VVT MED INC.

(FORMERLY KNOWN AS DXI CAPITAL CORP.)

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025

VVT MED INC.
(formerly known as DXI Capital Corp.)

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MOORE Israel

LION, ORLITZKY & CO.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
VVT MED INC.

Opinion

We have audited the consolidated financial statements of VVT MED INC. (the Company), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025 and 2024 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards).

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.B in the financial statements, which indicates that since its establishment the Company has not generated significant revenues from sales and as of December 31, 2025 and 2024, the Company had incurred a retained deficit of $24,638 and $20,662, respectively.

The Company expects to continue to fund its operations through financing activities and through revenues from customers. The Company is taking action in order to obtain additional sources of financing in order to enable the continuation of the Company's operations beyond the abovementioned period. In light of the aforesaid, there are significant doubts regarding the Company's continued existence as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reverse Takeover Transaction

Key Audit Matter Description

As described in Note 1 to the financial statements, on July 22, 2025, a transaction was completed, pursuant to which VVT MED INC. became the full owner of V.V.T. MED LTD.

Management determined that the transaction represented a Reverse Take Over (RTO) in which V.V.T. MED LTD. was the accounting acquirer and VVT MED INC. – the accounting acquiree. For the RTO transaction, significant judgment was required in determining whether the transaction met the definition of a business combination under IFRS 3 Business Combinations, or whether the transaction was to be assessed under IFRS 2 Share-based Payment. Significant judgment of what comprised consideration paid was required by management, and significant estimation was needed to determine the fair value of the consideration paid and the identifiable assets and liabilities acquired. Given the judgment required to determine the applicable accounting treatment for the transaction, together with the estimation uncertainty regarding the fair value of consideration, identifiable assets and liabilities, this was considered to be a key audit matter.

Audit Response

We responded to this matter by performing audit procedures in relation to the RTO. Our audit work in relation to this included, but was not restricted to, the following:

- Analyzed the signed share exchange agreements to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations;
- Assessed the appropriateness of management's judgment that the transaction falls outside the scope of IFRS 3 Business Combinations and is considered a share-based payment transaction in accordance with IFRS 2 Share-based Payment;
- Evaluated fair value of consideration paid, including shares issued and share-based payment recognized;
- Evaluated reasonableness of management’s valuation and significant assumptions and inputs;
- Performed procedures to evaluate the appropriateness of the fair value of the net assets acquired; and
- Assessed the appropriateness of the disclosures relating to the RTO and consideration transferred in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Shlomo Udem.

Lion Orlitzky & Co.

Lion Orlitzky & Co.
Certified Public Accountants (Israel).

Bnei Brak, Israel
June 29, 2026

VVT MED INC.
(formerly known as DXI Capital Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	Note	December 31, 2025	December 31, 2024
CURRENT ASSETS:			
Cash and cash equivalents		145	104
Trade accounts receivables		32	25
Other accounts receivables		36	22
Inventory	4	283	219
Total current assets		**496**	**370**
NON-CURRENT ASSETS:			
Long-term deposit		43	38
Right of use assets	5	355	371
Plant and equipment	6	22	18
Prepaid issuance costs	10,19	-	188
Total non-current assets		**420**	**615**
TOTAL ASSETS		**916**	**985**
CURRENT LIABILITIES:			
Current portion of lease liabilities	7	209	165
Short-term loans	8	602	768
Convertible debentures – Series A	9	-	3,109
Convertible debentures – Series B	9	-	453
Convertible short-term loan	10	-	1,170
Derivative liability	11	205	61
Trade accounts payables		1,095	504
Other accounts payables	12	380	479
Total current liabilities		**2,491**	**6,709**
NON-CURRENT LIABILITIES:			
Lease liabilities	7	245	286
Non-convertible long-term loan	13	-	370
Total non-current liabilities		**245**	**656**
TOTAL LIABILITIES		**2,736**	**7,365**
SHAREHOLDERS' DEFICIT:	14		
Share capital		22,932	13,5595
Currency translation reserve		(335)	47
Capital reserve on share-based payment		221	640
Retained deficit		(24,638)	(20,662)
Total shareholders' deficit		**(1,820)**	**(6,380)**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**916**	**985**

June 29, 2026	*"Yair Aloni"*	*"Stephen Gledhill"*
Date of the approval of the financial statements	Yair Aloni Chairman of the Board of Directors	Stephen Gledhill Director and Chairman of the Audit Committee

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

VVT MED INC.
(formerly known as DXI Capital Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(US Dollars in thousands, except for share and per share amounts)

		Year ended December 31	
	Note	**2025**	**2024**
Revenues		89	492
Cost of revenues	16	(26)	(118)
Gross profit		**63**	**374**
Research and development expenses	17	(451)	(263)
General and administrative expenses	18	(2,073)	(1,191)
Sales and marketing expenses		(124)	(26)
Listing expenses	19	(2,350)	-
Other income		-	10
Operating loss		**(4,935)**	**(1,096)**
Financing income	11	1,531	468
Financing expenses		(572)	(412)
Loss before taxes on income		**(3,976)**	**(1,040)**
Taxes on income	21	-	-
Loss for the year		**(3,976)**	**(1,040)**
Other comprehensive profit (loss):			
Item that will not be reclassified to profit or loss:			
Exchange rate differences		(382)	16
Total comprehensive loss for the year		**(4,358)**	**(1,024)**
Basic and diluted loss per share attributable to shareholders:		(0.081)	(0.038)
Weighted average number of common shares outstanding*:		49,084,371	27,345,794

*The share split has been retroactively presented in all periods for both common and preferred shares (see Note 1(C))

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

VVT MED INC.
(formerly known as DXI Capital Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(US Dollars in thousands, except number of shares)

	Number of shares*	Share capital	Capital reserve on share-based payment	Retained deficit	Currency translation reserve	Total
Balance at January 1, 2025	**2,562,291**	**13,595**	**640**	**(20,662)**	**47**	**(6,380)**
Net loss	-	-	-	(3,976)	-	(3,976)
Other comprehensive loss	-	-	-	-	(382)	(382)
Total comprehensive loss	**-**	**-**	**-**	**(3,976)**	**(382)**	**(4,358)**
Adjustment of shares due to RTO	28,105,356	-	-	-	-	-
Option exercise	4,394,644	424	(419)	-	-	5
Issued shares of due to Series A and Series B conversion	15,455,362	4,438	-	-	-	4,438
Warrants exercised	293,250	76	-	-	-	76
Fair value of reverse takeover	2,053,571	1,896	-	-	-	1,896
Issued shares of EAC in the RTO including subscription receipts	14,068,876	2,503	-	-	-	2,503
Balance at December 31, 2025	**66,933,350**	**22,932**	**221**	**(24,638)**	**(335)**	**(1,820)**

* See Note 14 for number of shares details

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

VVT MED INC.
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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(US Dollars in thousands, except number of shares)

	Number of Shares	Share capital	Capital reserve on share-based payment	Retained deficit	Currency translation reserve	Total
Balance at January 1, 2024	**2,562,291**	**13,543**	**692**	**(19,622)**	**31**	**(5,356)**
Net loss	-	-	-	(1,040)	-	(1,040)
Other comprehensive income	-	-	-	-	16	16
Total comprehensive loss	**-**	**-**	**-**	**(1,040)**	**16**	**(1,024)**
Option exercise		52	(52)	-	-	*
Balance at December 31, 2024	**2,562,291**	**13,595**	**640**	**(20,662)**	**47**	**(6,380)**

* Represents an amount lower than one thousand

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

VVT MED INC.
(formerly known as DXI Capital Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollars in thousands)

	Year ended December 31	
	2025	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(3,976)	(1,040)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Reverse takeover transaction cost (Appendix A)	1,955	-
Depreciation	3	3
Financing expenses	469	136
Amortization of a right of use asset	149	98
Change in fair value of derivatives	(1,528)	(36)
Decrease (increase) in trade receivables	7	5
Increase in other receivables	(10)	(2)
Increase in inventory	(29)	(23)
Increase in short-term deposit	-	15
Increase in long-term deposit	-	2
Increase (decrease) in trade payables	(14)	(67)
Decrease in other payables	(187)	(2)
Net cash used in operating activities	**(3,161)**	**(911)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(4)	-
Net cash used in investment activities	**(4)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of lease liabilities	(180)	(135)
Receipt of loans	106	711
Repayment of loans	(259)	-
Proceeds from warrant exercises	2	-
Cash received through reverse takeover completion (Appendix A and B)	2,234	-
Proceeds from convertible debenture - Series B	1,120	383
Option exercise	4	1
Net cash provided by financing activities	**3,027**	**960**
Effect of foreign exchange rate and currencies on cash	**179**	**(16)**
Increase in cash and cash equivalents	**41**	**33**
Cash and cash equivalents at beginning of the year	**104**	**71**
Cash and cash equivalents at the end of the year	**145**	**104**

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

VVT MED INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS - APPENDICES
(US Dollars in thousands)

SIGNIFICANT NON-CASH ACTIVITIES:

	For the year ended December 31	
	2025	**2024**
Right-of-use asset and lease liability	81	-
Conversion of convertible debentures to Common shares	5,235	-

Appendix A – Reverse takeover transaction cost:

	July 22, 2025
Other accounts receivables	(4)
Trade accounts payables and accruals	52
Other Current Liabilities	21
Fair value of consideration of 4,615,862 VVT Med Inc. Shares at CAD$0.56	1,896
Reverse takeover transaction cost – see Note 19	(1,955)
Cash received	**10**

Appendix B – EAC amalgamation

	July 22, 2025
Convertible and non-convertible loan	(1,800)
Accounts receivable	(12)
Subscription receipts	2,857
Accounts payables	566
Other payables and accruals	12
Capital Share	601
Cash received	**2,224**

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

NOTE 1 – GENERAL

A. Nature and continuance of operation

VVT MED INC. (formerly known as DXI Capital Corp.) (the "**Company**" or "**VVT Med Inc.**") is a public company trading on the TSX Venture Exchange ("**TSXV**" or the "**Exchange**") in Canada under the symbol of "VVTM". The address of its registered office is 404 – 999 Canada Place, Vancouver, British Columbia. The Company and its business as presented are the result of the Reverse Takeover Transaction (the "**RTO**") of VVT MED INC. by V.V.T. MED LTD ("**VVT**") (see Note 1C).

V.V.T. MED LTD is an Israeli-based private company incorporated under the laws of the State of Israel on June 14, 2007, company number 513991166. VVT’s head and registered office is located at Hasadna 6, Kfar-Saba, Israel. VVT is a medical device company that develops, manufactures, and commercializes minimally invasive, non-thermal, non-tumescent solutions for the treatment of varicose veins. VVT’s products, which received the Food and Drug Administration (the "**FDA**") approval, have a wide range of competitive advantages over alternatives, including fast and painless treatment without anesthesia and immediate results and recovery.

B. Going concern

Since its establishment, the Company has not generated significant revenues from sales. As of December 31, 2025 and 2024, the Company had incurred a retained deficit of $24,638 and $20,662, respectively. The Company expects to continue to fund its operations through financing activities and through revenues from customers. The Company is taking action in order to obtain additional sources of financing in order to enable the continuation of the Company's operations beyond the abovementioned period. These sources may include, inter alia: (a) business development activity, which is intended for the performance of a strategic move; (b) a public recruitment of equity or debt; (c) the start of sales and the expansion of the marketing activity for its products and the imbedding thereof in the markets; and (d) the receipt of government grants for development projects. In light of the aforesaid, there are significant doubts regarding the Company's continued existence as a going concern. The consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company were unable to continue as a going concern.

C. Reverse takeover of VVT Med Inc.

1) On October 1, 2024, the Company entered into a definitive agreement dated September 30, 2024 (the "**Definitive Agreement**") with:
   - (i) V.V.T. MED LTD; and
   - (ii) EXITEAM ACQUISITION CORP. ("**EAC**"), a Canadian company incorporated under the BCBCA on March 19, 2020. Its principal business activity is raising funds for VVT's Transaction (as defined below);

NOTE 1 – GENERAL (CONT.)

Pursuant to the Definitive Agreement, the Company has agreed to acquire all of the issued and outstanding shares in the capital of VVT (the "**VVT Shares**") and EAC (the "**EAC Shares**"), as well as all other issued securities of VVT and EAC (the "**Transaction**"). Following the completion of the Transaction, the Company (the "**Resulting Issuer**") continued the business of VVT, being a new medical treatment for varicose veins and will be listed on the TSXV under the life sciences sector. For further information regarding the Transaction see Note 19.

As at December 31, 2025, EAC has not yet completed its formal dissolution in accordance with applicable laws. It is expected that the dissolution will be completed by the end of the current year.

2) On July 22, 2025, the Transaction was completed according to the terms of a Definitive Agreement pursuant to which (i) the Company acquired all of the issued and outstanding securities of EAC by way of a three-cornered amalgamation with a wholly-owned subsidiary of the Company under the laws of the Province of British Columbia; and (ii) the Company acquired all of the issued and outstanding securities of VVT pursuant to a share exchange agreement entered into among the Company and each of VVT's securityholders. Following the Transaction, each common share of the Company was reversed split in a 4.67 exchange ratio. As consideration, each VVT Share was exchanged for Company Shares on the basis of the exchange ratio for the VVT Shares set out in the Definitive Agreement (each VVT Share equivalent to 3.226 Company Shares). Each EAC Share was exchanged for one VVT MED INC. Share.
3) On July 31, 2025, at market open, the Company Shares commenced trading on the TSX Venture Exchange under the symbol "VVTM".

D. Since October 7, 2023, Israel has been engaged in armed conflict with Hamas, a terror militant group in the Gaza Strip, alongside ongoing hostilities with Hezbollah operating from Lebanon. On June 13, 2025, the conflict escalated into direct military hostilities between Israel and Iran, increasing military activity across the region. Subsequently, on February 28, 2026, Israel and the United States launched coordinated military operations targeting Iran. On April 8, 2026, a suspension of hostilities was announced between the parties involved with Iran conflict. While this development may reduce immediate military activity, the situation in the region remains uncertain and could evolve. These developments have resulted in heightened security tensions and disruptions to business and economic activity throughout the area. Despite these circumstances, the Company has continued to operate its business activities in Israel. The Company continues to monitor the situation closely, as the evolving geopolitical environment may affect economic conditions and business operations in the region.

E. These consolidated financial statements have been approved for filing by the board of directors on June 29, 2026.

NOTE 2 – MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements have been prepared under the historical cost convention except for certain financial liabilities including warrants that do not meet the definition of an equity instrument under IAS 32, which are measured at fair value through profit or loss. The Company has elected to present the consolidated statement of comprehensive income using the function of expense method.

Basis of consolidation

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions and any unrealized income and expenses arising from such transactions are eliminated upon consolidation.

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

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year in which they are identified. Actual results could differ from those estimates.

Functional, presentation and foreign currency

The consolidated financial statements are presented in United States Dollar (the "**USD**$").

The functional currencies of the Company and its subsidiaries, determined based on the primary economic environment in which each entity operates, are as follows:

- The Company - Canadian dollar ("**CAD$**")
- V.V.T. MED LTD - New Israeli Shekel ("**NIS**")
- EXITEAM ACQUISITION CORP. - Canadian dollar

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*". Exchange differences arising from the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss, except for a net investment in a foreign operation, in which case exchange differences are recognized in other comprehensive income and accumulated in the foreign exchange reserve,

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Functional, presentation and foreign currency (cont.)

along with the exchange differences arising from the retranslation of the foreign operation. On consolidation, the results of overseas operations are translated as follows: All assets and liabilities of overseas operations, are translated at the rate prevailing on the reporting date. Exchange differences arising from translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognized in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the cumulative exchange differences recognized in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Transactions and balances have been converted as follows:

- Assets and liabilities – at the rate of exchange applicable at the statements of the financial position date.
- Expense and revenue items – at exchange rates applicable as of the date of recognition of those items.
- Exchange gains and losses from the aforementioned conversion are recognized in the statement of comprehensive income.
- Net exchange differences recognized in other comprehensive income are accumulated in a separate component of the shareholders' equity.

All the amounts in the report, regardless of currency, are referenced in thousands (other than amounts relating to the exercise price of securities or per share amounts).

The following are details of the increase (decrease) in the Consumer Price Index (the "**CPI**") and changes in the exchange rate of the US dollar and the Canadian dollar with respect to the NIS:

	Consumer Price Index (*)	Exchange rate of 1 US dollar	Exchange rate of 1 Canadian dollar
Increase (decrease) in the year:			
2025	2.62%	(12.53%)	(8.19%)
2024	3.24%	0.55%	(7.45%)
As of December 31:			
2025		NIS 3.19	NIS 2.3275
2024		NIS 3.647	NIS 2.535

Inventories

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

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Inventories (cont.)

The net value in use is an estimate of the selling price in the ordinary course of business, less an estimate of the costs to completion and the costs that are required in order to execute the sale. The Company tests the state and the age of the inventory each period and records a provision for slow-moving inventory accordingly.

The cost of the inventory is determined as follows:

- Raw materials – in accordance with the purchase price on a "first in first out" basis.
- Products in progress and finished products – based on the average overall cost of materials, labor and direct and indirect expenses, on a regular production basis.

Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure incurred on development activities including the Company's development is capitalized where the expenditure will lead to new or substantially improved products and only if all the following can be demonstrated:

- The product is technically and commercially feasible.
- The Company intend to complete the product so that it will be available for use or sale.
- The Company has the ability to use the product or sell it.
- The Company has the technical, financial and other resources to complete the development and to use or sell the product.
- The Company can demonstrate the probability that the product will generate future economic benefits.
- The Company is able to measure reliability of the expenditure attributable to the product during the development.

Recognition of costs in the carrying amount of an intangible asset, ceases, when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Capitalized development costs are amortized on a straight-line basis over their estimated useful lives once the development is completed and the assets are 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. As of December 31, 2025, the Company did not fulfill the principles for the capitalization of development costs as an intangible asset for the products under development and accordingly, up to now no asset whatsoever has been recognized for such assets in the consolidated financial statements.

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Plant and equipment

Items of 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 and computer software	33
Plant	10
Office furniture and equipment	6 - 33
Motor vehicles	10

Impairment of non-financial assets

Non-financial 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.

A 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.

Leases

The Company assesses whether a contract considered a lease at the time of the commitment subject to a contract. The Company recognizes a right of use asset and a leasing liability for each lease recognized, except for short-term leasing transactions (for a period of up to 12 months). In such cases, the Company recognizes the leasing payments as an operating expense on a straight-line method over the period of the lease. The period of the lease is the non-cancellable period for which the lessee has the right to use the leased asset, together with:

- The period covered by an option for the extension of the lease, if it is reasonably certain that the lessee will exercise that option, and
- Periods covered by an option for the cancellation of the lease if it is reasonably certain that the lessee will not exercise that option.

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Leases (cont.)

The leasing liability is measured in accordance with the present value of the leasing payments that are not paid at the time of the initiation of the lease, discounted using the interest rate that is inherent in the lease. If this rate cannot be determined readily, the Company uses its own incremental interest rate.

Leasing payments that are included in the measurement of the leasing liability are comprised of the following payments:

- Fixed payments (including payments that are fixed substantively) less any leasing incentives whatsoever;
- Variable index-dependent leasing payments, which are measured initially using the index that exists at the time of the initiation of the lease.

The leasing liability is presented as a separate item under current and non-current liabilities in the statement of financial position.

Thereafter, the leasing liability is measured by increasing the carrying value in the accounting records in order to reflect interest on the leasing liability under the effective interest method and by reducing the carrying value in the accounting records in order to reflect the leasing payments that have been executed.

The cost of the right of use asset is comprised of the amount of the initial measurement of the leasing liability and any leasing payments whatsoever, which were executed at the time of the initiation of the lease or beforehand. Thereafter, the right of use asset is measured at cost less accumulated depreciation and impairment losses.

A right of use asset is presented as a separate item in the statement of financial position. A right of use asset is measured at cost and is depreciated on a straight-line over the shorter of the period of the lease and the useful lifetime of the asset. The depreciation starts at the time of the initiation of the lease.

Fair value measurement

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

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

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

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

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Fair value measurement (cont.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. When there are no quoted prices in active markets for identical assets or liabilities, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of financial instruments by fair value hierarchy

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

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).

Financial instruments

1. Financial assets

(1) General

Financial assets are recognized at the measured in the statement of financial position where the Company becomes a party to the contractual terms of the instrument. Investments in financial assets are recognized initially in accordance with their fair value, with the addition of transaction costs, apart from those financial assets that are measured at fair value through profit and loss category, which are recognized initially in accordance with their fair value. Transaction costs for financial assets at fair value through profit or loss are recognized as an expense in profit or loss immediately.

After the initial recognition, financial assets are measured at amortized cost or at fair value, in accordance with their classification.

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Financial instruments (cont.)

(2) Classification of financial assets:

Debt instruments are measured at amortized cost where the two following conditions are fulfilled:

- The Company's business model is to hold the assets with the objective of collecting the contractual cash flows; and
- The contractual terms of the asset determine exact dates on which the contractual cash flows will be received, and these constitute payments of principal and interest alone.

All of the other financial assets are measured at fair value through profit and loss.

(3) Financial assets that are measured at amortized cost and the effective interest method:

The amortized cost of a financial asset is the amount at which the financial asset is measured at the time of the initial recognition less payments of principal, with the addition or with the deduction of accumulated amortization, using the effective interest method, of any difference whatsoever between the initial amount and the amount of the repayment, as adjusted for any provision for a loss whatsoever.

The effective interest method is a method that is used to calculate the amortized cost of a debt instrument and for the allocation and recognition of interest in profit or loss over the relevant period. Interest income is calculated using the effective interest method. The calculation is performed by implementing the effective interest rate to the gross value of the financial asset in the accounting records.

(4) De-recognition of financial assets

The Company derecognizes a financial asset where and only where:

(a) The contractual rights to the cash flows from the financial asset have expired; or

(b) The Company transfers substantially all of the risks and the benefits that derive from the contractual rights to receive the cash flows from the financial asset or where some of the risks and the benefit remain in the entity's hands at the time of the transfer of the financial asset, but it can be stated that it has transferred the control over the asset; or

(c) The Company leaves the contractual rights to receive the cash flows deriving from the financial assets in its hands, but takes a contractual commitment upon itself to pay these cash flows in full to a third party, without any significant delay.

Where the Company continues to recognize an asset in accordance with the degree of its ongoing involvement therein, the Company also recognized a related liability. The related liability is measured in such a way that the net value of the asset being transferred and the related liability in the accounting records is:

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Financial instruments (cont.)

(a) The amortized cost of the rights and the obligations remaining in the Company's hands, if the asset that is being transferred is measured at amortized cost; or

(b) Equivalent to the fair value of the rights and the obligations remaining in the Company's hands, where these are measured separately, if the asset being transferred is measured at fair value.

2. Financial liabilities

Financial liabilities and capital instruments that have been issued by the Company:

(1) Classification as a financial liability or as a capital instrument

Liabilities and capital instruments, which have been issued by the Group are classified as a financial liability or as a capital instrument in accordance with the substance of the contractual arrangements and the definition of a financial liability and of a capital instrument.

(2) Capital instruments

A capital instrument is any contract evidencing a residual right in the Company's assets after the deduction of all of its liabilities. Capital instruments, which have been issued by the Company are recorded in accordance with the consideration from their issue less expenses attributed directly to the issuance of these instruments.

The self-purchase of the Company's capital instruments is recognized and amortized directly to capital. No gain or loss is recognized on the purchase, sale, issuance or cancellation of the Company's capital instruments.

(3) Financial liabilities:

Financial liabilities are presented and measured in accordance with the following classification:

(a) A financial liability is classified as fair value through profit or loss if it constitutes conditional considerations created in a business combination, which is not classified as capital or which is held for trading purposes or which is designated as a financial liability at fair value through profit or loss. Financial liabilities at fair value through profit and loss are presented in accordance with their fair value, where any gains or losses whatsoever deriving from changes in the fair value are recognized in profit or loss. The net gain or loss includes the interest that has been paid on the financial liabilities and is recorded under financing in the statement of profit or loss.

(b) The rest of the financial liabilities, which are not measured at fair value through profit or loss, are recognized initially at fair value after deducting transaction costs. After the time of the initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Financial instruments (cont.)

The effective interest method is a method for calculating the amortized cost of a financial liability and of the allocation of interest expenses over the relevant credit period. The effective interest rate is the rate that discounts the contractual flows of future cash flows exactly over the expected lifetime of the financial liability to it carrying value in the accounting records, or where appropriate, over a shorter period.

(4) De-recognition of financial liabilities

The Company derecognizes a financial liability where and only where the financial liability is settled, cancelled or expires. The difference between the carrying value of the financial liability, which has been settled, in the accounting records and the consideration that has been paid, is recognized in profit or loss.

3. Hybrid financial instruments

Convertible debentures, which have been issued in foreign currency contain two components: a conversion component and a debt component. The convertible component is a liability component, which is recognized initially as a financial derivative at fair value. The balance is attributed to the debt component. Direct transaction costs are allocated between the convertible liability component and the debt liability component based on the ratio for the allocation of the consideration to each component.

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.

Deferred taxes

A 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 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 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. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Employee benefits

The Company contributes towards the state pension in accordance with local legislation where required. The only obligation of the Company is to make the required contributions. Costs related to such contributions are expensed in the period in which they are incurred. The labor laws in Israel and the Severance Pay Law, 5723 – 1963 (the "**Law**") require the Company to pay severance pay to employees when they are dismissed or when they retire (including employees who leave their place of work under other specific circumstances). The calculation of the contributions for the termination of employee-employer relationships is performed in accordance with the Law, the employment agreement that is in effect and based on the employee's salary. The Company's severance calculation for each employee is based on an 8.33% from its monthly salary.

As of December 31, 2025, all of the Company's employees have signed in accordance with Section 14 of the Law, pursuant to which the Company's routine deposits in pension funds and/or in policies in insurance companies, exempt it from any additional liability to the employees, for whom such amounts have been deposited.

Earnings per share

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

Share-based payments

The Company measures the share-based payments according to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted.

Where the equity instruments do not vest until the employees complete a defined service period, fulfill performance conditions or until a defined market condition is fulfilled, the Company recognizes share based payments arrangements in the consolidated financial statements over the vesting period through shareholders' equity. For share-based payment transactions for parties other than employees the value of the transaction is measured with respect to the fair value of the goods or the services provided.

At the end of every reporting period, the Company estimates the number of the share-based payments that are expected to vest. A change in an estimate relative to previous periods is recognized in profit and loss over the balance of the vesting period.

NOTE 2 – MATERIAL ACCOUNTING POLICIES (CONT.)

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15 - *Revenue from Contracts with Customers*. 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. In assessing the recognition of revenue derived from contracts with customers, the Company evaluates its role as either a principal supplier or an agent within the contractual arrangement. The Company acts as the principal supplier when it exercises control over the goods or services prior to their transfer to the customer. In instances where the Company operates as the principal supplier, it duly records the gross amount of consideration. Should the Company act as an agent, revenue recognition occurs in a net amount, reflecting deductions for amounts owed to the principal supplier. Revenue stemming from the sale of goods is recognized upon the transfer of control over the goods sold to the customer. The Company acknowledges a liability for potential returns in certain transactions, where customers are granted the right to return purchased products. For transactions involving potential returns, revenue recognition aligns with the consideration expected for products unlikely to be returned. Based on management's assessment and the fact that no returns have been historically experienced, the probability of product returns is considered negligible. Consequently, no return liability was recognized in the consolidated financial statements.

New standards, interpretations and amendments not yet effective

In April 2024, the IASB issued IFRS 18 "*Presentation and Disclosure in Financial Statements*" replacing IAS 1 to improve the usefulness of information presented and disclosed in financial statements. IFRS 18 introduces three sets of new requirements. The standard defines categories for income and expenses, such as operating, investing and financing, and requires entities to provide new defined subtotals, including operating profit. IFRS 18 also requires entities that define entity-specific measures that are related to the income statement to disclose explanations of those measures. In addition, it sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes and requires entities to provide more transparency about operating expenses. These new requirements are to improve entities' reporting of financial performance and give investors a better basis for analyzing and comparing entities. The standard carries forward many requirements from IAS 1 unchanged. The standard is effective for annual periods beginning on or after January 1, 2027, with early adoption applicable whereby the Company has decided not to adopt early.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Share-based compensation

The Company has a share-based plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model, at the time of the grant. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see Note 15).

The discount rate for leasing liabilities

The Company is unable to determine the interest rate that is inherent in leasing readily and therefore it uses the Company's incremental interest rate for the purpose of the calculation of the leasing liability. The incremental interest rate that the Company determines constitutes the interest rate that the Company would have to pay on a loan for a similar period to the leasing period and with similar collateral, in order to obtain an asset with a similar value to the right of use asset, which derives from the lease and in a similar economic environment. In situations in which there are no financing transactions that the Company can base itself on, it determines the incremental interest rate in accordance with the financing risk that is attributed to the Company, the period of the lease and additional economic variables deriving from conditions and restrictions that exist in the leasing contract. The Company is assisted by an external appraiser for the purpose of determining the incremental interest rate.

Financial instruments measurement

The Company's most significant areas involving critical estimates and judgments related to financial instruments include:

- Determination of Fair Value - The fair value of financial instruments, where no active market exists, is determined by using valuation techniques. These techniques involve a significant degree of judgment, particularly in selecting the appropriate model and inputs. The Company is assisted by an external appraiser for the purpose of determining the key areas of judgment: discount and interest rates, credit risk, volatility and correlations.
- For derivative instruments, judgments are made regarding the volatility of underlying assets and the correlation between different assets.

(US Dollars in thousands)

NOTE 4 – INVENTORY

	As of December 31	
	2025	2024
Raw materials	180	159
Work in progress	68	32
Finished goods	35	28
Total	**283**	**219**

NOTE 5 – RIGHT OF USE ASSESTS

The Company has leasing agreements in which the Company is the lessee, which include the leasing of a building and motor vehicles. On March 3, 2022, the Company signed an office lease agreement with a third party. The agreement period was for three years with a three-year renewal option. The Company has exercised this option, extending the total lease term to six years (ending in March 2028). In addition, the company leases several vehicles in a three-year leasing agreement.

	Motor vehicles	Building	Total
Cost			
As of January 1, 2024	**93**	**419**	**512**
Additions	157	4	161
Disposal	(68)	-	(68)
Presentation currency adjustments	1	(2)	(1)
As of December 31, 2024	**183**	**421**	**604**
Additions	81	3	84
Presentation currency adjustments	33	61	94
As of December 31, 2025	**297**	**485**	**782**
Accumulated depreciation			
As of January 1, 2024	**79**	**124**	**203**
Additions	32	66	98
Disposal	(68)	-	(68)
Presentation currency adjustments	(1)	1	-
As of December 31, 2024	**42**	**191**	**233**
Additions	78	71	149
Presentation currency adjustments	12	33	45
As of December 31, 2025	**132**	**295**	**427**
Book value, net			
As of December 31, 2025	**165**	**190**	**355**
As of December 31, 2024	**141**	**230**	**371**

(US Dollars in thousands)

NOTE 5 – RIGHT OF USE ASSESTS (CONT.)

Details regarding amounts that have been recognized in profit and loss and in the consolidated statement of cash flows in respect of leasing transactions:

	For the year ended December 31	
	2025	**2024**
Repayment of leasing liabilities	180	135
Income from Sublease	-	10
Depreciation	149	98
Payments of interest on leases	47	44

NOTE 6 – PLANT AND EQUIPMENT

	Computers and computer software	**Machinery**	**Office furniture and equipment and leasehold improvements**	**Total**
<u>Cost</u>				
As of January 1, 2024	**35**	**128**	**158**	**321**
Presentation currency adjustments	-	(1)	(1)	(2)
As of December 31, 2024	**35**	**127**	**157**	**319**
Additions	4	-	-	4
Presentation currency adjustments	5	18	23	46
As of December 31, 2025	**44**	**145**	**180**	**369**
<u>Accumulated depreciation</u>				
As of January 1, 2024	**27**	**128**	**145**	**300**
Additions	1	-	2	3
Presentation currency adjustments	-	(1)	(1)	(2)
As of December 31, 2024	**28**	**127**	**146**	**301**
Additions	1	-	2	3
Presentation currency adjustments	4	18	21	43
As of December 31, 2025	**33**	**145**	**169**	**347**
<u>Book value, net</u>				
As of December 31, 2025	**11**	**-**	**11**	**22**
As of December 31, 2024	**7**	**-**	**11**	**18**

(US Dollars in thousands)

NOTE 7 – LEASE LIABILITIES

A. Composition

	As of December 31	
	2025	**2024**
Total lease liabilities	454	451
Less – current portion of lease liabilities	(209)	(165)
Non-current lease liabilities	**245**	**286**

B. Analysis of the repayment times of capitalized lease payments

	As of December 31	
	2025	**2024**
In the first year	209	170
In the second year	170	155
In the third year onwards	75	126
Total	**454**	**451**

NOTE 8 – SHORT-TERM LOANS

Summary of the short-term loans:

Balance as of January 1, 2024	**213**
Proceeds during the year	200
Proceeds during the year	673
Classified to non-current liabilities	(213)
Classified from non-current liabilities	69
Interest accrued	32
Currency differences	(6)
Balance as of December 31, 2024	**768**
Proceeds during the year	106
Repayment of loans	(259)
Non-Convertible Loan capitalization	(568)
Interest accrued	108
Classified from non-current liabilities	370
Currency differences	77
Balance as of December 31, 2025	**602**

A. On September 12, 2023, VVT entered into a loan agreement with an investor for a principal amount of $200. The loan bears annual interest at a rate of 6% through June 30, 2024, increasing to 8% per annum thereafter. As of December 31, 2025, the Company expects to repay the loan during the year ending December 31, 2026; accordingly, the loan is classified as a current liability.

(US Dollars in thousands)

NOTE 8 – SHORT-TERM LOANS (CONT.)

B. From December 28, 2023 to December 31,2024, the Company took out in various dates a non-convertible loan (the "**Non-Convertible Loan**") from EAC totaling $568. The Non-Convertible Loan carried a nominal interest rate of 5%. As of December 31, 2025, the Non-Convertible Loan balance was capitalized to Equity as part of the RTO.

C. On July 7, 2024, VVT entered into a loan agreement with an investor in the principal amount of $200. The loan bears annual interest at a rate of 15%. During the year ended December 31, 2025, the Company repaid $100 of the principal and $20 of accrued interest. As of December 31, 2025, the remaining principal balance of $100, which the Company expects to repay during 2026; accordingly, the loan is classified as a current liability.

D. On October 22, 2024, VVT entered into a loan agreement with an investor in the principal amount of $118. The loan bore annual interest at a rate of 15%. During the year ended December 31, 2025, the Company fully repaid the loan, consisting of $118 in principal and $14 in accrued interest.

E. On November 27, 2024, VVT entered into a loan agreement with an investor in the principal amount of $50. The loan bears annual interest at a rate of 15%. As of December 31, 2025, the Company expects to repay the loan during 2026; accordingly, the loan is classified as a current liability.

F. On May 5, 2025, VVT entered into a loan agreement with an investor in the principal amount of $100. The loan bears annual interest at a rate of 15%. As of December 31, 2025, the Company expects the loan to be repaid during the year ending December 31, 2026; accordingly, the loan is classified as a current liability.

NOTE 9 – CONVERTIBLE DEBENTURES

Convertible Debentures – Series A

The following are details regarding VVT's Series A (as defined below) that have been issued and converted:

Details	Consideration attributed to liabilities	Consideration attributed to a derivative	Total
Balance as of January 1, 2024	**3,073**	**82**	**3,155**
Interest accrued	215	-	215
Derivative Revaluation	(23)	23	-
Currency differences	(254)	(7)	(261)
Balance as of December 31, 2024	**3,012**	**97**	**3,109**
Interest accrued until conversion	99	-	99
Derivative Revaluation and currency differences	294	(97)	197
Conversion into Ordinary Shares	(3,405)	-	(3,405)
Balance as of December 31, 2025	**-**	**-**	**-**

NOTE 9 – CONVERTIBLE DEBENTURES (CONT.)

Convertible Debentures – Series A (cont.)

1) From August 2021 to December 31, 2023, VVT issued convertible debentures ("**Series A**") to investors, some of which included the issuance of warrants (the "**Series A Warrants**"), with gross proceeds of approximately $2,826 (equivalent to CAD$3,745). The Series A bore an 8% annual interest rate, with the principal and interest convertible into shares of the Company at a discount of 20%-25% on the Transaction price of CAD$0.56. The Series A Warrants have an exercise price of CAD$0.84 and are exercisable for a period of two years from the date of the RTO completion.
2) VVT has recorded a liability in respect of the Series A and the Series A Warrants in reliance upon the measurement of the fair value, which has been performed by an independent external appraiser.
3) On June 15, 2025, all outstanding VVT's Series A, including the accrued interest thereon, were converted into ordinary shares of VVT and on July 22, 2025, to ordinary share of the Company, in accordance with the terms of the debentures. The conversion of the Series A resulted in the issuance of 11,082,395 common shares and 7,807,287 Series A Warrants (see note 11) allowing the holder to purchase one common share of the Company.

Convertible Debentures – Series B

1) From November 2024 to July 15, 2025, VVT issued convertible debentures ("**Series B**") to investors, which included the issuance of warrants (the "**Series B Warrants**"), with total gross proceeds of $1,503 (equivalent to CAD$2,075). The Series B bore a one-time interest of 18%. The Series A Warrants have an exercise price of CAD$0.84 and are exercisable for a period of two years from the date of the RTO completion.
2) The Series B was classified as a liability until conversion occurs. Upon conversion on July 15, 2025, the Series B was reclassified as equity. The Company has assessed that the issuance of the Series B does not create any immediate financial obligation that would significantly impact its liquidity or going concern status.
3) As of December 31, 2024, the closing conditions have not been met yet, as the minimum required amount has not been raised. Therefore, the funds received from the investors have been classified as advance payment toward convertible debentures on the balance sheet. Total amount that had been raised as of December 31, 2024 is $383 (equivalent to CAD$552). In addition, During the year ended December 31, 2024, the Company recognized interest expenses at a rate of 18% on the advances received in respect of Series B. The interest expenses amounted to $68 (equivalent to CAD$99).

(US Dollars in thousands)

NOTE 9 – CONVERTIBLE DEBENTURES (CONT.)

Convertible Debentures – Series B (cont.)

4) On July 15, 2025, following the fulfillment of all closing conditions and in anticipation of the RTO transaction, all outstanding VVT's Series B, including the accrued interest thereon, were converted into ordinary shares of VVT and on July 22, 2025, to ordinary share of the Company, in accordance with the terms of the debentures. The conversion at a conversion price of CAD$0.56 per share of the Series B resulted in the issuance of 4,372,966 common shares and 4,372,966 Series B Warrants (see note 11) allowing the holder to purchase one common share of the Company.

NOTE 10 – CONVERTIBLE SHORT-TERM LOAN

Convertible Loan

The following are details regarding the Convertible Loan (as defined below) and the derivative liability for the years ended December 31, 2025 and 2024:

	Depreciated cost of Convertible Loan	Fair value of derivative liability	Total
As of January 1, 2024	**1,272**	**98**	**1,370**
Change in fair value	-	(15)	(15)
Currency differences	(102)	(22)	(124)
As of December 31, 2024	**1,170**	**61**	**1,231**
Currency differences	61	19	80
Elimination upon consolidation	(1,231)	(80)	(1,311)
As of December 31, 2025	**-**	**-**	**-**

A. On October 30, 2022, VVT signed a Letter of Intent (the "**EAC LOI**") with EAC. Under the terms of the EAC LOI, EAC shall make available to VVT an interest free bridge loan and the proceeds will be used for operating expenses of VVT.

B. During the years ended December 31, 2023 and 2022, EAC advanced (the "**Bridge Advance**") a total of $878 (equivalent to CAD$1,182) and $467 (equivalent to CAD$633), respectively, through a grid promissory note (the "**Convertible Loan**") at various times throughout the year.

   As of December 31, 2023, the Company Bridge Advanced an accumulated amount totaling $1,311 (equivalent to CAD$1,815). Under the terms of the EAC LOI, a portion of the Bridge Advance amounts received by VVT was designated to fund EAC's expenses incurred in connection with the Going Public Transaction. Consequently, the Company recognized these funded amounts as a prepaid issuance costs asset in its statement of financial position.

   As of December 31, 2024, these prepaid issuance costs amounted to $188 (equivalent to CAD$260).

NOTE 10 – CONVERTIBLE SHORT-TERM LOAN (CONT.)

C. During the year ended December 31, 2025, the Company and VVT successfully completed the Reverse Takeover (RTO) Transaction, pursuant to which EAC was amalgamated into the consolidated structure.

   As a result of the amalgamation and the legal structure of the RTO, the pre-existing intercompany relationship was effectively settled. The intercompany balances, consisting of the loan receivable held by EAC and the corresponding Convertible Loan liability, along with its associated embedded derivative liability held by VVT, were eliminated upon consolidation. Given that this transaction represents an internal capital restructuring rather than an extinguishment of debt with a third party, the carrying amounts of the Convertible Loan and derivative liabilities were reclassified and recognized directly within Equity, reflecting the capital reorganization and the net asset contribution of the entities to the consolidated group.

   Concurrently, upon the successful completion of the Transaction and the listing of the shares, the asset representing the related prepaid issuance costs of $188 was determined to have fulfilled its economic purpose. Accordingly, these costs were fully derecognized from the statement of financial position and recognized as a listing/issuance expense directly through Profit or loss during the period.

NOTE 11 – DERIVATIVE LIABILITY

General

In connection with the Company's financial reporting and corporate transactions, the Company has issued several groups of warrants. These warrants were issued as a result of the conversion of Convertible Debentures from Series A and Series B (the "**CD Warrants**"), as part of a Units issuance (the **RTO Warrants**"), and in connection with additional warrants issued as finders' fees (the **Finder Warrants**"). The warrants were valued by an independent external valuator.

Valuation methodology

The fair value of the warrants was determined using the Black-Scholes-Merton model. This model is applied based on the principles of IFRS 13 (Fair Value Measurement). Under the fair value hierarchy, these measurements are generally classified as Level 2 or Level 3, depending on the observability of the inputs used. In accordance with IAS 32, since the warrants are not a fixed amount as they are denominated in a currency (Canadian dollar) other than the Company’s functional currency (NIS) the warrants are accounted for as a derivative financial liability and the rest of it as a short-term loan which reflects effective interest rate. The warrants are initially measured at fair value and subsequent changes in fair value are recorded through the profit or loss for the period.

Key assumptions

The following weighted average assumptions were used to estimate the fair value of the warrants at the respective measurement dates:

NOTE 11 – DERIVATIVE LIABILITY (CONT.)

Key assumptions (cont.)

	December 31, 2025	July 22, 2025
Share Price (CAD$)	CAD$0.30	CAD$0.56
Exercise Price (CAD$)	CAD$0.02 - CAD$0.84	CA$0.02 - CAD$0.84
Expected Volatility	68.4%	68.4%
Risk-Free Interest Rate	~4.0%	~4.0%
Expected Dividend Yield	0%	0%
Expected Life (Years)	~1.56 Years	2.0 Years

- Expected Volatility: As the Company lacks sufficient historical trading data on the TSXV, volatility was derived based on a peer group of companies in the Healthcare Products sector.
- Risk-Free Rate**:** Based on the CAD$ government bond yield curve corresponding to the remaining life of the warrants.

Summary of fair value

The following table summarizes the outstanding warrants and their calculated fair values (in thousands of USD$):

	Quantity	Exercise price	December 31, 2025	July 22, 2025
RTO Warrants	10,654,321	CAD$0.84	49	699
CD Warrants	12,180,254	CAD$0.84	57	799
Finder Warrants	750,000	CAD$0.02	94	298
Finder Warrants	316,815	CAD$0.56	5	38
Total	**23,901,390**		**205**	**1,834**

The following table summarizes the activity of the Company's warrants for the period from July 22, 2025, to December 31, 2025:

	Number of warrants	Weighted average exercise price (CAD$)
Balance as of July 22, 2025	**23,901,390**	CAD$0.78
Finder Warrants exercised during the period	(293,250)	CAD$0.02
Balance as of December 31, 2025	**23,608,140**	CAD$0.79
Warrants exercisable at year-end	**23,608,140**	CAD$0.79

(US Dollars in thousands)

NOTE 12 – OTHER ACCOUNTS PAYABLE

	As of December 31	
	2025	**2024**
Employees and related liabilities	191	312
Provision for vacation	163	116
Expenses payable	14	25
Shareholders	12	26
Total	**380**	**479**

NOTE 13 – NON-CONVERTIBLE LONG-TERM LOAN

Details of the non-convertible long-term loans:

Balance as of January 1, 2024	**69**
Proceeds during the year	157
Classified to current liabilities	(69)
Classified from current liabilities	213
Interest accrued	16
Currency differences	(16)
Balance as of December 31, 2024	**370**
Classified to current liabilities	(370)
Balance as of December 31, 2025	**-**

NOTE 14 – SHARE CAPITAL

A. Share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares that are non-voting, subject to non-cumulative dividends at a rate set by the Board at the time of their issuance, redeemable at paid up capital both the holder's and the Company's option. The Authorized and Issued and outstanding share capital, is as follows:

	Authorized		**Issued and outstanding (*)**	
	As of December 31			
	2025	**2024**	**2025**	**2024**
Common shares without a nominal par value	Unlimited	Unlimited	66,933,350	2,562,291

(*) The shares of the Company were reversed split in a 4.67 exchange ratio and the shares of VVT split in a 3.226 exchange ratio. The shares have been retroactively presented in all periods.

(US Dollars in thousands)

NOTE 14 – SHARE CAPITAL (CONT.)

B. Issued and outstanding

A summary of the change in the issued and outstanding Common Shares for the years ended December 31, 2025 and 2024, as follows:

		Issued shares (*)
Outstanding shares as of January 1, 2024		**2,562,291**
Outstanding shares as of December 31, 2024		**2,562,291**
Issued shares of VVT MED LTD in the RTO	(1)	32,500,000
Issued shares of VVT MED LTD due to Series A conversion	(2)	11,082,395
Issued shares of VVT MED LTD due to Series B conversion	(3)	4,372,967
Issued shares of EAC in the RTO	(4)	7,113,378
Issued shares of EAC subscription receipts	(5)	6,955,498
Issued shares due to debt settlement	(6)	2,053,571
Warrants exercised during the year	(7)	293,250
Outstanding shares as of December 31, 2025		**66,933,350**

(*) The shares of the Company were reversed split in a 4.67 exchange ratio and the shares of VVT split in a 3.226 exchange ratio. The shares have been retroactively presented in all periods.

(1) Refer to Note 19 with respect to the conversion of VVT shares to a total of 32,500,000 Common Shares at a share price of CAD$0.56.

(2) Refer to Note 9 with respect to the conversion of VVT Convertible Debentures Series A, dated June 15, 2025, to a total of 1,058,665 Common Shares at a share price of CAD$0.45 and a total of 10,023,967 Common Shares at a share price of CAD$0.42.

(3) Refer to Note 9 with respect to the conversion of VVT Convertible Debentures Series B, dated July 15, 2025, to a total of 4,372,967 Common Shares at a share price of CAD$0.56.

(4) Refer to Note 19 with respect to the conversion of EAC shares to a total of 7,113,378 Common Shares.

(5) Refer to Note 19 with respect to the conversion of EAC subscription receipts to a total of 6,955,498 Common Shares at a share price of CAD$0.56.

(6) Refer to Note 19 with respect to the conversion of the debt settlement shares to a total of 2,053,571 Common Shares at a share price of CAD$0.56.

(7) See Note 11.

(US Dollars in thousands)

NOTE 15 – SHARE-BASED COMPENSATION

1) On June 9, 2024, VVT received instructions to exercise 159,569 Options granted to a director at an exercise price of NIS 0.01 per share.
2) On July 7, 2024, VVT received instructions to exercise 30,000 Options granted to a director at an exercise price of NIS 0.01 per share.
3) During the year ended December 31, 2025, and prior to the RTO, VVT received instructions to exercise 1,362,248 Options granted to employees, directors and service providers at an exercise price of NIS 0.01 per share.

The following is a summary of the status of the Company's option plan:

	For the year ended December 31			
	2025		2024	
	Number of Options	Exercise price	Number of Options	Exercise price
Outstanding at the beginning of year	1,843,848		2,033,417	
Granted	-		-	
Exercised	(1,362,248)	NIS0.01	(189,569)	NIS0.01
Forfeited and cancelled	(20,000)		-	
Outstanding at July 22, 2025	461,600		1,843,848	
Outstanding at December 31, 2025*	1,489,131	CAD$1.07		

*As of July 22, 2025, the outstanding number of Options of 461,600 converted into 1,489,131 in accordance to VVT's exchange ratio.

Following the Transaction, The Stock Option Plan (the "**New Plan**") is a 10% "rolling" plan pursuant to which the number of common shares reserved for issuance is 10% of the Company’s issued and outstanding common shares as constituted on the date of any grant of options.

The New Plan provides for the grant of Options to purchase common shares to eligible directors, senior officers, employees and consultants of the Company ("**Participants**"). The exercise periods and vesting periods of options granted under the New Plan are to be determined by the Company with approval from the Board of Directors. The expiration of any option will be accelerated if the participant’s employment or other relationship with the Company terminates. The exercise price of an option is to be set by the Company at the time of grant but shall not be lower than the market price (as defined in the Plan) at the time of grant.

No stock options were issued during the year ended December 31, 2025.

(US Dollars in thousands)

NOTE 16 – COST OF REVENUES

	For the year ended December 31	
	2025	2024
Salaries and social benefits	19	25
Importing and consumption of materials	7	94
Total	**26**	**118**

NOTE 17 – RESERCH AND DEVELOPMENT EXPENSES

	For the year ended December 31	
	2025	2024
Salaries and social benefits	184	190
Consultancy	151	29
Registration and maintenance of patents	116	38
Other expenses	-	5
Total	**451**	**263**

NOTE 18 – GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31	
	2025	2024
Salaries and social benefits	1,116	832
Professional services	421	110
Maintenance	91	60
Depreciation	151	102
Other expenses	294	87
Total	**2,073**	**1,191**

NOTE 19 - LISTING EXPENSES

Completion of the RTO with VVT

Listing expenses are as follows:

	For the year ended December 31
	2025
Fair value of consideration of 4,615,862 VVT Med Inc. Shares at CAD$0.56	1,896
Net liabilities of VVT Med Inc. (1)	59
Reverse takeover transaction cost	**1,955**
Related issuance expenses (2)	395
Listing expenses	**2,350**

NOTE 19 - LISTING EXPENSES (CONT.)

(1) Net liabilities of VVT Med Inc. amounted to $59, as of the RTO completion on July 22, 2025, which mainly included $52 for accounts payables.

(2) Related issuance expenses are mainly referred to legal and accounting expenses and recognition of Prepaid issuance costs of $188 which were classified as a non-current asset as of December 31, 2024.

On July 18, 2025, the Company completed its amalgamation with EAC (the "**Amalgamation**"). Pursuant to the Amalgamation, each common share in the capital of EAC was exchanged for one post-consolidation common share of the Company on a one-for-one basis.

On July 22, 2025, the Company completed the RTO with VVT. In connection with the RTO, the following share capital adjustments were affected:

- Company Consolidation: The common shares of the Company were consolidated on a 4.67-for-1 basis, whereby every 4.67 pre-consolidation common shares were exchanged for one post-consolidation common share.
- VVT Share Exchange: Each common share in the capital of VVT was exchanged for 3.226 post-consolidation common shares of the Company. The VVT exchange ratio means: (i) 32,500,000 divided by (ii) the total number of VVT shares outstanding immediately prior to the closing date of the proposed transaction (including, without limitation, VVT shares issued upon the exercise or conversion of VVT stock options and VVT preferred shares), less the total number of VVT shares issued pursuant to the conversion of the VVT convertible bonds (including the conversion of the principal thereof and any interest due and payable thereon). Prior to the RTO and the share exchange ratio on July 22, 2025, the VVT's issued and outstanding share capital consisted of 4,835,596 common shares and 3,876,478 preferred shares as of December 31, 2024. During 2025 and up to the RTO date, an additional 1,362,248 common shares were issued upon the exercise of options, bringing the total pre-conversion balance to 10,074,322 common shares, which were subsequently exchanged for 32,500,000 common shares of the Issuer.

Pursuant to the Transaction: (i) 2,053,571 VVT Med Inc. Shares were issued to creditors of the VVT Med Inc. in settlement of $843 (equivalent to CAD$1,150) of debt, at a deemed price of CAD$0.56 per VVT Med Inc. Share; (ii) 14,068,876 VVT Med Inc. Shares were issued in exchange for the outstanding EAC Shares (including 6,955,498 VVT Med Inc. Shares issued to holders of EAC subscription receipts); and (iii) 47,955,362 VVT Med Inc. Shares were issued to holders of the VVT Shares (including those issued upon conversion of the outstanding VVT convertible debentures Series A and Series B).

Additionally, upon the RTO completion, VVT Med Inc. had the following convertible securities issued and outstanding following the closing of the Transaction: (i) 1,489,131 stock options to purchase VVT Med Inc. Shares (see Note 15); (ii) 22,834,575 common share purchase warrants to purchase VVT Med Inc. Shares (see Note 11); and (iii) 1,066,815 finder warrants to purchase VVT Med Inc. Shares (see Note 11). Following the Transaction, there are 66,640,100 VVT Med Inc. Shares issued and outstanding.

(US Dollars in thousands)

NOTE 19 - LISTING EXPENSES (CONT.)

For accounting purposes, VVT is considered the accounting acquirer, and the Company is considered the acquired company. Since the Company's operations do not constitute a business, the acquisition of the Company is not a business combination pursuant to IFRS 3 - *Business Combinations,* and the transaction is accounted for as a reverse takeover of the publicly traded company. A reverse takeover transaction involving a non-public operating company and non-operating public company is in substance a share-based payment transaction, rather than a business combination.

The reverse takeover was accounted for under IFRS 2 - *Share-based Payments*. Accordingly, the acquisition of the Company was accounted for at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments of VVT would have had to issue to the owners of the Company to effect the transaction. The difference between the net liabilities acquired, and the fair value of the consideration granted was accounted for as a listing expense.

Furthermore, while the Amalgamation of EAC was legally executed with the Company, for accounting purposes, EAC is treated as if it amalgamated with VVT (the accounting acquirer). Conceptually, VVT and EAC are viewed on a combined basis as the acquiring group that effected the reverse takeover of the Company. Consequently, the historical financial assets and operations reflected in these statements are those of VVT, combined with the effects of the EAC amalgamation from the transaction date.

NOTE 20 – FINANCE INCOME AND EXPENSE

	For the year ended December 31	
	2025	**2024**
Financing income:		
Change in fair value of derivative liability	1,528	15
Interest	3	-
Exchange rate differences	-	453
Total financing income	**1,531**	**468**
Financing expenses:		
Bank and credit card commissions	(4)	(11)
Changes in long-term loan fair value implicit interest	-	(23)
Interest expenses on leases and CPI	(53)	(47)
Exchange rate differences	(105)	-
Interest on loans	(108)	(48)
Interest on a convertible debentures A	(100)	(215)
Interest on advance payment on convertible debentures B	(202)	(68)
Total financing expenses	**(572)**	**(412)**

NOTE 21 – TAXES ON INCOME

A. Tax rate applicable to income in Canada

For the Canadian legal parent company (VVT Med Inc.), the combined Canadian statutory corporate income tax rate is 27% for both 2025 and 2024. This rate is comprised of a 15% Federal tax rate and a 12% Provincial tax rate.

B. Tax rate applicable to income in Israel

The Israeli corporate tax rate applicable to the Group's operating subsidiary, V.V.T. MED LTD, is 23% for both 2025 and 2024.

As of December 31, 2025, V.V.T. MED LTD has received final tax assessments (or assessments deemed final by the statute of limitations) up to and including the 2018 tax year.

C. Losses carried forward for tax purposes

<u>V.V.T. MED LTD</u>

As of December 31, 2025, the Israeli subsidiary has accumulated business losses carried forward for tax purposes totaling approximately $23,905. Under Israeli tax law, these business losses do not expire and can be carried forward indefinitely to offset future taxable business income.

<u>VVT MED INC. (Following the Amalgamation of EAC)</u>

In July 18, 2025, the Company completed a corporate restructuring via a statutory amalgamation involving EAC and VVT Med Inc. Following this transaction, the Company holds the combined historical tax attributes and loss pools of the predecessor Canadian entities, subject to acquisition of control (AoC) and amalgamation regulations under the Canadian Income Tax Act:

- The Company possessed a non-capital loss carry forward balance of CAD$27,274 expiring sequentially from 2026 to 2043, and remaining non-expiring resource tax pools of CAD$44,856.
- EAC Pre-Merger Losses: As of the amalgamation date on July 18, 2025, EAC had accumulated a pre-merger deficit of CAD$1,127.

Following the statutory amalgamation and the concurrent acquisition of control, a deemed tax year-end was triggered for the predecessor corporations, accelerating the aging of the expiring loss pools by one year.

Furthermore, under Canadian tax rules, any pre-merger capital losses are permanently extinguished, while the utilization of pre-merger non-capital (business) losses from both entities is restricted. These non-capital losses can only be carried forward to offset future taxable income generated by the same or a similar business carried on by the consolidated Canadian entity post-amalgamation.

Deferred tax assets relating to these combined carryforward losses and tax pools have not been recognized in the consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

(US Dollars in thousands)

NOTE 21 – TAXES ON INCOME (CONT.)

D. Tax reconciliation

	For the year ended December 31	
	2025	2024
Loss before income tax	(3,976)	(1,040)
Applicable statutory tax rate	23%	23%
Theoretical tax at applicable statutory tax rate	(915)	(239)
Adjustments:		
Different tax rates applied in overseas jurisdictions (4%)	(37)	-
Non-deductible expenses and non-taxable income, net	189	-
Tax losses and temporary differences for which no deferred tax asset was recognized	763	239
Income tax expense	-	-

NOTE 22 – RELATED PARTIES AND SHAREHOLDERS

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

A. Balances

	As of December 31	
	2025	2024
Trade payables - Directors	18	121
Other payables - Employees	24	39

B. Remuneration and benefits

	Year ended December 31	
	2025	2024
Directors who are not employed by the Company	18	-
Short term benefits to employees	449	322
Long term benefits to employees	102	83
Total	**569**	**405**
Number of people	5	3

NOTE 23 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position. The Company's financial instruments are its cash, trade and other receivables, payables, loans, lease liabilities and other payables. 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 currency risk and fair value risk. The risk management policies employed by the Company to manage these risks are discussed below.

A. Credit risks

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 does not have significant credit risks deriving from its operations. The Company's management is of the opinion that the credit risks deriving from financial instruments are low.

B. 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.

C. Market risks

Market risk is the risk that the fair value of the future cash flows from a financial instrument will change as a result of changes in the market prices. Market risk includes three types of risk: interest rate risk, currency risk and other price risks, such as: risk in respect of the price of commodities. Financial instruments that are affected by market risk include, inter alia: cash in foreign currency, trade payables, other payables and financial liabilities for warrants.

D. Interest risks

Interest risk is the risk that a change in the fair value of a financial instruments as a result of a future change in the market interest rate. As of December 31, 2024, there is no significant exposure to interest risks.

E. Foreign currency risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Company does not currently enter into forwarding contracts to mitigate this risk. The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

NOTE 23 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

F. Fair value

Balances of other receivables such as trade payables and other payables have been recorded at a value that approximates to the fair value since the repayment time is up to one year from the date of the statement of financial position.

The appraisal of the option warrants was performed with the assistance of an options pricing model (OPM), which weighs the rights of the preferred shares and the ordinary shares as at the time of each calculation. The appraisal was performed based on investment rounds that have been performed shortly before the time of the calculations and based on the principles contained in IFRS 13.

The cash balances have been revalued in accordance with quoted prices in active trading.

NOTE 24 – COMMITMENTS AND CONTINGENCIES

1) On December 30, 2023, the Company entered into an exclusive Distributor Agreement with Methapharm, Inc. (the "**Distributor**") granting it sole rights to promote, distribute and sell the Company's products (notably the ScleroSafe™ devices) in the United States.

   Initial term of five years from the Effective Date, automatically renewing for successive two-year terms unless either party gives at least 180 days' notice of non-renewal. Distributor agreed a Business Plan including Minimum Annual Purchases. Failure to meet 50% of the annual minimum allows the Company to require take-or-pay orders or to terminate the Agreement. The Company may terminate immediately for Distributor default (payment or other material breach), insolvency/change of control, failure to meet minimums, or challenge to Company IP.

2) On November 20, 2024, the Company entered into a non-exclusive Finders Agreement with Exiteam Capital Markets Ltd. (the "**Finder**") under which the Finder will introduce prospective investors, purchasers of assets or securities, and lenders to the Company for the purpose of securing financing of CAD$500 - CAD$1,000. The commission fee is 10% of each financing tranche actually received by the Company, plus VAT, payable within 15 days of receipt.

   In addition, the Company will issue warrants equal to 10% of each financing amount, exercisable for two years at the lowest price paid by investors in that financing. A one-time CAD$70 bonuses in freely tradable shares if total financing raised exceeds CAD$600, payable against tax invoice. Either party may terminate on 30 days' written notice, or immediately upon uncured material breach. On termination, the Finder remains entitled to any fees and warrants earned prior to termination. As of December 31, 2025, the company paid the finder the cash commission fee totaling $53 (equivalent to CAD$65).

NOTE 24 – COMMITMENTS AND CONTINGENCIES (CONT.)

3) On October 29, 2025, the Company entered into a management consulting agreement with Quark Investments Ltd., effective August 1, 2025, for strategic planning, corporate structuring, and operational advisory services. The agreement has a duration of 12 months from the effective date.

   The Company is committed to an aggregate fee of CAD$341 for services rendered both prior to and following the effective date. Subject to mutual agreement and TSX Venture Exchange approval, the fee may be settled through the issuance of common shares in lieu of cash. The deemed issuance price will be the greater of CAD$0.31 or the market price at the time of the announcement. The agreement may be terminated by either party with 30 days' written notice. As of December 31, 2025, the Company recognized an expense of $104 (equivalent to CAD$142) in connection with this agreement, which is reflected within accrued liabilities in the consolidated statement of financial position.
4) On August 13, 2025, the Company entered into a Market Making Services Agreement with Independent Trading Group (ITG), Inc. to provide market making services for the Company's securities traded on the Exchange. The agreement had an initial term of one month and automatically renews for successive one-month periods, unless terminated by either party with a 30-day prior written notice. In consideration for these services, the Company is committed to pay a monthly service fee of CAD$5 plus applicable taxes.

NOTE 25 – SUBSEQUENT EVENTS

1) On January 13, 2026, the Company has granted 400,000 Options to I3 Capital Group Ltd. ("**I3**"), a Toronto-based firm specializing in investor relations and capital markets advisory services, in connection with an investor relations agreement. Each Option is exercisable at a price of CAD$0.34 for one common share of the Company for a period of two (2) years from the date of grant and are being issued under the terms of the Company's Omnibus Plan. The Options, and any Common Shares issued upon exercise of the Options, are subject to a four-month and one day resale restriction from the date of grant under applicable securities laws and the policies of the TSX Venture Exchange. The Options are subject to a 12-month vesting schedule, with 25% of the Options vesting every three (3) months following the date of grant.
2) On February 2, 2026, the Company received instructions to exercise 23,165 Finder Warrants at an exercise price of CAD$0.02 per share.
3) On February 6, 2026, the Company received instructions to exercise 76,585 Finder Warrants at an exercise price of CAD$0.02 per share.
4) On May 6, 2026, the Company received instructions to exercise 94,090 Finder Warrants at an exercise price of CAD$0.02 per share.

NOTE 23 – SUBSEQUENT EVENTS (CONT.)

5) On March 18, 2026, the Company announced its intention to complete a non-brokered private placement offering of up to 12,000,000 units at a price of CAD$0.25 per unit, for total gross proceeds of up to CAD$3,000 (the "**Offering**"). Each unit consists of one common share and one-half of one common share purchase warrant (each, a "**Unit**"). Each whole warrant entitles the holder to purchase one additional common share at an exercise price of CAD$0.375 for a period of 24 months following the date of issuance. The offering is subject to a four-month statutory hold period and remains subject to the receipt of all necessary regulatory approvals, including the approval of the Exchange.
6) On April 15, 2026, the Company has closed its previously announced debt settlement (the "**Debt Settlement**") with various vendors of the Company (the "**Creditors**"). Pursuant to the Debt Settlement, the Company entered into debt settlement agreements with the Creditors to settle an aggregate of CAD$373 of debt owed by the Company to the Creditors by issuing an aggregate of 1,203,410 common shares of the Company at a deemed price of CAD$0.31 per share. All securities issued pursuant to the Debt Settlement have been issued pursuant to a prospectus exemption and are subject to a four month and one day hold period that expires on August 16, 2026.

   On April 22, 2026, the Company completed the first tranche of its Offering, issuing 4,262,654 Units at a price of CAD$0.25 per Unit for gross proceeds of CAD$1,066. The Company anticipates closing a second tranche of the Offering in due course. In connection with the Offering, the Company paid certain eligible finders a cash fee of up to 8% of the gross proceeds raised in respect of the Offering from subscribers introduced by such finders to the Company, for a total of CAD$28. In addition, the Company issued to eligible finders such number of finder warrants (each, a "**Finder Warrant**") equal to 8% of the number of Units sold under the Offering to subscribers introduced by such finders to the Company, for a total of 111,200 Finder Warrants. Each Finder Warrant will entitle the holder to acquire one Common Share at an exercise price of CAD$0.375 per share for a period of 24 months following the date of issuance. Insiders of the Company acquired an aggregate of 1,731,819 Units under the Offering. As such, this participation constitutes a "related party transaction" as defined under Multilateral Instrument 61- 101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). The Company has relied on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in Sections 5.5(b) and 5.7(1)(a), respectively, of MI 61-101 in respect of such insider participation. The Company did not file a material change report 21 days prior to the closing date of the Offering as details of the respective participation of such insiders in the Offering were unknown at such time.

NOTE 23 – SUBSEQUENT EVENTS (CONT.)

7) On May 1, 2026, the Company's application to the British Columbia Securities Commission ("**BCSC**") for a temporary management cease trade order (the "**MCTO**") to be imposed in respect of its delay in filing its annual financial statements, management's discussion and analysis and related officer certifications for the financial year ended December 31, 2025 (collectively, the "**Required Filings**"), the BCSC has granted the MCTO. The MCTO does not affect the ability of shareholders who are not employees or insiders of the Company to trade their securities of the Company. The MCTO prohibits the chief executive officer and the chief financial officer of the Company from trading in securities of the Company for so long as the Required Filings are not filed.

   Additionally, for so long as the Required Filings are not filed, the Company will not, directly or indirectly, issue securities or acquire securities from an insider or employee of the Company except in accordance with legally binding obligations to do so. The delay in filing the Required Filings is due to external circumstances beyond the Company's control.

   While the Company has worked diligently to meet its continuous disclosure obligations, the ongoing armed conflict in the Middle East has caused significant disruptions to the operational and administrative processes required to finalize the Company's annual reporting and audit. These regional challenges, which include restricted access to essential resources and personnel availability at the Company and various service providers in Israel, have necessitated an extension of the reporting timeline. The Company wishes to clarify that this delay is administrative in nature, does not arise from any disagreement with its auditors.