 2021

	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
Balance on January 1, 2021	**90,484,263**	*****	**2,946**	**(2,451)**	**46**	**2**	**543**	**(46)**	**497**
Net income				(5,412)			(5,412)	109	(5,303)
Other comprehensive income (loss):									
Exchange differences on translating foreign operation						3	3		3
Total comprehensive income			**-**	**(5,412)**		**3**	**(5,409)**	**109**	**(5,300)**
Share-based compensation	3,040,000	-	-	-	528	-	528	-	528
RSU vested	-	-	327	-	(327)	-	-	-	-
Shares issued for debt – see Note 13	1,605,750	-	350	-	-	-	350	-	350
Exercise of Finder Warrants	276,686	-	60	-	-	-	60	-	60
Exercise of PP Warrants	1,160,000	-	250	-	-	-	250	-	250
Private Placement, net	37,039,516	-	2,205	-	-	-	2,205	-	2,205
Warrant exercise – see Note 13	9,969,495	-	642	-	-	-	642	-	642
Balance on December 31, 2021	**143,575,710**	*****	**6,780**	**(7,863)**	**247**	**5**	**(831)**	**63**	**(768)**

*Represent an amount lower than 1 thousand.

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)

For the year ended December 31, 2020

	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
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 – see Note 13	828,077	*	38				38		38
Warrant exercise – see Note 13	66,964	*	3				3		3
Balance on December 31, 2020	**90,484,263**	*****	**2,946**	**(2,451)**	**46**	**2**	**543**	**(46)**	**497**

*Represent an amount lower than 1 thousand.

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, 2021	For the year ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(5,303)	(1,166)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	194	139
Stock based compensation	528	14
Accrued interest	38	74
Change in short term deposits	1	(10)
(increase) in trade accounts receivable, net	(1,017)	(211)
(increase) decrease in other accounts receivable	(120)	560
(increase) in inventory	(921)	(189)
Increase in trade accounts payable	654	980
Increase in other accounts payable	167	72
Change in fair value of derivative- warrants	4,141	38
Increase in deferred revenues	330	-
(decrease) increase in deferred taxes	(6)	72
Net cash provided by (used in) operating activities	**(1,314)**	**373**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net	(170)	(34)
Capitalized development costs	-	(47)
Change in short term deposits	138	(19)
Net cash (used in) investing activities	**(32)**	**(100)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank loans	(980)	(1,450)
Receipt of bank loans	621	1,295
Lease payments	(17)	(18)
Private placement proceeds, net	3,336	-
Exercise of warrants, net	665	-
Net cash provided by (used in) financing activities	**3,625**	**(173)**
Effect of foreign exchange rate on cash	**1**	**(18)**
Increase in cash and cash equivalents	**2,280**	**82**
Cash and cash equivalents at beginning of the period	**319**	**237**
Cash and cash equivalents at the end of the period	**2,599**	**319**

The accompanying notes are an integral part of the financial statements.
*Represent an amount lower than 1 thousand.

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS - APPENDICIES
(US Dollar in thousands)

APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	For the year ended December 31	
	2021	**2020**
Tax	-	-
Interest	59	78

APPENDIX C - NON-CASH ACTIVITY:

	For the year ended December 31	
	2021	**2020**
Acquisition of business (Note 7)	-	1,415
Shares for debt (Note 13)	350	40

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**") 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**" or "**IAT**"), 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)**" or "**IAT Shanghai**"). The Company's registered address and principal place of business is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1.

B. Water Ways is an agriculture technology company that specializes in providing water irrigation solutions to agricultural producers. The Company 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.

C. 1. Irri-Al-Tal was incorporated on October 11, 2003 under the laws of the State of Israel.
   2. On March 6, 2019, Water Ways completed its Qualifying Transaction by completing a reverse takeover.
   3. On June 17, 2019, the Company announced that it had closed its previously announced acquisition of certain assets of Heartnut Grove Inc. ("**Heartnut**") and established HGWWT.
   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.
   5. On February 26, 2020, H.D.P established a new wholly owned subsidiary in the People's Republic of China, IRRI-AL TAL (Shanghai) (see Note 7).
   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.

D. 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

NOTE 1 – GENERAL (CONT.):

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 and the Company's supply chains have been adversely affected. 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 from vendors. As a result, customer orders were delayed as well. While attitudes are now more positive as a result of vaccination developments, experience of a "fifth wave" (and in some cases now a sixth) varies significantly around the world and may change rapidly as we have seen in the past. The Company continues to take all appropriate precautions both in its operations and in its planning.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

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.

Basis of Presentation

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Basis of consolidation (cont.)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Foreign currency (cont.)

- 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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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 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, 2021 and 2020, the Company capitalized development costs in the amounts of $NIL and $46, 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, 2021 and 2020 are classified in the table below:

	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
	December 31, 2021			
Warrants	-	-	(5,037)	(5,037)

	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
	December 31, 2020			
Warrants see Note 13	-	-	(52)	(52)

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, 2021, and December 31, 2020, 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.

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, 2021	2,704	212	1,477	4,393
Aging Schedule as of December 31, 2020	2,993	-	383	3,376

Provision for doubtful debts

The Company recognized a provision for doubtful accounts in the amount of $195 on December 31, 2021, and of $85 on December 31, 2020.

Accounts receivable by region, type of services

	As of December 31, 2021	As of December 31, 2020
Projects		
Asia	814	515
Africa	325	411
South and Central America	187	327
Israel	68	78
Products		
South and Central America	2,418	1,409
Canada and North America	245	195
Israel	237	208
Europe	69	37
Africa	30	196
Total	**4,393**	**3,376**

Three-level matrix

	As of December 31, 2021	As of December 31, 2020
LC Clients	668	1,360
Insurance Guaranteed Clients	2,436	1,220
Other Clients	1,289	796
Total	**4,393**	**3,376**

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, 2021, as a reclassification of its derivative liability - warrants in the amount of $5,037 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.

Share based payments

The Company has a share based plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see Note 13).

(US Dollars in thousands)

NOTE 4 – OTHER ACCOUNTS RECEIVABLE:

	As of December 31, 2021	As of December 31, 2020
Prepaid expenses	282	244
Advances to suppliers	30	25
Government authorities	141	63
Shareholder (Note 22)	-	24
Other	338	316
	791	**671**

NOTE 5 – INVENTORY:

	As of December 31, 2021	As of December 31, 2020
Finished goods	1,796	1,040
products in transit and prepayments	165	-
	1,961	**1,040**

NOTE 6 - INTANGIBLE ASSETS:

	Customer Base	Capitalized Development Costs	Total
Cost			
As of January 1, 2020	153	152	305
Additions	817	47	864
As of December 31, 2020	970	199	1,169
Additions	16	-	16
As of December 31, 2021	986	199	1,185
Accumulated amortization			
As of January 1, 2020	16	-	16
Amortization	52	-	52
As of December 31, 2020	68	-	68
Amortization	146	12	158
As of December 31, 2021	214	12	226
Book value, net:			
As of December 31, 2021	785	186	959
As of December 31, 2020	902	199	1,101

(US Dollars in thousands)

NOTE 7 – 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. 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 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 profitable.

  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;

(US Dollars in thousands)

NOTE 7 – GOODWILL (CONT.):

- $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.

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, 2021	**As of December 31, 2020**
HGWWT	129	129
IRRI-AL TAL (Shanghai)	787	787
	916	**916**

(US Dollars in thousands)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT, NET:

	Electronic Equipment	Leasehold Improvements	Motor Vehicles	Office Equipment	Rights of Use-Lease	Total
Cost						
As of January 1, 2020	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
Additions	14	28	176	-	-	218
Disposal	-	-	(64)	-	-	(64)
As of December 31, 2021	199	129	354	83	90	855
Accumulated depreciation						
As of January 1, 2020	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
Additions	13	4	35	6	18	76
Disposal	-	-	(40)	-	-	(40)
As of December 31, 2021	166	93	121	70	44	494
Book value, net:						
As of December 31, 2021	33	36	233	13	46	361
As of December 31, 2020	32	12	116	19	64	243

(US Dollars in thousands)

NOTE 9 – OTHER ACCOUNTS PAYABLE:

	As of December 31, 2021	As of December 31, 2020
Advances from customers	9	64
Government authorities	44	89
Vacation accrual	72	61
Employee related liabilities	157	47
Other	227	81
Total other account payable	**509**	**342**

NOTE 10 – LOANS:

A. Composition of Loans:

	As of December 31, 2021	As of December 31, 2020
Total loans	1,374	1,695
Less – current portion and short-term loans	(885)	(1,430)
Total long-term portion of loans	**489**	**265**

Long-term loans from banks are due as follows:

	As of December 31, 2021	As of December 31, 2020
First year (current portion)	885	1,430
Second year	164	70
Third year	139	85
Fourth year and thereafter	186	110
Total loans	**1,374**	**1,695**

B. Details of the loans:

1. 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.
2. 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.

NOTE 10 – LOANS (CONT.):

B. Details of the loans (cont.):

3. 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.

4. On February 3, 2021, the Company secured a loan in the amount of $100, which bears an interest rate equal to 3.725% per annum. The loan will be repaid in one installment on February 3, 2022.

5. Following the Israeli government’s decision to establish a dedicated loan fund to help deal with the impact of the COVID-19 pandemic on small and medium-sized businesses in Israel, in February 7, 2021, the Company signed an agreement to receive a long-term loan for the amount of $304. According to the terms of the Loan: (i) principal payments will be deferred for twelve months from the funding date and the Company will start paying the principal payments from the second year of the Loan; (ii) interest payments will be paid by the government for the first twelve months from the funding date and the Company will start paying the interest payments from the second year of the loan; (iii) other than a 5% deposit, no collateral or personal guarantees are required; (iv) the Loan is guaranteed by the Israeli government; and (v) the Loan has a maturity of five years and an interest rate of Prime +1.5%.
   IAS 20 requires government loans with a below-market rate of interest to be recognized and measured in accordance with IFRS 9. The difference between the initial carrying value of the loan (its fair value) and the proceeds received is treated as a government grant. The difference was deemed immaterial.

6. On March 31, 2021, the Company secured a loan in the amount of $60, which bears an interest rate equal to 3.625% per annum. The loan will be repaid in 12 monthly installments ending on March 30, 2022.

7. On May 16, 2021, the Company secured a loan in the amount of $470, which bears an interest rate equal to Prime plus 3.73% interest per annum. The loan will be repaid in one installment on May 18, 2022.

8. On May 18, 2021, the Company secured a loan in the amount of $21, which bears an interest rate equal to Prime plus 7.76% interest per annum. The loan will be repaid in 36 monthly installments ending on June 22, 2024.

(US Dollars in thousands)

NOTE 10 – LOANS (CONT.):

B. Details of the loans (cont.):

9. On June 3, 2021, the Company secured a loan in the amount of $49, which bears an interest rate equal to Prime plus 2.22% interest per annum. The loan will be repaid in 60 monthly installments ending June 3, 2026.

10. On October 7, 2021, the Company secured a loan in the amount of $54, which bears an interest rate equal to Prime plus 2.2% interest per annum. The loan will be repaid in 60 monthly installments ending on October 7, 2026.

11. On November 15, 2021, the Company secured a loan in the amount of $110, which bears an interest rate equal to Prime plus 3.61% interest per annum. The loan will be repaid in 12 monthly installments ending on November 15, 2022.

NOTE 11 – 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 outstanding amount of the loans secured by the Company's motor vehicles is $125. 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.

B. Leases

The Company leases its office facilities and warehouses under operating leases. Total rent expense under these operating leases was $131 and $102 for the years ended December 31, 2021, and 2020, respectively.

NOTE 12 – TRADE PAYABLES:

	As of December 31, 2021	**As of December 31, 2020**
Open accounts	4,234	3,586
Cheques payable	102	96
Total trade payables	**4,336**	**3,682**

(US Dollars in thousands)

NOTE 13 – 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, 2021:

Security	Number Outstanding	Exercise Price in CAD$	Expiry Date
Ordinary shares	143,575,710	-	
Options for directors	800,000	0.25	6/3/2024
Options for employees	2,973,527	0.06*	25/6/2024
Options for directors and employees	1,000,000	0.06	14/5/2025
PP Warrant (first tranche)	25,856,666	0.18	30/6/2024
PP Warrant (second tranche)	10,299,536	0.18	3/8/2024
Finder Warrant (first tranche)	2,161,333	0.12	30/6/2024
Finder Warrant (second tranche)	950,782	0.12	3/8/2024
Participant Options	1,560,000	0.195	29/8/2026
Options for service provider	900,000		
Total securities	**190,077,554**		

***** Repriced to $0.06/share

A. Private Placement

1. On June 30 and July 27, 2021, the Company announced the escrow closing of the first tranche (the "**First Tranche**") and the second tranche (the "**Second Tranche**"), respectively, of a private placement (the "**Offering**") of up to 33,333,333 units (the "**PP Units**") at a price of CAD$0.12 per PP Unit. The First Tranche and Second Tranche escrow closing resulted in the issuance of 27,016,666 and 10,022,850 PP Units, respectively. Each PP Unit is composed of one common share of the Company and one common share purchase warrant (the "**PP Warrants**").
2. On August 8, 2021, the Company announced that it had received oversubscriptions for the Offering, fulfilled all escrow conditions for both tranches, resulting in the release from escrow to the Company, of an aggregate amount of $3,574 (equivalent to CAD$4,445) (the "**Aggregate Gross Proceeds**"). Pursuant to the Offering, the Company issued an aggerate of 37,039,516 PP Units at a price of CAD$0.12 per Unit. Each PP Unit is composed of one common share of the Company and one PP Warrant. Each whole PP Warrant entitles the holder thereof to acquire one additional common share of the Company (each a "**Warrant Share**"), upon payment to the Company of CAD$0.18 per Warrant Share until June 30, 2024 (in respect of 27,016,666 PP Warrants) and August 3, 2024 (in respect of 10,022,850 PP Warrants), however, that if, following July 1, 2022, the volume weighted average price is CAD$0.24, the Company may, upon providing written notice to the holders of the PP Warrants, accelerate the expiry date of the PP Warrants to the date that is 30 days following the date of such written notice.

NOTE 13 – SHAREHOLDERS' EQUITY (CONT.):

A. Private Placement (cont.)

3. In connection with the Offering the Company issued and carried the following listing expenses: (i) an aggregate of cash payment of $238 (equivalent to CAD$310), an amount equal to 7% of the Aggregate Gross Proceeds; and (ii) issued 3,388,801 finder warrants (the "**Finder Warrants**"), an amount equal to 9% of the PP Units sold pursuant to the Offering. Each Finder Warrant will be exercisable into one PP Unit upon payment by the holder thereof of CAD$0.12 per Unit, until June 30, 2024, in respect of 2,161,333 Finder Warrants, and August 3, 2024, in respect of 1,227,468 Finder Warrants.

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

1. Options and shares granted to employees and service providers:

a) On May 14, 2020, the Company announced that 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 CAD$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. Subject to the Exchange approval on June 12 2020, the Company repriced 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 CAD$0.25 which were adjusted to the new exercise price of CAD$0.06. The receipt of the requisite disinterested shareholder approval, obtained at the annual and special meeting of shareholders of the Company held on November 16, 2020.

b) on August 6, 2021, the Company granted 3,040,000 Restricted Share Units ("**Participant RSU**") to directors and employees pursuant to the terms of the Company's RSU plan. Of this amount, 1,950,000 Participant RSUs were granted to directors. The remaining 1,090,000 Participant RSU's were granted to employees.

c) On August 29, 2021, The Company granted 1,560,000 stock options ("**Participant Options**") to directors and employees pursuant to the terms of the Company's stock option plan. Of this amount, 700,000 Participant Options were granted to directors and shall vest immediately. The remaining 860,000 Participant Options were granted to employees and shall also vest immediately. All Participant Options shall have an exercise price of CAD$0.195 and shall expire 5 years after their grant.

(US Dollars in thousands)

NOTE 13 – SHAREHOLDERS' EQUITY (CONT.):

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

1. Options and shares granted to employees and service providers (cont.):

A summary of the status of the Company's option plan granted to employees as of December 31, 2021, and changes during the relevant period ended on that date is presented below:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	5,173,527	CAD$0.06	3,973,527	CAD$0.06
Granted	1,560,000	CAD$0.195	1,200,000	CAD$0.06
Exercised	-	-	-	-
Forfeited and cancelled	400,000	-	-	-
Outstanding at end of the period	**6,333,527**	**CAD$0.12**	**5,173,527**	**CAD$0.06**
Exercisable options	**6,333,527**	**CAD$0.12**	**3,656,860**	**CAD$0.06**

The options to employees outstanding as of December 31, 2021, are comprised, as follows:

Exercise price	Outstanding as of December 31, 2021	Weighted average remaining contractual term	Exercisable as of December 31, 2021	Weighted average remaining contractual term
		(years)		(years)
CAD$0.25	800,000	2.14	800,000	2.14
CAD$0.06	2,750,000	2.44	2,750,000	2.44
CAD$0.06	1,000,000	3.34	1,000,000	3.34
CAD$0.06	223,527	2.44	223,527	2.44
CAD$0.195	1,560,000	4.66	1,560,000	4.66
	6,333,527		**6,333,527**	

2. Derivative liability - Warrants:

In accordance with IAS 32, since the exercise prices of the PP Warrants and Finder Warrants issued are not a fixed amount as they are denominated in a currency (Canadian dollar) other than the Company’s functional currency (U.S. dollar), the PP Warrants and the Finder Warrants are accounted for as a derivative financial liability. Each warrant liability is initially measured at fair value and subsequent changes in fair value are recorded through Net and Comprehensive Loss for the year. The fair value of the PP Warrants and Finder Warrants was determined initially using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant. The PP Warrants and Finder Warrants were categorized as level 3 (see Note 2 - Fair value measurement).

As of the First Tranche and Second Tranche, the PP Warrant's and Finder Warrant's fair value measurement was $807 and $324 respectively. As of December 31, 2021, the Warrant's fair value measurement was $5,037, reflecting the improvement in the Company’s share price.

NOTE 13 – SHAREHOLDERS' EQUITY (CONT.):

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

2. Derivative liability – Warrants (cont.):

a) 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 CAD$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 CAD$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 CAD$0.06 (the "**New Exercise Price**").On June 1, 2020, the Company received conditional approval of the Exchange to the Amendment.

b) 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 $478 (equivalent to CAD$602).

c) On June 30, 2021, the Company's Offering resulted in the issuance of 27,016,666 PP Warrant and 2,161,333 Finder Warrant (see Note 13A).

d) On July 27, 2021, the Company's Offering resulted in the issuance of 10,022,850 PP Warrant and 1,227,468 Finder Warrant (see Note 13A).

e) During the three months period ended December 31, 2021, the Company received instructions to exercise 1,160,000 PP Warrants resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of $163 (equivalent to CAD$209). In addition, the Company received instructions to exercise 276,686 Finder Warrants resulting in the issuance of an equal number of common shares and PP Warrant and aggregate proceeds to the Company of $24 (equivalent to CAD$33).

f) On December 23, 2021, the Company issued 1,605,750 common shares to the Additional Holder (see Note 7 – Goodwill) reducing its share issuance liability. Total amount of shares issued was $350 in WWT shares at the agreed price of $0.28.

(US Dollars in thousands)

NOTE 13 – SHAREHOLDERS' EQUITY (CONT.):

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

2. Derivative liability – Warrants (cont.):

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

Warrant activity	Exercisable on December 31, 2021	Weighted average exercise price
Balance – Beginning of Period	12,053,977	CAD$0.06
Issued during the period (Finder Warrant)	3,388,801	CAD$0.12
Issued during the period (PP Warrant)	37,039,516	CAD$0.18
Issued during the period (PP Warrant)	276,686	CAD$0.18
Expired during the period (Broker Warrant)	(2,084,482)	CAD$0.06
Exercised during the period (Warrants)	(9,969,495)	CAD$0.06
Exercised during the period (PP Warrants)	(1,160,000)	CAD$0.18
Exercised during the period (Finder Warrant)	(276,686)	CAD$0.12
Balance – End of Period	**39,268,317**	

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**

The following table reflects the fair value composition:

	For the year ended December 31, 2021	
	2021	**2020**
Balance as of January 1,	52	14
Issuance of PP Warrants	1,131	-
Exercise of PP Warrants	(119)	-
Exercise of warrants (Qualifying Transaction Warrants)	(168)	-
Fair value revaluation	4,141	38
Balance as of December 31,	**5,037**	**52**

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- 0.62%, expected volatility-100%, 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 warrants 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 – 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 CODM, as follows:

For the year ended December 31, 2021:

	HGWWT	**IAT**	**IAT**	**HGWWT**	**IAT Shanghai**	**Water Ways**	**Company Total**
	Products		**Project Services**				
Revenues							
External	3,061	6,107	5,179	375	1,428	9	16,159
Inter-segment	-	118	297	-	-	-	415
Total	3,061	6,225	5,476	375	1,428	9	16,574
Segment gross profit	661	759	1,051	90	394	5	2,960
Non-allocated:							
Expenses*							3,906
Finance expenses, net							4,362
Loss before provision for income taxes							**(5,308)**

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

(US Dollars in thousands)

NOTE 14 – SEGMENT REPORTING (CONT.):

Non-current assets as of December 31, 2021:

	HGWWT	IAT	IAT Shanghai	Water Ways	Company Total
Deferred tax asset	16	23	-	-	39
Other accounts receivable	-	125	-	-	125
Intangible assets	85	185	689	-	959
Goodwill	130	-	786	-	916
Property, plant and equipment, net (including ROU asset)	96	260	5	-	361

For the year ended December 31, 2020:

	HGWWT	IAT	IAT	IAT 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	IAT	IAT 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

(US Dollars in thousands)

NOTE 15 – REVENUES:

1. Geographic Areas Information:

The following present total revenues for the years ended December 31, 2021 and 2020:

	For the year ended December 31	
	2021	**2020**
Asia	5,498	758
South and Central America	5,035	3,081
Canada	3,444	3,064
Israel	1,127	789
Africa	771	1,425
Europe	203	334
Others	81	26
	16,159	**9,477**

2. Principal Customers:

Major customers (as percentage of the Company's revenues):

	For the year ended December 31	
	2021	**2020**
Customer A	19%	17%
Customer B	16%	9%
Customer C	7%	5%

NOTE 16 – COST OF REVENUES:

	For the year ended December 31	
	2021	**2020**
Cost of goods	12,230	7,496
Salary and related expenses	298	228
Others	671	377
Total	**13,199**	**8,101**

NOTE 17 – GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31	
	2021	**2020***
Salary and related expenses	923	836
Share based compensation	528	-
Office expenses	225	199
Professional services	412	416
Depreciation and amortization	194	122
Other	322	67
Total	**2,604**	**1,640**

*Reclassified from Selling, general and administrative expenses to Sales and marketing expenses

(US Dollars in thousands)

NOTE 18 – SALES AND MARKETING EXPENSES:

	For the year ended December 31	
	2021	**2020***
Salary and related expenses	752	475
Other	550	187
Total	**1,302**	**662**

*Reclassified from Selling, general and administrative expenses

NOTE 19 – FINANCIAL EXPENSE AND INCOME:

Financial expenses

	For the year ended December 31	
	2021	**2020**
Currency translation differences	180	109
Revaluation of derivatives	4,141	38
Private Placement listing expenses	86	-
Bank fees and Credit cards interest	148	147
Total	**4,555**	**294**

Financial income

	For the year ended December 31	
	2021	**2020**
Interest on cash on deposits	9	*
Currency translation differences	184	126
Total	**193**	**126**

NOTE 20 - TAXES ON INCOME:

A. Tax rate applicable in Israel:

Israeli corporate tax rates are 23% in 2021 and 2020.

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 20 - TAXES ON INCOME (CONT.):

B. Tax reconciliation:

	For the year ended December 31	
	2021	2020
Profit (loss) before tax	(5,308)	(1,094)
Corporate statutory tax rate	23%	23%
Theoretical tax charge at applicable corporate statutory rate	(1,221)	(252)
Effect of expenses that are not deductible in determining taxable profit		-
Effect of loss on securities without creating deferred tax	1,238	254
Change in deferred taxes on temporary differences	(22)	70
Previous year tax	-	-
Others	-	-
Income tax expense (recovery)	(5)	72

C. Provision for Taxes:

	For the year ended December 31	
	2021	2020
Current year tax	(28)	2
Deferred tax	23	70
Previous year tax	-	-
	(5)	72

D. Deferred tax assets

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, 2021	Recognized in profit or loss	Balance - December 31, 2021
Temporary differences:			
Provisions for employee benefits	(13)	(4)	(17)
Total	(13)	(4)	(17)
Carry-forward tax losses	76	(19)	57
Total	**63**	**(23)**	**40**

(US Dollars in thousands)

NOTE 20 - TAXES ON INCOME (CONT.):

D. Deferred tax assets (liabilities) (cont.)

	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**

E. Deferred tax liability

	Balance – January 1, 2021	Recognized in profit or loss	Balance - December 31, 2021
Temporary differences:			
Tax liability (Note 7)	(187)	28	(158)
Total	(187)	28	(158)
Total	**(187)**	**28**	**(158)**

NOTE 21 – 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, 2021	For the year ended December 31, 2020
Director	Consulting Fees	51	27

The following transactions arose with related parties:

	For the year ended December 31	
	2021	**2020**
Salary paid to the CEO	180	191

(US Dollars in thousands)

NOTE 21 – RELATED PARTIES AND SHAREHOLDERS (CONT.):

Salary and related expenses paid to:

	For the year ended December 31	
	2021	**2020**
Salary paid to the CFO	90	127
Salary paid to the CTO	115	93
Salary paid to the Vice President of Operations and Projects	178	125

Receivables from related parties:

	As of December 31, 2021	As of December 31, 2020
Balances owed by (to) the CEO	(71)	24

NOTE 22 - 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.

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:

(US Dollars in thousands)

NOTE 22 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk (cont.)

	As of December 31, 2021	As of December 31, 2020
Cash and cash equivalents	2,599	319
Restricted Cash	66	205
Trade accounts receivable, net	4,393	3,376
Other accounts receivable	791	671
Total	**7,849**	**4,571**

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 at material amounts. 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, 2021**				
	RMB	**NIS**	**CAD**	**EURO**	**Total**
Cash and cash equivalents	138	53	2,181	41	2,413
Short term deposit	-	16	-	-	16
Trade accounts receivable	33	344	190	69	636
Other accounts receivable	11	396	311	-	718
	182	809	2,682	110	3,783

Liabilities:	**December 31, 2021**				
	RMB	**NIS**	**CAD**	**EURO**	**Total**
Short term bank credit	-	110	-	-	110
Lease liabilities	-	-	18	-	18
Trade accounts payable	149	216	110	120	595
Other accounts payable	81	197	156	-	434
	230	523	284	120	1,157
Net	(48)	286	2,398	(10)	2,626

(US Dollars in thousands)

NOTE 22 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.)

Assets:	**December 31, 2020**				
	RMB	**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

Liabilities:	**December 31, 2020**				
	RMB	**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
Net	10	473	81	(492)	72

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.

	2021	**2020**
Linked to NIS	286	473
	10%	10%
	29	47
Linked to RMB	(48)	10
	10%	10%
	5	1
Linked to CAD	2,398	81
	10%	10%
	240	8
Linked to EURO	(10)	(492)
	10%	10%
	(1)	49

(US Dollars in thousands)

NOTE 22 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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, 2021, and 2020, 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, 2021	December 31, 2020
Short term bank credit	885	1,430
Trade accounts payable	4,336	3,682
Other accounts payable	509	323
	5,730	**5,435**

NOTE 23 – SUBSEQUENT EVENTS:

A. On January 12, 2022, the Company announced that it has entered into an agreement with Desarrollo de Sistemas Hidraulicos S.A. ("**Hidrotop**"), an irrigation company based in Chile, and the shareholders of Hidrotop (collectively the "**Sellers**") for the acquisition (the "**Acquisition**") of 51% of the shares of Hidrotop (the "**Shares**"). In consideration for the Shares, WWT will pay an aggregate acquisition price of US$3,500,000, upon closing of the Acquisition (the "**Closing**") consisting of: (i) a one-time cash payment equal to US$2,000,000; and (ii) issue 5,686,364 common shares in the capital of Water Ways (the "**Subject Shares**") at a deemed price per Subject Share of CDN$0.33, subject to a standard four month and one day hold period from Closing. The Subject Shares will be issued as directed by the Sellers. The completion of the Acquisition is anticipated to be on or before May 30, 2022 or such later date as may be mutually agreed upon between the parties. The Acquisition is subject to satisfactory completion of a due diligence review of Hidrotop, the determination of the appropriate structure of the Acquisition and execution of a definitive agreement relating to the Acquisition. The Acquisition (including the issuance of the Subject Shares) is subject to the fulfillment of certain conditions precedent as are customary for transactions of this nature including the approval of the TSX Venture Exchange.

NOTE 23 – SUBSEQUENT EVENTS (CONT.):

B. The geopolitical situation of tension in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighboring countries or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Because of its broader impact on these macroeconomic conditions, the Company may need to consider the war's effect on certain accounting and financial reporting matters. The degree to which the Company is or will be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The potential impact on the Company may cause delays in 2022 projects in Uzbekistan and other regional territories which conduct business with Russia.