WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

WATER WAYS TECHNOLOGIES INC.
(FORMERLY KNOWN AS SAGITTARIUS CAPITAL CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

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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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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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 29, 2020

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

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

	Note	December 31, 2019	December 31, 2018
CURRENT ASSETS:			
Cash and cash equivalents		237	233
Restricted Cash	10	176	167
Trade accounts receivable, net	2	3,165	3,335
Other accounts receivable	6	1,092	1,333
Inventory	7	852	660
Total current assets		5,522	5,728
NON-CURRENT ASSETS:			
Deferred tax asset	19	135	18
Other accounts receivable	6	139	-
Investments in associated company	8	-	181
Intangible assets	2,5	289	-
Goodwill	5	129	-
Property, plant and equipment, net	9	298	212
Total non-current assets		990	441
TOTAL ASSETS		6,512	6,139
CURRENT LIABILITIES:			
Short term loans and current portion of long-term loans	11	1,660	550
Lease liabilities		17	-
Trade accounts payable	13	2,702	2,463
Deferred revenues		2	-
Other accounts payable	10	269	268
Total current liabilities		4,650	3,281
NON-CURRENT LIABILITIES:			
Long-term loans	11	116	207
Lease liabilities		65	-
Derivative- warrants	14	14	69
Total non-current liabilities		195	276
SHAREHOLDERS' EQUITY:	14		
Share capital		*	*
Additional paid in capital		2,905	1,544
Reserves		93	-
Retained earnings (deficit)		(1,331)	1,038
Total shareholders' equity		1,667	2,582
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,512	6,139

* Represent an amount lower than 1 thousand.

April 29, 2020		
Date of approval	Ohad Haber CEO	Meira Zada CFO

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

WATER WAYS TECHNOLOGIES INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(US Dollar in thousands)

	Note	Year ended December 31, 2019	Year ended December 31, 2018
		US$ in thousands	
Revenues:	16		
Services Projects		4,178	6,382
Products		5,450	5,707
Total revenues		9,628	12,089
Cost of revenues:	17		
Services Projects		3,681	5,204
Products		4,741	5,044
Total cost of revenues		8,422	10,248
Gross profit		**1,206**	**1,841**
Listing expenses	4	1,727	-
Selling, general and administrative expenses	18	1,855	1,228
Operating profit (loss)		**(2,376)**	**613**
Financial expenses	19	(146)	(72)
Financial income	19	97	4
Share in profit (loss) of associated company		(10)	2
Profit (loss) before taxes on income		**(2,435)**	**547**
Tax on income (recovery)	20	(66)	130
Profit (loss) for the period		**(2,369)**	**417**
Other comprehensive expense :			
Item that will not be reclassified to profit or loss:			
Foreign currency translation differences		61	-
Other comprehensive income (loss)		61	-
Net comprehensive income (loss)		**(2,308)**	**417**
Basic profit (loss) per share Attributable to shareholders (*):		(0.027)	0.006
Weighted average number of common shares outstanding:		87,426,889	71,707,887
Diluted profit per share attributable to shareholders (*):		(0.027)	0.005
Diluted average number of common shares outstanding:		87,426,889	79,005,262

***The amounts presented after giving the effect of share split as noted in Note 14.

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

WATER WAYS TECHNOLOGIES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of US Dollars, except for the number of shares)

For the year ended December 31, 2019

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share-based payment	Currency translation adjustment	Total Shareholders' equity
	(US$ in thousands)						
Balance at January 1, 2019	76,972,369	*	1,544	1,038	-	-	2,582
Net income				(2,369)			(2,369)
Other comprehensive income: Exchange differences on translating foreign operation	-	-	-	-	-	61	61
Total comprehensive income	-	-	-	(2,369)	-	61	(2,308)
Reverse Take Over (Note 4A)	-	*	524	-	-	-	524
Stock based compensation	-	-	-	-	32	-	32
Issuance of shares, net	12,438,282	-	818	-	-	-	818
Shares issued upon acquisition	178,571	-	19	-	-	-	19
Balance at December 31, 2019	89,589,222	*	2,905	(1,331)	32	61	1,667

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollar in thousands)

For the year ended December 31, 2018

	Number of Shares	Share capital	Additional paid-in capital	Retained earnings	Total Shareholders' equity
	(US$ in thousands)				
Balance at January 1, 2018	28,500,000	*	-	621	621
Net income	-	-	-	417	417
Total comprehensive income	-	-	-	417	417
Share split (**)	33,500,000	*	(*)	-	-
Issuance of shares, net	14,972,369	-	1,544	-	1,544
Balance at December 31, 2018 (**)	76,972,369	*	1,544	1,038	2,582

* Represent an amount lower than 1 thousand.

** Represents number of common shares after given effect of the shares split

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

WATER WAYS TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

	Year ended December 31, 2019	Year ended December 31, 2018
	(US$ in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss) for the year	(2,369)	417
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	77	46
Stock based compensation	32	-
Listing expenses	1,727	-
Accrued interest	60	18
Change in short term deposits	(9)	-
Share in loss (profit) in associated company	(8)	(2)
Loss from realization of associated company	18	-
Decrease in trade accounts receivable, net.	171	406
(increase) in other accounts receivable	(524)	(287)
Decrease (increase) in inventory	(142)	147
Increase (decrease) in trade accounts payable	22	(872)
(decrease) in other accounts payable	(37)	(281)
Change in fair value of derivative- warrants	(93)	21
(increase) in deferred taxes	(117)	(3)
Net cash (used in) operating activities	(1,192)	(1,097)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(9)	(79)
Acquisition of business (Note 5)	(363)	-
Capitalized development costs	(152)	-
Change in short term deposits	-	(41)
Repayment of loans to others	-	24
Net cash used in investing activities	(524)	(96)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank loans	(1,018)	(270)
Receipt of bank loans	1,981	292
Lease payments	(9)	-
Reverse Take Over (Appendix B)	9	-
Issuance of shares and warrants, net	818	1,230
Net cash provided by financing activities	1,781	1,252
Effect of foreign exchange rate changes on cash	(61)	-
Increase (decrease) in cash and cash equivalents	4	59
Cash and cash equivalents at beginning of the year	233	174
Cash and cash equivalents at the end of the year	237	233

WATER WAYS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

The accompanying notes are an integral part of the financial statements.
APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	US$ in thousands	
Tax	30	163
Interest	60	20

APPENDIX B - Reverse Take Over:

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

APPENDIX C - Non-cash activity:

	As of June 17, 2019
	US$ in thousands
Sale of associated company against other accounts receivable	172
Shares to be issued	19

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

NOTE 1 - GENERAL:

A. Water Ways Technologies Inc. ("**Water Ways**" or the "**Company**" formerly known as Sagittarius Capital Corporation) was incorporated under the Business Corporations Act (Ontario) on April 20, 2007 and was classified as a Capital Pool Corporation as defined by TSX Venture ("**TSX-V**") Exchange Policy 2.4 (the "**Exchange Policy**"). Water Ways Technologies Inc. is the parent company of HGWWT **(**formerly known as HEARTNUT GROVE INC) and Irri-Al-Tal. The Company's registered address and principal place of business is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

Irri-Al-Tal Ltd. ("**Irri-Al-Tal**") was incorporated on October 11, 2003 under the laws of the State of Israel. Irri Al Tal registered and head office address at P.O.B. 7 Kibbutz Ramat-David 3658700, Israel. Irri-Al-Tal is an agriculture technology company that specializes in providing water irrigation solutions to agricultural producers. Irri-Al-Tal competes in the global irrigation water systems market with a focus on developing solutions with commercial applications in the micro and precision irrigation segments of the overall market. The Financial Statements were approved on April 27.

B. 1. On December 28, 2017, Irri-Al-Tal entered into a letter of intent ("**LOI**") with Water Ways formerly known as Sagittarius Capital Corporation ("**Sagittarius**"), a company incorporated in Canada and traded on the NEX board of the TSX Venture Exchange ("**Exchange**") pursuant to which shareholders of the Company would exchange all their issued and outstanding ordinary shares of the Company ("**IAT Shares**") for common shares of Sagittarius ("**Common Shares**") and become a wholly-owned subsidiary of Sagittarius ("**Securities Exchange**").

2. On August 21, 2018, Irri-Al-Tal entered into a securities exchange agreement ("**Securities Exchange Agreement**") with Sagittarius, whereby Sagittarius had agreed to complete the Securities Exchange by issuing two (2) Common Shares for each issued and outstanding IAT Share (the "**Exchange Ratio**"). Immediately prior to the completion of and as a condition to the Securities Exchange, Sagittarius consolidated its Common Shares on the basis of one (1) Common Share for 1.4964285 outstanding Sagittarius Shares (the "**Consolidation**"), which was approved by Sagittarius shareholders at a special meeting on August 15, 2018.

3. On March 6, 2019, Water Ways completed its Qualifying Transaction by completing the Securities Exchange with Sagittarius. The Qualifying Transaction was undertaken by completing a reverse takeover (see also Note 4 – Reverse takeover) and as a result, Sagittarius changed its name from "Sagittarius Capital Corporation" to "Water Ways Technologies Inc."

4. On October 27, 2019, Water Ways, thorough Irri Al-Tal, established a new Israeli company ("H.D.P Irrigation Ltd." or "H.D.P") which in turn holds a 73% interest in a Chinese incorporated subsidiary who is focused on operations and sales of the Company's products in and to the Chinese market. As of December 31, 2019, H.D.P did not commence any activities. On February 26, 2020, H.D.P established a new Wholly Owned Foreign Entity in China ("IRRI-AL TAL (Shanghai) Agriculture Technology

NOTE 1 – GENERAL (CONT.):

Company Ltd." or "WOFE") in order to acquire the agents' certain assets including his network of subagents. The agent will become CEO of the WOFE.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

Basis of consolidation

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Business Combination

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

Entity name	State incorporated	Percent ownership
Water Ways Technologies Inc.	Canada	Parent Company
Irri-Al-Tal Ltd.	Israel	100%
HGWWT	Canada	100%

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 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 are 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.

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 indicated 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 an intangible asset 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.

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

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 fair price 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, respectively.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Earnings per share

Earnings per share is calculated by dividing the net profit or loss attributable to owners of the parent 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 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition (cont.)

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 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 amounts receivable from its customers, the Company's management believes that its credit risk is limited on 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.

New standards, interpretations and amendments effective from January 1, 2019

IFRS 16 - "Leases" ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero**.** Implementing IFRS 16 didn’t had any effect on the financials on January 1, 2019. The Company has started to implement IFRS 16 as of July 1, 2019.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New standards, interpretations and amendments effective from January 1, 2019 (cont.)

IFRS 16 - "Leases" ("IFRS 16") (cont.)

The Company recognized the right-of-use assets based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liability were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Foreign currency

The financial statements are prepared in US Dollars (the functional currency).

Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Transactions and balances have been converted as follows:

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

Cash and cash equivalents

Cash equivalents are considered by the Company to be highly-liquid investments, including, inter alia, short-term deposits with banks and 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 the 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.

(US Dollars in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Fair value measurement (cont.)

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:

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, 2019 and 2018 are classified in the table below:

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

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
	December 31, 2018			
Warrants	-	-	(69)	(69)

*see note 14C5

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

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 or cancelled, or expire.

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. ECLs 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. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs 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 ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs 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's assessed its financial assets that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses (“ECL”) 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 into consideration, in order to group the ECL:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

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 don't 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 the external market research ("**Other Clients**").

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. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios).

As of December 31, 2019, and December 31, 2018, 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 separate measurement category on the loss allowance at that date, in accordance with IFRS 7. As of December 31, 2019, and December 31, 2018 the allowance for Doubtful debts are 42$ and 28$ respectively.

Definition of default, including reasons for selecting the definition

Prior to commencing a business relationship, the Company will enter into an agreement with the customer. The agreement or contract typically includes details of the terms of payment to which the customer is entitled. In most cases, the customer updates the Company if there is a delay in the payment beyond the terms of the agreement. Any delays in payment for more than two months are subject to approval of the Company's management. If a customer's scheduled payment is delayed by more than two months and such delay is not approved by the Company's management, the CEO of the Company will, typically, make direct contact with

(US Dollars in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

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 certain. 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.

Aging Schedule based on due date

	Within payment terms	0-30 days over payment terms	30+ days over payment terms	Total
Aging Schedule 31.12.2019	2,945	-	220	3,165
Aging Schedule 31.12.2018	3,155	18	190	3,335

Provision for doubtful debts

The Company recognized a provision for doubtful accounts in the amount of $42 on December 31, 2019, and of $28 on December 31, 2018.

(US Dollars in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

Accounts receivable by region, type of services

	As of December 31, 2019	As of December 31, 2018
Projects		
South and Central America	646	759
Africa	447	235
Asia	672	58
Israel	168	17
Products		
South and Central America	952	1,993
Africa	1	65
Europe	4	33
Israel	186	131
Other	89	44
Total	**3,165**	**3,335**

Three-level matrix

	As of December 31, 2019	As of December 31, 2018
LC Clients	447	238
Insurance Guaranteed Clients	2,070	2,623
Other Clients	648	474
Total	**3,165**	**3,335**

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 intends to obtain insurance for the customer's balance from third parties.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

In addition, for transactions with customers in amounts less than $200 the Company keeps track and monitors amounts which have been overdue for more than two months.

The Company believes that due to its strong preference to secure financial guarantees on significant transactions before accepting potential credit risk its risk of loss is limited. The three-level matrix described above is used to group the receivables into categories with varying amounts of expected credit risk in order to estimate the ECL.

New accounting pronouncements

Uncertain tax positions - IFRIC 23

In June 2017, the IASB published IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”) effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. On January 1, 2019, the Company adopted IFRIC 23 on a modified retrospective basis. The adoption did not have a significant impact on the corporation's financial results.

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. 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.

(US Dollars in thousands)

NOTE 4 - REVERSE TAKE OVER:

Completion of the Qualifying Transaction with Sagittarius

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

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

Pursuant to the Securities Exchange, all shareholders of Irri-Al-Tal exchanged their IAT Shares for post-consolidated Common Shares of Sagittarius on a 1:2 basis and the convertible securities of Irri-Al-Tal were exchanged for corresponding securities of Sagittarius on a 1:2 basis. At the same time, Sagittarius changed its name from "Sagittarius Capital Corporation" to "Water Ways Technologies Inc."

The fair value of the consideration is as follows:

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

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

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

NOTE 4 - REVERSE TAKE OVER (CONT.):

Consequently, the historical results of operations are those of Irri-Al-Tal. Since Water Ways' operations do not constitute a business, the acquisition of Water Ways is not a business combination pursuant to IFRS 3 and the transaction is accounted for as a reverse takeover of the publicly traded company. The reverse takeover will be accounted for under IFRS 2 Share-based Payments. Accordingly, the acquisition of Water Ways is accounted at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments of the Irri-Al-Tal would have had to issue to the owners of Sagittarius to effect the transaction. The difference between the net assets acquired and the fair value of the consideration granted will be treated as a listing expense.

NOTE 5- Acquisition of HEARTNUT GROVE INC assets:

On June 17, 2019, the Company announced that it had closed its previously announced acquisition of certain assets of Heartnut Grove Inc. ("**Heartnut**"), 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 ("**HGWWT**"). to acquire those certain Heartnut assets including its customer base, inventory, certain equipment and goodwill for total consideration of $382 payable as follows:

- $363 was paid in cash and;
- $19 was paid by issuance of 178,571 Common Shares, at market value of CAD0.14 per Common Share.

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

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

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

Based on the above, the Company determined that the purchase price exceeded the fair values of assets acquired by approximately $129, which is recognized as goodwill. Upon the purchase price allocation, an amount of $153 was allocated to customer list to be amortized over six - year period.

NOTE 5- Acquisition of HEARTNUT GROVE INC assets (CONT.):

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.

The contribution of HGWWT results to the Company's consolidated revenues were $379 and consolidated loss were $146 thousand loss, for the period from June 15, 2019 to December 31, 2019.

The pro forma financial information presented below is for informational purposes only, is subject to a number of estimates, assumptions and other uncertainties, and is not indicative of the results of operations that would have been achieved if the transaction had taken place at January 1, 2019. The pro forma financial information is as follows:

	For the year ended December 31, 2019
	(in thousands)
	Pro forma
	Unaudited
Total revenues	11,262
Net loss attribute to the Company	2,328

NOTE 6 - OTHER ACCOUNTS RECEIVABLE:

	For the year ended December 31	
	2019	**2018**
Prepaid expenses	342	1,004
Advances to suppliers	23	66
Government authorities	194	51
Shareholder (Note 16)	27	-
Other	645	212
	1,231	1,333

(US Dollars in thousands)

NOTE 7 - INVENTORY:

	For the year ended December 31	
	2019	**2018**
Finished goods	850	660
products in transit and prepayments	2	-
Total	852	660

NOTE 8 - INVESTMENT IN ASSOCIATED COMPANY:

On July 20, 2017, the Company purchased a 50% interest in Kama Agrarian Ltd. ("**Kama**") a company incorporated in consideration for $180. The investment is accounted based on the equity method. Kama is engaged in development of organic agriculture projects internationally.

On March 26, 2018 Kama allocated 22 ordinary shares in the capital of Kama, which is equivalent to a 5% interest in Kama, to Yanai Information Resources Management and Business Consulting Ltd. ("**Yanai**"), a third party unrelated to the Company. As a result of this transfer to Yanai, the Company's ownership in Kama was reduced to 45%.

On June 17, 2019, the Company sold its shares (45%) in Kama Agrarian Ltd. For an amount of $172.

As a result the company recorded a capital loss of $16.

The sale of associated Company records against other accounts receivable**.** The amount due will be received in several installments during the period of 5 years.

(US Dollars in thousands)

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Machinery and Equipment	Leasehold improvements	Motor Vehicles	Office Equipment	Rights of Use-Lease	Total
Cost						
As of January 1, 2018	138	84	210	67	-	499
Additions	14	11	52	2	-	79
Disposal	-	-	(33)	-	-	(33)
As of January 1, 2019	152	95	229	69	-	545
Additions	21	6	43	6	90	166
Disposal	-	-	(31)	-	-	(31)
As of December 31, 2019	173	101	241	75	90	680
Accumulated depreciation						
As of January 1, 2018	116	79	88	37	-	320
Additions	9	2	31	4	-	46
Disposal	-	-	(33)	-	-	(33)
As of January 1, 2019	125	81	86	41	-	333
Additions	13	4	30	4	8	60
Disposal	-	-	(11)	-		(11)
As of December 31, 2019	138	85	105	45	8	382
Book value, net:						
As of December 31, 2019	35	16	136	30	81	298
As of December 31, 2018	27	14	143	28	-	212

(US Dollars in thousands)

NOTE 10 - OTHER ACCOUNTS PAYABLE:

	For the year ended December 31	
	2019	2018
Advances from customers	10	-
Government authorities	54	128
Vacation accrual	76	77
Employee related liabilities	68	48
Other	60	15
	269	268

NOTE 11 – LOANS:

A. Composition:

	Year ended December 31, 2019	Year ended December 31, 2018
Long term loans	1,777	757
Less – current portion and short-term loans	(1,661)	(550)
Total long-term portion of loans	116	207

Long-term loans from banks are due as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
First year (current portion)	1,661	550
Second year	87	103
Third year	29	99
Fourth year and thereafter	-	5
Total long-term loans	1,777	757

NOTE 11 – LOANS (CONT.):

B. Details of the long-term loans:

1. On May 29, 2016, the Company secured a loan in the amount of $130, which bears an interest rate equal to Prime plus 3.5% interest per annum. The loan will be repaid in 72 monthly installments ending on May 29, 2022. The company had restricted cash on amount of $36 that restricted to this loan until the total repayment of loans which have a balance of $73 as of December 31, 2019.
2. On August 15, 2016, the Company secured a loan in the amount of $18, which bears an interest rate equal to Prime plus 2.5% interest per annum. The loan will be repaid in 60 monthly installments ending on July 15, 2021.
3. On November 4, 2016, the Company secured a loan in the amount of $29, which bears an interest rate equal to Prime plus 2.1% interest per annum. The loan will be repaid in 60 monthly installments ending on November 3, 2021.
4. On October 13, 2016, the Company secured a loan in the amount of $157, which bears an interest rate equal to Prime plus 4.3% interest per annum. The loan will be repaid in 60 monthly installments ending on October 13, 2021. The company had restricted cash on amount of $38 that restricted to this loan until the total repayment of loans which have a balance of $68 as of December 31, 2019.
5. On June 12, 2017, the Company secured a loan in the amount of $127, which bears an interest rate equal to Prime plus 4.2% interest per annum. The loan will be repaid in 60 monthly installments ending on June 13, 2022. The company had restricted cash on amount of $38 that restricted to this loan until the total repayment of loans which have a balance of $69 as of December 31, 2019.
6. On July 10, 2017, the Company secured a loan in the amount of $18, which bears an interest rate equal to Prime plus 4.3% interest per annum. The loan will be repaid in 36 monthly installments ending on July 10, 2020.
7. On May 16, 2019, the Company secured a loan in the amount of $756, which bears an interest rate equal to Prime plus 6.24% interest per annum. On August 14, 2019, the Company had made an early repayment of $286.The remaining loan balance will be repaid in one installment on May 16, 2020.
8. On August 15, 2019, the Company secured two loans: a) Loan in the amount of $286, which bears an interest rate equal to Prime plus 6.01% interest per annum. The loan is being repaid in 12 monthly installments ending on September 20,2020. b) Loan in the amount of $200, which bears an interest rate equal to Prime plus 6.01% interest per annum. The loan is being repaid in one installment on January 6, 2020.
9. On November 7, 2019, the Company secured a loan in the amount of $130, which bears an interest rate equal to Prime plus 5.61% interest per annum. The loan will be repaid in 12 monthly installments ending on December 7, 2020.
10. On December 10, 2019, the Company secured a loan in the amount of $300, which bears an interest rate equal to Prime plus 5.72% interest per annum. The loan will be repaid in 12 monthly installments ending on January 10, 2021.

(US Dollars in thousands)

NOTE 11 – LOANS (CONT.):

The covenants relating to the loans and credit facilities are comprised of the following:

- In 2017 the shareholder's equity shall not be less than 10% of total liabilities and shareholder's equity;
- In 2018 the shareholder's equity shall not be less than 15% of total liabilities and shareholder's equity;
- In 2019 the shareholder's equity shall not be less than 20% of total liabilities and shareholder's equity;
- The ratio between the net short term financial debt and the operating working capital shall not exceed 70%;
- Restriction on repayments of shareholder's loan;
- Certain restrictions on CEO's salary of the CEO.

As of the date hereof, the Company was in compliance in all material respects with the covenants.

NOTE 12 – LIENS AND COMMITMENETS:

A. Liens

1. Three of the Company's motor vehicles are pledged as security to the banks and financial Institutions who granted the loans for the purchase of the motor vehicles. The total amount of the loans secured by the Company’s motor vehicles is $23. The pledges are in place until the loans have been repaid.
2. The Company recorded a floating charge over all the Company’s assets in favor of an Israeli bank.
3. The Company recorded a first charge over the assets of the Company in the amount of $280 to an Israeli bank until the total repayment of loans which have a balance of $133 as of December 31, 2019.

B. Leases

The Company leases its office facilities and warehouses under operating leases. Total rent expense under these operating leases was $83 and $83 for the years ended December 31, 2019, and 2018, respectively.

The lease end at July 31, 2020.

NOTE 13 – TRADE PAYABLES:

	For the year ended December 31	
	2019	**2018**
Open accounts	2,596	2,366
Checks payable	106	97
	2,702	2,463

NOTE 14 – SHAREHOLDERS' EQUITY:

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

A. Share Issuances to Consultants for Services Rendered ("consultant's shares")

On April 8, 2018, Irri-Al-Tal issued 1,653,571 IAT Shares to a consultant in respect of services rendered pursuant to a consulting agreement.

On April 8, 2018, following the completion of the Initial Private Placement, Irri-Al-Tal issued 2,068,390 IAT Shares to consultants in respect of services rendered to Irri-Al-Tal.

On March 6, 2019 all the consultant's shares in Irri-Al-Tal were exchanged to 7,172,369 Common Shares. In accordance with IFRS 2 - Share-Based Payments, since the fair value of these services cannot be measured reliably, the fair value of the services received were measured at fair value based on third party valuation of the instruments issued at an amount of $361. The valuation utilized a Monte Carlo based risk neutral model. The model was designed to simulate both the fair value of the company's assets, as well as the fair value of all the claims on these assets over time.

B. Qualifying Transaction

Water Ways completed an Offering of 11,272,500 Units for gross proceeds of CAD$2,818,125. The Offering was conducted by Leede Jones Gable Inc. ("**Leede**"), which acted as a lead agent for the Offering. Each Unit was comprised of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one Common Share (a "**Warrant Share**") at CAD$0.40 per Warrant Share until March 6, 2021. If the closing price of the Common Shares on the Exchange is equal to or greater than CAD$0.75 for any 20 consecutive trading days, the Company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. In connection with the Offering, Sagittarius has paid the following: (i) a cash commission of CAD$ 225; (ii) a corporate finance fee of CAD$40; and (iii) 901,800 non - transferable broker warrants (each, a "**Broker Warrant**"). Each Broker Warrant entitles the holder to one Common Share at a price of CAD$0.50 until March 6, 2021.

Immediately prior to the closing of the Securities Exchange, Irri-Al-Tal completed a non-brokered private placement ("**Concurrent Private Placement**") of IAT Units raising gross proceeds of CAD$291. Each IAT Unit was issued at a price of CAD$0.50 and was comprised of IAT Share and one-half of one ordinary share purchase warrant ("**Concurrent Warrant**"). Each whole Concurrent Warrant entitled the holder thereof to acquire one ordinary share at a price of CAD$0.80 per share until March 5, 2021. The securities issued in connection with the Concurrent Private Placement were exchanged into Common Shares and Warrants of Sagittarius, respectively, on the 1:2 basis in accordance with the terms of the Securities Exchange Agreement.

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

B. Qualifying Transaction (CONT.)

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

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

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

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

Security	Number Outstanding
Ordinary shares	89,589,222

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

A summary of the status of the Company's option plan granted to employees as of December 31, 2019 and changes during the relevant period ended on that date is presented below:

	Period ended December 31, 2019		Year ended December 31, 2018	
	Number of options	Weighted average Exercise price	Number of options	Weighted average Exercise price
Outstanding at beginning of year	-	-	-	-
Granted	3,973,527	CAD$0.25	-	-
Exercised	-	-	-	-
Forfeited and cancelled	-	-	-	-
Outstanding at end of the period	3,973,527	CAD$0.25	-	-
Exercisable options	1,515,193	CAD$0.25	-	-

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

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

The options to employees outstanding as of December 31, 2019 are comprised, as follows:

Exercise price	Outstanding as of December 31, 2019	Weighted average remaining contractual term	Exercisable as of December 31, 2019	Weighted average remaining contractual term
		(years)		(years)
CAD$0.25	1,000,000	4.17	375,000	4.17
CAD$0.25	2,750,000	4.48	916,666	4.8
CAD$0.25	223,527	4.48	223,527	4.48
	3,973,527		1,515,193	

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

1,000,000 options with a CAD$0.25 exercise price per share to its directors in eight equal amounts at the end of every quarter, commencing with the quarter ended March 31, 2019. The options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

2,750,000 options with a CAD$0.25 exercise price per share to its employees in 3 equal portions, commencing June 19, 2019. The options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

223,527 options with a CAD$0.25 exercise price per share to a consultant commencing June 19, 2019. The options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. The fair value was based on the received financial instruments and not according to the fair value of the services rendered. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

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

4. Derivative liability - Warrants:

Each warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the periods presented:

Warrant activity	Exercisable at December 31, 2018	Weighted average exercise price
Balance – Beginning of Period	-	-
Issued in the RTO Private Placement (note 4B)	5,000,000	CAD$0.31
Issued to brokers for RTO Private Placement (note 4B)	1,200,000	CAD$0.31
Balance – End of Period	**6,200,000**	**CAD$0.31**

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

The following table summarizes information about outstanding warrants as at December 31, 2019 and December 31, 2018:

Date of issuance	Date of expiry	Weighted average exercise price	Exercisable at December 31, 2019
April 16, 2018	March 06, 2021	CAD$0.31	4,930,862
May 29, 2018	March 06, 2021	CAD$0.31	1,269,138
March 06, 2019	March 06, 2021	CAD$0.31	7,120,941
			13,320,941

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

(US Dollars in thousands)

NOTE 14 – SHAREHOLDERS' EQUITY (CONT.):

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

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

	Warrants
Warrants as of January 1, 2018	-
Receipts of Warrants	(48)
Change in fair value	(21)
Warrants as of December 31, 2018	(69)

NOTE 15– SEGMENT REPORTING:

The Company identified Mr. Haber who is the Company's CEO 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 manner in which the Company's operations are managed and the availability of separate financial information. The Company has two operating segments: products segment and project-services segment.

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

(US Dollars in thousands)

NOTE 15– SEGMENT REPORTING (CONT.):

For the year ended December 31, 2019:

	HGWWT Products	Irri-Al-Tal Products	Irri-Al-Tal Project Services	Water Ways Project Services	Company Total
Revenues	380	5,071	4,173	4	9,628
Cost of revenues	325	4,416	3,681	*	8,422
Segment gross profit	55	655	492	4	1206
Non-allocated expenses					3,582
Finance expenses, net					49
Share in loss of an associated company					10
Profit (loss) before provision for income taxes:					**(2,435)**

Non-current assets as of December 31, 2019:

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

For the year ended December 31 2018:

	Products	Project Services	Company Total
Revenues	5,707	6,382	12,089
Cost of revenues	5,044	5,204	10,248
Segment gross income	663	1,178	1,841
Non-allocated expenses			1,228
Finance expenses, net			68
Share in profits of an associated company			2
Profit before provision for income taxes:			**547**

(US Dollars in thousands)

NOTE 15– SEGMENT REPORTING (CONT.):

Non-current assets as of December 31, 2018:

	HGWWT	Irri-Al-Tal	Water Ways	Company Total
Deferred tax asset	-	18	-	18
Investments in associated company	-	181	-	181
Property, plant and equipment, net	-	212	-	212

NOTE 16 – REVENUES:

1. **Geographic Areas Information:**

The following present total revenues for the years ended December 31, 2019 and 2018:

	For the year ended December 31	
	2019	2018
Africa	422	3,096
South and Central America	4,277	6,828
Asia	3,197	98
Europe	206	436
Israel	1,105	1,478
Others	421	153
	9,628	12,089

2. **Principal Customers:**

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

	For the year ended December 31	
	2019	2018
Customer A	18%	18%
Customer B	12%	15%
Customer C	12%	12%

(US Dollars in thousands)

NOTE 17 – COST OF REVENUES:

	For the year ended December 31	
	2019	2018
Cost of goods	7,441	8,873
Salary and related expenses	369	541
Others	612	834
Total	8,422	10,248

NOTE 18 - SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

	For the year ended December 31	
	2019	2018
Salary and related expenses	1,053	759
Office expenses	164	84
Professional services	490	90
Depreciation	68	47
Other	583	248
	2,358	1,228

NOTE 19 – FINANCIAL:

Financial expenses

	For the year ended December 31	
	2019	2018
Currency Translation differences	(16)	7
Revaluation of derivatives		22
Bank fees and Credit cards	162	43
Total	146	72

Financial income

	For the year ended December 31	
	2019	2018
Interest rate deposits	1	4
Revaluation of derivatives	96	-
Total	97	4

(US Dollars in thousands)

NOTE 20 - TAXES ON INCOME

A. Tax rate applicable in Israel:

Israeli corporate tax rates are 23% in 2019 and 23% in 2018.

On December 2016, the Israeli 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.

B. Tax reconciliation:

	For the year ended December 31	
	2019	**2018**
Profit (loss) before tax	(2,435)	547
Corporate statutory tax rate	23%	23%
Theoretical tax charge at applicable corporate statutory rate	(560)	126
Effect of expenses that are not deductible in determining taxable profit	203	-
Loss of securities without creating deferred tax	202	-
Change in deferred taxes on temporary differences	59	4
Previous year tax	27	-
Others	3	-
Income tax expenses	(66)	130

C. Provision for Taxes:

	For the year ended December 31	
	2019	**2018**
Current year tax	(152)	126
Deferred tax	35	4
Previous year tax	51	-
	(66)	130

NOTE 20 - TAXES ON INCOME (CONT.):

D. Deferred tax assets (liabilities):

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

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

	Balance – January 1, 2018	Recognized in profit or loss	Balance - December 31, 2018
	USD in thousands		
Temporary differences:			
Provisions for employee benefits	22	(4)	18
Total	22	(4)	18
Tax losses	-	-	-
Total	22	(4)	18

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.

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	Nature	For the year ended December 31, 2019	For the year ended December 31, 2018
		(US$ in thousands)	
Branson Corporate Services Ltd. *	Bookkeeping Services Fees	18	8
Fogler, Rubinoff LLP **	Legal Fees	90	-
FMI Capital Advisory Inc. *	Consulting Fees	41	-
Director - Ronnie Jaegermann	Consulting Fees	59	41

Payable related party :

Related Party	Nature	As of December 31, 2019	As of December 31, 2018
		(US$ in thousands)	
Branson Corporate Services *	Bookkeeping Services Fees	2	27
Fogler Rubinoff LLP **	Legal Fees	-	65
FMI Capital Advisory Inc. *	Accrued Consulting Fees	-	11
Director - Ronnie Jaegermann	Various Expenses	10	9

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

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

On the June 25, 2019 the Company granted incentive options ("Options"), issuable pursuant to the Plan, to all directors.

Each director received 200,000 options which vest in 8 equal amounts over a two year period. All of the Options have an exercise price of CAD$0.25.

There was no remuneration paid to directors and key management personnel during the periods ended December 31, 2019 and 2018.

(US Dollars in thousands)

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

The following transactions arose with related parties:

	For the year ended December 31	
	2019	**2018**
Management fees paid to the CEO	314	280

Management fees paid to:

	For the year ended December 31	
	2019	**2018**
Management fees paid to the CFO	146	113
Management fees paid to the CTO	104	94
Management fees paid to the Vice President of Operations and Projects	182	301

Receivables from related parties:

	As of	
	December 31 2019	**December 31 2018**
Balances owed by (to) the CEO	27	(6)

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

(US Dollars in thousands)

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

activities of its counterparties and controls the access to its intellectual property which enables it to ensure 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:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	237	233
Restricted Cash	176	167
Trade accounts receivable, net	3,165	3,335
Other accounts receivable	1,231	1,333
Total	**4,809**	**5,068**

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. The Company's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

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

(US Dollars in thousands)

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

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

Assets:	December 31, 2018		
	NIS	EURO	Total
Cash and cash equivalents	(13)	*	(13)
Short term deposit	103	14	117
Trade accounts receivable	148	32	180
	238	46	284

Liabilities:	December 31, 2018		
	NIS	EURO	Total
Short term bank credit	125	-	125
Trade accounts payable	129	-	129
Other accounts payable	285	-	285
	539	-	539

* Represent an amount lower than 1 thousand.

Sensitivity analysis

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

(US Dollars in thousands)

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

Sensitivity analysis (cont.)

	2019	2018
Linked to NIS	370	(301)
	10%	10%
	37	(30)
Linked to CAD	(70)	-
	10%	10%
	(7)	-
Linked to EURO	(3)	46
	10%	10%
	-	5

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 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, 2019	December 31, 2018
Short term bank credit	1,660	550
Trade accounts payable	2,702	2,463
Other accounts payable	288	268
	4,650	3,281

NOTE 23 – SUBSEQUENT EVENTS:

A. Corona virus (COVID 19)

The world is currently experiencing an event with macroeconomic consequences, originating from the spread of the Corona virus (COVID 19) in many countries around the world (hereinafter - "the Coronavirus" or the "Event"). As a result of the Event, many countries, including Israel, are taking significant steps to try to prevent the spread of the Coronavirus, such as, but not limited to, restrictions on civilian movement, gatherings, transit restrictions on passengers and goods, closing borders between countries. As a result, the Event and the actions taken by the various countries in which the Company operates are having a significant impact on the global economy and commerce.

The following are the effects of corona virus on the company:

1. The company has not experienced any cancellations of existing orders or agreements.
2. Canada - The Company's Canadian business through the newly formed subsidiary HGWWT Wasn't affected significantly by the Corona virus. Coronavirus effects include the company's inability to send technical staff from Israel to support sales of new projects and therefor HGWWT hire local staff to assist.
3. China - As a result of the spread of the Corona virus the Company had no business in China in January and February. In early March this restriction was lifted, and the company was to re-commence operations. The company is at the final stages of establishing its sales subsidiary for the Chinese market and expect direct operations in China to commence in the next weeks.
4. Ethiopia - The Company has received in February, 2020 substantial orders from Ethiopia for both irrigation projects and components. Currently, the projects has not experienced any delays. The Company believes that the effect of the Coronavirus crisis will be minimal on it's operations in Ethiopia..
5. Uzbekistan - The Company's business in Uzbekistan continue to be solid. The Company is deploying two cotton irrigation projects. The Crisis affected the Company's ability to ship components and send technical staff to install the projects. The Company overcame these obstacles buy sending the components by land freight through Turkey which caused a delay and by using local staff in Uzbekistan for installations. The stuff is currently working at the fields.
6. Israel - The Company's projects in Israel remained solid. The Company is deploying in the first half of 2020 two medical cannabis irrigation projects and has not experienced any delays in installations or payments.
7. Peru - The Company's business in Peru came to a standstill in March. The Peruvian government announced in March that it is closing its borders and called on citizens to self-quarantine for 15 days. The borders were opened again at the beginning of April, 2020 and as a result the Company commenced its shipment to Peru.

NOTE 23 – SUBSEQUENT EVENTS (CONT.):

B. <u>The Canadian pipeline and railway protests</u>

Starting in 2020, Canadian pipeline and railway protests were the scene of a series of civil disobedience protests held in Canada. The main issue behind the protests was the construction of the Coastal GasLink Pipeline (CGL) through 190 kilometres (120 mi) of Wet’suwet’en First Nation territory in British Columbia (BC), land that is unceded. Other concerns of the protesters were indigenous land rights, the actions of police, land conservation, and the environmental impact of energy projects.

Many of the disruptions were rail blockades, including one blockade near Tyendinaga Mohawk Territory which halted traffic along a major CNR rail line between Toronto and Montreal and led to a shutdown of passenger rail service and rail freight operations in much of Canada. The Eastern Ontario blockade was itself removed by the Ontario Provincial Police. Blockades and protests continued through early March in BC, Ontario and Quebec.

As a result the Company’s shipments to HGWWT's warehouse were delayed in the first two months of 2020. Since, the Company's containers have resumed regular shipping timelines and delivered to customers on time.