

ZOOMD TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

ZOOMD TECHNOLOGIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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**Independent Auditor's Report
To the Shareholders and the Board of Directors of
ZOOMD TECHNOLOGIES LTD.**

Opinion

We have audited the consolidated financial statements of ZOOMD TECHNOLOGIES LTD. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Capitalization of internally developed software— Refer to Note 2J and Note 8 to the consolidated financial statements

Key Audit Matter Description

As more fully described in Note 2J and Note 8 to the consolidated financial statements, the Company capitalizes certain internal-use software development costs incurred during development stage activities, if direct and incremental, until the software is substantially complete and ready for its intended use. The Company capitalizes certain costs related to internal-use software upgrades and enhancements when it is probable the expenditures will result in significant additional functionality. For the year 2023, the Company had capitalized internal-use software development costs of \$1.06 million USD, and the closing balance of internally-developed software costs was \$0.9 million USD as at December 31, 2023.

Auditing the Company's capitalization of software development costs is complex. Management applies judgment in determining which software projects and enhancements, and activities within those projects, qualify for capitalization, as only those costs incurred in certain stages of software development or implementation can be capitalized in accordance with the applicable accounting standards. Therefore, this has been identified as a key audit matter in the current year.

How the Key Audit Matter Was Addressed in the Audit

For payroll costs that were capitalized for the year ended December 31, 2023, our audit procedures included the following:

- We obtained an understanding of management's process for determining capitalizable software costs and the nature of such capitalized costs; such costs are employees and subcontractors costs directly related to eligible projects.
- Evaluated costs incurred to assess whether software development costs were properly capitalized based upon the nature and stage of the work performed and whether the requisite capitalization criteria were met.
- Tested the completeness and accuracy of reports used in management's calculations of capitalized software development costs, including testing mathematical accuracy.
- We tested management's method of allocating payroll costs between internally-developed software and costs to be expensed.
- For a sample of employees within the allocation, we performed procedures to agree total payroll costs for the selected employee to the year-to-date payroll cost per the pay register, over which we have performed procedures for the total payroll expenses;
- Performed corroborative interviews with Company personnel involved in website and software development regarding the nature, functionality and extent of costs incurred.



Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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 period 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 Shay Rami Chalaf.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
April 24, 2024

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(United States Dollars (USD) in thousands)

	Note	As at December 31,	
		2023	2022
Assets			
Current assets			
Cash and cash equivalents		2,602	3,776
Trade receivables	4	4,663	5,818
Other receivables and prepaid expenses	5	605	796
		7,870	10,390
Non-current assets			
Long term deposits		179	220
Fixed assets, net	6	251	316
Right of use assets	7	2,488	2,874
Intangible assets, net	8	7,856	11,154
		10,774	14,564
Total assets		18,644	24,954
Liabilities and Equity			
Current liabilities			
Trade payables		2,978	3,422
Short term bank credit	9	2,007	2,001
Short term lease liability		598	495
Other payables and accrued expenses	10	2,206	3,158
		7,789	9,076
Non-current liabilities			
Provisions	14	280	280
Lease liabilities	18.F	1,777	2,271
Reserve for employee benefits	11.B	112	240
		2,169	2,791
Shareholders' equity			
Share capital and premium	12	39,499	39,499
Other reserves		5,855	5,602
Accumulated deficit		(36,668)	(32,014)
		8,686	13,087
Total Liabilities and Equity		18,644	24,954

The consolidated financial statements were approved by the board of directors of the company.

"Amir Bohensky" <hr style="width: 100%;"/> Amit Bohensky Chairman of the board	"Ido Almany" <hr style="width: 100%;"/> Ido Almany CEO	"Tsvika Adler" <hr style="width: 100%;"/> Tsvika Adler CFO
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The accompanying notes are an integral part of the consolidated financial statements.

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(USD in thousands, except for per share and shares data)

	Note	Years ended December 31,	
		2023	2022
Revenue		32,113	53,023
Cost of sales and services		20,089	36,415
Gross profit		12,024	16,608
Operating costs and expenses:			
Research and development expenses	15	3,295	6,713
Selling, administrative and general expenses	16	9,983	12,009
Other expenses – Impairment	1D	2,839	-
		16,117	18,722
Operating Loss		(4,093)	(2,114)
Finance Income	17a	169	108
Finance expense	17b	(718)	(560)
Finance expense, net		(549)	(452)
Net Loss before income taxes		(4,642)	(2,566)
Taxes on income		12	287
Net Loss and Comprehensive Loss		(4,654)	(2,853)
Net loss per share:			
Basic and diluted		(0.04)	(0.03)
Shares used in calculation of net loss per share:			
Basic		105,525,163	102,583,043
Diluted		105,525,163	102,583,043

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

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands)

	<u>Number of Share capital</u>	<u>Share capital and premium</u>	<u>Reserve for share-based payment and other reserves</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
Balance - January 1, 2022	95,595,617	39,045	5,107	(29,161)	14,991
Share-based payment	-	-	495	-	495
Exercise of options	339,715	5	-	-	5
Common stocks issued and to be issued due to business combination (See note 1C)	1,315,582	449	-	-	449
Comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,853)</u>	<u>(2,853)</u>
Balance - December 31, 2022	97,250,914	39,499	5,602	(32,014)	13,087
Share-based payment	-	-	253	-	253
Exercise of options	273,502	*	-	-	*
Common stocks issued and to be issued due to business combination (See note 1C)	804,923	-	-	-	-
Comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,654)</u>	<u>(4,654)</u>
Balance - December 31, 2023	<u>98,329,339</u>	<u>39,499</u>	<u>5,855</u>	<u>(36,668)</u>	<u>8,686</u>

(*) Less than \$1 thousand

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

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

	Years ended December 31,	
	2023	2022
<u>Cash flows - operating activities</u>		
Net Loss	(4,654)	(2,853)
Adjustments to reconcile net loss to net cash from operating activities (Appendix A)	5,250	4,786
	596	1,933
Interest Payments	(168)	(90)
Net cash generated from operating activities	428	1,843
<u>Cash flows - investing activities</u>		
Capitalized software development costs	(1,063)	(2,117)
Cash used in business combination (See note 1D)	-	(250)
Purchase of property, plant, and equipment	(15)	(296)
Net cash used in from investing activities	(1,078)	(2,663)
<u>Cash flows - financing activities</u>		
Lease payments	(524)	(647)
Exercise of options	*	5
Net cash used in financing activities	(524)	(642)
Decrease in cash and cash equivalents	(1,174)	(1,462)
Cash and cash equivalents at the beginning of the financial year	3,776	5,238
Cash and cash equivalents of the end of the financial year	2,602	3,776

(*) Less than \$1 thousand

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

ZOOMD TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

Appendix A - Adjustments to reconcile net gain (loss) to net cash from operating activities

	Years ended December 31,	
	2023	2022
A. Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	2,247	3,617
Impairment of intangible assets	2,839	-
Change in employee benefit liabilities, net	(128)	49
Cost of share-based payment	253	495
Finance (income) expenses, net	543	82
 Changes in assets and liabilities:		
Decrease in trade receivables and other receivables	1,346	2,531
Decrease (increase) in long term deposits	41	(174)
Increase (decrease) in trade payables	(444)	220
Decrease in other current and non-current liabilities	(1,447)	(2,034)
	<u>5,250</u>	<u>4,786</u>
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	Years ended December 31,	
	2023	2022
B. Non-cash investing and financing activities		
(1) Business combination (See note 1D)		
Goodwill and Technology from business combination	-	575
Share capital and premium balance and equity classified contingent consideration	-	(325)
Total	<u>-</u>	<u>250</u>
 (2) Leases (See note 1Q)		
Right of use assets	258	2,961
Lease liabilities	<u>(258)</u>	<u>(2,961)</u>
Total	<u>-</u>	<u>-</u>

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

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

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

Description of Business:

- A.** Zoomd Technologies Ltd. (formerly DataMiners Capital Corp.) (the “**Company**”) was incorporated under the *Business Corporations Act* (Alberta) on October 1, 2013 and completed its initial public offering on May 29, 2014. The Company developed a proprietary patented technology and targets the needs of many segments of the digital marketing industry. It focuses on efficient user acquisition for companies and products aimed at mobile users. The Company was designated as a Capital Pool Company as such term is defined by Policy 2.4 of the TSX (“**Policy 2.4**”) Venture Exchange (the “**TSXV**”) with no commercial operations or assets other than cash and its only business being the identification and evaluation of assets or businesses with a view to completing a “Qualifying Transaction” as such term is defined by Policy 2.4.

On May 28, 2019, the Company, Zoomd Ltd. (“**Zoomd**”) and Dotima 2019 Ltd. (“**Subco**”), a wholly-owned Israeli subsidiary of the Company, entered into an agreement and plan of merger (the “**Business Combination Agreement**”) pursuant to which the Company and Zoomd agreed to effect the combination of their respective businesses and assets by way of a “three-cornered amalgamation” which upon completion, would result in a reverse takeover of the Company by the shareholders of Zoomd (the “**Transaction**”). The Transaction, which was completed on August 28, 2019, constituted the Company’s Qualifying Transaction under Policy 2.4. Pursuant to the terms of the Business Combination Agreement, the Company acquired all the issued and outstanding shares of Zoomd by way of an amalgamation between Zoomd and Subco, with the amalgamated entity becoming a direct, wholly-owned subsidiary of the Company.

Concurrently with the Qualifying Transaction, Zoomd raised CAD\$9.3 million (approximately US\$7 million) pursuant to a private placement (the “Concurrent Financing”).

- B.** On February 9, 2021 the Company acquired all of Performance Revenues' Ltd.'s tangible and intangible assets, in consideration for USD\$350 in cash and an earn-out that is based on the annual results of Performance Revenues for 2021, capped at maximum of USD1,023, payable in Zoomd's shares, using a price per share that is the higher of (i) the fair market value on the day of payment and (ii) \$0.75 USD per share. When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. As of the purchase date the fair value of the earnout was immaterial based on actual results and forecasts.

The acquisition qualifies as a business combination and was accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*.

The consideration for the transaction was allocated as follows, an amount of USD\$336 has been allocated to goodwill and an amount of USD\$14 has been allocated to customer relationships.

In June 2022, the Company issued 231,719 shares to Optimistico Ltd. formerly Performance Revenues Ltd, against a closing of a liability for the amount of USD\$125.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL (Cont.)

- C. On March 27, 2022, the Company acquired all of Albert Technologies' Ltd and Albert Technologies' Inc tangible and intangible assets, in consideration of up to USD\$1 million – at closing, a one-time payment of USD\$125 in cash and USD\$375 in shares transaction, using a price per share of USD\$1. And a second payment of up to USD\$125 in cash and USD\$375 in shares transaction, using a price per share that is the higher of (i) the fair market value on the day of payment and (ii) USD\$1 per share, based on client's performance and product's full implementation in Zoomd's Systems. When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The contingent consideration of \$125 in cash was classified as a liability and the USD\$375 in shares transaction was classified as a capital instrument according to the fair value.

The acquisition qualifies as a business combination and was accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

The consideration for the transaction was allocated as follows, an amount of USD\$471 has been allocated to technology and an amount of USD\$104 has been allocated to goodwill.

Additionally, Albert's employees, which have joined Zoomd, and also Albert's shareholders will be entitled to retention bonus payments of up to USD\$2 million, USD\$1.8 million in cash and USD\$200 in shares, using a price per share that is the fair market value on the day of issuance. The retention payments are only payable if the employees remain employed, and Albert's shareholders will provide services during a specified period and certain performance metrics are reached.

For the period ended December 31, 2023 and 2022, the Company recognized a total expense of \$30 and \$163 respectively, related to the above equity settled share-based payment transactions.

- D. In light of the prevailing global macroeconomic conditions that are impacting our business, operations, and financial results, coupled with recent changes in the competitive landscape, the Company decided to reallocate resources and adjust its investment focus on areas of greater and faster growth potential and discontinue investment in other initiatives the Company worked on. As a result, the Company has decided on the implementation of cost savings measures, consisting primarily of the discontinuance of non-profitable operations, the near-term termination of approximately 40% of its workforce and certain other reductions in ongoing expenses. The effect of discontinuance of non-profitable operations was written off software development costs invested which were determined to no longer be recoverable in the amount of \$2.8M.
- E. On October 7, 2023, the State of Israel, where the Company's operations are primarily based, suffered a surprise attack by hostile forces from Gaza, which led to the declaration by Israel of the "Iron Swords" military operation. This military operation and related activities are on-going as of the issuance date of these consolidated financial statements. The Company is currently assessing whether there are any material adverse effects on its anticipated milestones and results of operations in the First quarter of 2024 and perhaps beyond due to the military operation and related matters, the extent of which cannot be estimated at this stage. As of the date of the report this matter has no material effect on the consolidated financial statements.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES

A. Applying international accounting standards (IFRS):

Statement of compliance:

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 significant accounting policies were applied on a consistent basis for all reporting periods presented in the consolidated financial statements, except for changes in accounting policies that were due to the application of standards, amendments to standards and interpretations that took effect on the date of the consolidated financial statements, and the application of standards, amendments to standards and interpretations that are not in effect and were early adopted by the Group, as detailed below.

B. Basis of preparation:

The consolidated financial statements were prepared on the historical cost basis, except for: Liabilities to employees as described in Note 11 and Contingent liabilities as described in Note 14.

C. Foreign currencies:

(1) Translation of foreign currency transactions:

In preparing the consolidated financial statements, transactions in currencies other than the Company's functional currency (USD) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(2) Recognition of exchange differences:

Exchange differences are recognized in profit or loss in the period in which they arise.

Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'US\$', which is the company's functional and the company's reporting currency.

D. Cash and cash equivalents:

Cash and cash equivalents include demand deposits and term deposits in banks that are not restricted as to usage, with an original period to maturity of not more than three months.

Deposits that are restricted as to usage are classified as pledged deposits.

Deposits with an original period to maturity exceeding three months, which as of the statement of financial position do not exceed one year, are classified as short-term investments.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES: (Cont.)

E. Basis of consolidation:

The consolidated financial statements incorporate the consolidated financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the consolidated financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of net income (loss) and comprehensive income (loss) from the effective date of acquisition and up to the effective date of disposal, as appropriate.

F. Basis of consolidation:

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies to align with those used by the Company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

G. Goodwill:

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. Goodwill is tested, at the cash-generating unit (or group of cash generating units) level, for impairment annually or if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses. Impairment loss on goodwill is not reversed.

The Company is composed of one operating segment, goodwill is tested at the company's level, which represents the lowest level within the company at which goodwill is monitored for internal management purposes in accordance with IAS 36. The impairment test is performed by comparing the carrying amount (which mainly comprises acquired intangible assets, goodwill and capitalized development costs) and the recoverable amount of the cash generating unit ("CGU"). The recoverable amount of the CGU is the higher of its fair value less costs of disposal and its value in use.

H. Intangible Assets:

Intangible assets are nonmonetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevant recognition criteria are initially measured at cost, subsequently measured at cost and amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, at the following rates.

	<u>%</u>
Customer relationships	10-20
Brand	20
Technology	25

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES: (Cont.)

H. Intangible Assets (Cont.):

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

- **Derecognition of intangible assets:**

An intangible asset is derecognized on disposal, or when no future economic benefit is expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

I. Impairment of tangible and intangible assets other than goodwill:

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication of such exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

J. Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

J. Internally-generated intangible assets – research and development expenditure (Cont.)

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

The Company complies with all the conditions for capitalization according to IAS 38.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. (See Note 8).

K. Fixed Assets, Net:

Property and equipment are measured at cost, net of accumulated depreciation and net of accumulated impairment. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following rates:

	<u>%</u>
Computer and Software	33
Furniture and Equipment	7-15
Leasehold improvements	20

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining term of the lease (including the period of renewal options that the Company is reasonably certain to exercise).

L. Financial assets:

(1) General:

Financial assets are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument, using settlement date accounting.

Financial assets were classified in the categories detailed below based on the Company's business model for managing the financial assets and based on the contractual cash flow characteristics of the financial asset:

- Financial assets at fair value through profit or loss' (FVTPL); and
- Debt instruments at amortized cost.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

L. Financial assets (Cont.):

(2) Financial assets at FVTPL:

All financial assets, whether designated or required to be measured at fair value through profit and loss, are initially measured at fair value and any changes in fair value subsequent to initial recognition are recognized in profit or loss. Transaction costs directly attributable to those assets are recognized in profit or loss as incurred. The Company does not currently have any financial assets carried at fair value.

(3) Debt instruments at amortized cost:

Debt instruments held according to a business model whose objective is achieved by collecting the contractual cash flows and whose contractual terms give rise to cash flows that are solely payments of principal and interest, were initially measured at fair value plus directly attributable transaction costs, except for receivables that were initially measured at their transaction price. Subsequent to initial recognition, these assets are measured at amortized cost.

When, and only when, the Company changes its business model for managing financial assets it shall reclassify assets between categories.

M. Revenue recognition:

Revenue is recognized in the consolidated statements of net income (loss) and comprehensive income (loss) to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if relevant, can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

The Company generates revenues from two different models:

- Revenues from advertisers are based on actual KPI's (Key Performance Indicators) achieved, at the end of each month capped by the contracted budgeted amounts.
- Revenues from advertisers are based on the Company's installed search engine at publisher's site. When an end-customer uses the Company's search engine, the Company generates revenue from advertisers, with whom it has contracted budget that is based on appearances, and split the revenues with the publishers, such 60% to 70% of the revenues collected are passed through to the publisher and recognized in profit or loss as cost of revenues.

Revenues from Advertisers are recognized as the services are rendered. Revenues are presented on a gross basis as the Company acts as a principal and controls the services provided before they are transferred to the advertisers.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

N. Business Combinations:

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, liabilities incurred to the former owners of the acquiree and equity interests issued, in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If after reassessment, the net acquisition date amounts of the identifiable assets acquired and liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

O. Leases:

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For short term leases and leases of low value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;

The non-current lease liability is presented as a separate line in the consolidated statement of financial position. Current lease liability is presented under other payables and accrued expenses.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

O. Leases (Cont.):

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

P. Gain (Loss) per share:

Basic gain (loss) per share is computed with regard to loss attributable to the Company's ordinary shareholders and is calculated for gain (loss) from continuing operations attributable to the ordinary shareholders of the reported entity, should such be presented. Basic gain (loss) per share is to be computed by dividing loss attributed to owners of the Company (numerator), by the weighted average of the outstanding ordinary shares (denominator) during the period. In the computation of diluted loss per share, the Company adjusted its loss attributable to its ordinary shareholders by multiplying their diluted gain (loss) per share and the weighted average of the outstanding shares for the effects of all the dilutive potential ordinary shares of the Company.

Q. Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those anticipated cash flows.

When some or all of the economic benefits to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

R. Share-based payments:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black Scholes Merton model.

When the equity instruments granted do not vest until such employees and service providers complete a defined period of service, comply with the conditions for exercise or defined market conditions are present, the Company recognizes the share-based payment arrangements in the consolidated financial statements over the vesting period against an increase in shareholders' equity.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

R. Share-based payments (Cont.):

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to the reserve for share-based transactions.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted on the date the entity obtains the goods or the counterparty renders the service.

S. Taxation:

Income tax expense represents the sum of the tax currently payable and deferred tax.

(1) Current tax:

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income (loss) and comprehensive income (loss), because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(2) Deferred tax:

At the reporting date, the Company has losses carried forward for tax purposes. The Company does not anticipate taxable income and therefore does not recognize tax assets for these losses.

T. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received, and the Company will comply with the attached conditions.

Government grants received from the Israeli Innovation Agency ("IIA"), formerly the Office of Chief Scientist ("OCS"), are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing revenues.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction (partial or full settlement) of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

T. Government grants (Cont.):

At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future revenues and using the original effective interest method, and if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

U. Employee benefits:

According to Israeli law the Company is generally required to pay severance compensation to an employee at the time of dismissal, death or retirement (including employees who leave the place of employment under other specified circumstances). The calculation of the obligation related to the termination of the employee-employer relationship is based on the employee's salary and the years of service.

Commencing January 2013, the Company has defined contribution plans, in accordance with Section 14 of the Israeli Severance Pay Law, according to which the Company makes monthly payments to insurance policies for its employees. Upon termination of employment, employees will be entitled to receive only the amounts accrued in the insurance policies with respect to severance pay. Deposits to a defined contribution plan for severance pay or for pensions are recognized as an expense at the time of the deposit to the plan concurrent with obtaining the labor services from the employee, and no additional provision in the consolidated financial statements is required.

Short term employee benefits:

Short term employee benefits are benefits which it is anticipated will be utilized or which are to be paid during a period that does not exceed 12 months from the end of the period in which the service that creates entitlement to the benefit was provided.

Short term company benefits include the company's liability for short term absences, payment of grants, bonuses and compensation. These benefits are recorded to the consolidated statements of net income (loss) and comprehensive income (loss) when incurred. The difference between the amount of the short-term benefits to which the employee is entitled and the amount paid is therefore recognized as an asset or liability.

V. Fair Value Measurement:

The Company uses a three-level hierarchy when measuring fair value. The following is a description of the three hierarchy levels:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3** Unobservable inputs for the assets or liabilities.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

V. Fair Value Measurement (Cont.):

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest input that is significant to the fair value measurement in its entirety. The Company recognizes the transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

W. Exchange Rates and Linkage Basis:

(1) Balances in foreign currency or linked thereto are included in the consolidated financial statements based on the representative exchange rates, as published by the Bank of Israel, that were prevailing at the balance sheet date.

(2) Following are the changes in the representative exchange rate of the NIS and Euro vis-a-vis the USD:

	Representative exchange rate	
	of the Euro	of the NIS
	(USD per €1)	(USD per ₪1)
As at:		
December 31, 2023	0.90	3.627
December 31, 2022	0.93	3.753
Increase during the	%	%
Year ended:		
December 31, 2023	6.9	(3.3)
December 31, 2022	5.7	6.9

X. Adoption of new and revised Standards:

New and amended IFRS Standards that are effective for the current year

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year.

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Cont.)

X. Adoption of new and revised Standards (Cont.):

Amendments to IAS 1 and IAS 8 Definition of material (Cont.)

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

These amendments were implemented and are in accordance with the accounting policy which was implemented by the Company.

Amendment to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendment to IAS 12 for the first time in the current year.

Following the amendments to IAS 12, the Company is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12 (See note 13D).

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION

A. General:

In the application of the Company's accounting policies, which are described in Note 2 above, the Company's management is required, in certain cases, to make significant accounting judgments regarding estimates and assumptions that impact the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenue, expenses, gains and losses during the reporting period. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

Management reviews the estimates and underlying assumptions on an ongoing basis. Changes in accounting estimates are only recognized in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods.

The assumptions used in the Company estimates are based on contractual commitments where sensitivity is insignificant. In addition, in the process of applying the Company's accounting policies, management makes various judgments, apart from those involving estimations, that can significantly affect the amounts recognized in the consolidated financial statements.

Other estimates or assumptions used in our allowances are based on the Company's historical experience. Any sensitivity analysis of the effect of changes in critical estimates and assumptions would show negligible effect on the Company's financial position or results of operations.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION (Cont.)

B. Significant judgments in applying accounting policies:

The following are the significant judgments that the management has made in the process of applying the entity's accounting policies, apart from those involving estimation, and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(1) Share based payments:

The Company accounts for its share-based compensation to employees in accordance with the provisions of IFRS 2 "Share-based Payment," which requires measuring the cost of share-based compensation based on the fair value of the award on the grant date (See note 2T).

The Company selected the Black-Scholes Merton option pricing model as the most appropriate method for computing the fair value of its share-based awards, using the standard parameters established in that model including estimates relating to the fair value of its ordinary shares, volatility, estimated life of the instruments, risk-free interest rates and dividends yield as described below.

(2) Option Valuations:

The determination of the grant date fair value of options using an option pricing model is affected by estimates and assumptions with respect to a number of complex and subjective variables. These variables include the expected volatility of the Company's share price over the expected term of the options, share option exercise and cancellation behaviors, risk-free interest rates and expected dividends, which are estimated as follows:

Fair Value of the Ordinary Shares - Since the Company's shares were not publicly traded until August 28, 2019 (the date the Company completed the Qualified Transaction), the Company estimated the fair value of its ordinary shares, as discussed below in "Valuation of the Company's ordinary shares". From August 28, 2019 the Company's shares are publicly traded.

Volatility - The expected share price volatility was based on the historical equity volatility of the ordinary shares of comparable companies that are publicly traded.

Expected Term - The expected term of options granted represents the estimated period of time that options granted are expected to be outstanding. Since adequate historical experience is not available to provide a reasonable estimate, the expected term is determined based on the midpoint between the available exercise dates (the end of the vesting periods) and the last available exercise date (the contracted expiration date).

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION (Cont.)

B. Significant judgments in applying accounting policies: (Cont.)

(2) Option Valuations (Cont.):

Risk-Free Rate - The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the expected term of the options.

Expected Dividend Yield - The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

If any of the estimates and assumptions used in the Black-Scholes Merton model change significantly, the Company's share-based payment for future awards may differ materially from those projected and recorded previously.

(3) Impairment of non-current assets:

The Company has made significant investments in intangible assets and goodwill. Pursuant to IAS 36, goodwill must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

Estimating recoverable amounts of assets and Cash Generating Units ("CGU") must, in part, be based on management's evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the future market conditions and the long-term growth rate into perpetuity (terminal value) or the fair value less costs to the sell the CGU. Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Company's impairment evaluation and hence results. The Company operates in one segment. Recoverable amounts are based on fair value of the whole company based on recent transaction and other indication of fair value of the Company's share.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 4 - TRADE RECEIVABLES

A. Composition:

	As at December 31	
	2023	2022
Trade receivable	4,933	6,023
Allowance for doubtful debts	(270)	(205)
	4,663	5,818

B. Management of the credit risk by the Company:

Before receiving a new customer and during the year, the Company conducts research on the financial strength of the customer, and also requests the customer to provide credit references from other suppliers with whom the customer maintains business relations. In addition, the Company purchases a credit insurance policy for all its customers.

From total trade receivable balance as at December 31, 2023, the sum of \$3,449 is with respect to debt owed by significant customers. Ten of the Company's customers comprise 70% of its revenues for the twelve month period ended December 31, 2023.

The average credit period on sales of services for 2023 is 53 days.

C. Changes in the allowance for doubtful debts:

	As at December 31	
	2023	2022
Balance at beginning of the year	205	400
Changes in allowance for expected credit loss	65	(195)
Balance at the end of the year	270	205

NOTE 5 - OTHER RECEIVABLES AND PREPAID EXPENSES

Composition:

	As at December 31,	
	2023	2022
Deposits	315	336
Prepaid expenses	194	289
Government entities	84	118
Other	12	53
	605	796

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 6 - FIXED ASSETS, NET

Composition:

	Furniture and equipment	Leasehold improvements	Computers and software	Total
Cost				
At January 1, 2022	21	45	189	255
Additions	97	140	59	296
At 31 December, 2022	118	185	248	551
Additions	4	2	9	15
At 31 December, 2023	122	187	257	566

Composition (Cont.):

	Furniture and equipment	Leasehold improvements	Computers and software	Total
Accumulated depreciation				
At January 1, 2022	(4)	(21)	(150)	(175)
Additions	(5)	(21)	(34)	(60)
At 31 December, 2022	(9)	(42)	(184)	(235)
Additions	(10)	(37)	(33)	(80)
At 31 December, 2023	(19)	(79)	(217)	(315)

	Net book value
Carrying amount	
At December 31, 2023	251
At December 31, 2022	316
At 1 January, 2022	80

NOTE 7 - RIGHT OF USE ASSETS

Composition:

	Lease premises	Vehicles	Total
Cost			
At January 1, 2022	1,884	358	2,242
Additions	2,707	120	2,827
At December 31, 2022	4,591	478	5,069
Additions	-	258	258
At December 31, 2023	4,591	736	5,327

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except for per share and shares data)

NOTE 7 - RIGHT OF USE ASSETS (Cont.)

	<u>Lease premises</u>	<u>Vehicles</u>	<u>Total</u>
Accumulated depreciation			
At January 1, 2022	(1,232)	(276)	(1,508)
Additions	(603)	(84)	(687)
At December 31, 2022	(1,835)	(360)	(2,195)
Additions	(538)	(106)	(644)
At December 31, 2023	<u>(2,373)</u>	<u>(466)</u>	<u>(2,839)</u>
	<u>Net book value</u>		
Carrying amount			
At December 31, 2023	2,488		
At December 31, 2022	2,874		
At 1 January, 2022	734		
	<u>Year ended 2023</u>	<u>Year ended 2022</u>	
Amount recognized in profit and loss:			
Depreciation expense of the right of use assets	644	687	
Interest expense on lease liabilities	168	90	
	<u>812</u>	<u>778</u>	

On May 8, 2022, the Company entered into a lease agreement to lease 1,400 square meters of new office facility in Herzliya. The new lease has an initial term of 42 months and commenced on August 1, 2022. The Company has the option to terminate the agreement on January 31, 2025. The monthly rent under the new agreement is NIS147 thousands (approximately \$39) linked to the June 2022 consumer price index. The Company has an option to extend the term of the lease for an additional two-year period with an increase of 5% in the monthly lease payments. The extension option was taken into consideration.

The lease is subject to charges for property management for a monthly amount of NIS33.6 thousands (approximately \$10).

ZOOMD TECHNOLOGIES LTD.
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(USD in thousands, except for per share and shares data)

NOTE 8 - INTANGIBLE ASSETS, NET

Composition:

	<u>Goodwill</u>	<u>Customer relationships</u>	<u>Brand</u>	<u>Capitalized software development costs</u>	<u>Technology</u>	<u>Total</u>
Cost						
At January 1, 2022	5,641	323	734	2,260	11,132	20,090
Additions	-	-	-	2,117	-	2,117
Additions due to business combination	104	-	-	-	471	575
At 31 December, 2022	<u>5,745</u>	<u>323</u>	<u>734</u>	<u>4,377</u>	<u>11,603</u>	<u>22,782</u>
Additions	-	-	-	1,063	-	1,063
At 31 December, 2023	<u><u>5,745</u></u>	<u><u>323</u></u>	<u><u>734</u></u>	<u><u>5,440</u></u>	<u><u>11,603</u></u>	<u><u>23,845</u></u>

	<u>Goodwill</u>	<u>Customer relationships</u>	<u>Brand</u>	<u>Capitalized software development costs</u>	<u>Technology</u>	<u>Total</u>
Amortization and impairment						
At January 1, 2022	-	(264)	(624)	(225)	(7,645)	(8,758)
Additions	-	(47)	(110)	(1,313)	(1,400)	(2,870)
At 31 December, 2022	<u>-</u>	<u>(311)</u>	<u>(734)</u>	<u>(1,538)</u>	<u>(9,045)</u>	<u>(11,628)</u>
Additions	-	(1)	-	(157)	(1,364)	(1,522)
Deductions (See note 1D)	-	-	-	(2,839)	-	(2,839)
At 31 December, 2023	<u><u>-</u></u>	<u><u>(312)</u></u>	<u><u>(734)</u></u>	<u><u>(4,534)</u></u>	<u><u>(10,409)</u></u>	<u><u>(15,989)</u></u>

	<u>Net book value</u>
At December 31, 2023	7,856
At December 31, 2022	11,154
At January 1, 2022	11,332

During the year ended December 31, 2023, the Company capitalized \$ 1,063 (2022 - \$ 2,117) of development costs relating to revenue generating technology.

ZOOMD TECHNOLOGIES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - INTANGIBLE ASSETS, NET (Cont.)

Impairment

The Company operates as a single CGU and therefore all goodwill and intangible assets have been tested at the Company level. The Company performed its annual impairment test at December 31, 2023 based on the following indicator of impairment:

The Company's share price declined from CAD \$0.175 at December 31, 2022 to CAD \$0.065 at December 31, 2023.

In assessing goodwill and intangible assets for impairment, the Company compared the aggregate recoverable amount to the assets included in the CGU to their respective carrying amounts.

The following table summarizes information about the assumptions for measuring the fair value of the goodwill at December 31, 2023, is as follows:

Weighted Average Cost of Capital (WACC)	20%
Long-term growth rate (%)	2%
Total enterprise value (USD in thousands)	16,849
Total book value (USD in thousands)	10,567

As a result of the impairment test undertaken, the Company did not record any impairment charges.

NOTE 9 - CREDIT LINE

On March 24, 2021, the Company signed a Credit Line agreement with one of its banks. The credit line agreement allows the Company to withdraw, up to USD 2,000, subject to the terms and conditions stipulated in the agreement. Amounts withdrew under the credit line bears interest of one month's SOFR + 4.75% per annum. The Credit is secured by a floating charge over the Company's assets. The Company withdrew USD 2,000 on April 13, 2021. In March 2024, the Company signed an extension to the agreement bearing the same terms and conditions.

Covenants:

According to the extension, in the event that the Company has negative EBITDA for two consecutive quarters, it will need to maintain a balance of at least USD 2,000 in its bank account of which USD 1,000 will be held as a restricted deposit. If these conditions are not met, the Company will be required to immediately payback the line of credit.

As of the date of the consolidated financial statements the Company is compliant with all the covenants.

NOTE 10- OTHER PAYABLES AND ACCRUED LIABILITIES

Composition:

	As at December 31,	
	2023	2022
Salaries and other employee related liabilities	815	1,315
Accrued expenses	1,340	1,832
Deferred revenues	51	11
	<u>2,206</u>	<u>3,158</u>

ZOOMD TECHNOLOGIES LTD.
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NOTE 11 - RESERVE FOR EMPLOYEE BENEFITS

A. Composition:

	As at December 31,	
	2023	2022
Short-term employee benefits:		
Benefits for vacation pay	318	377
Liability for salary, bonuses and wages	497	938
	815	1,315

B. Post-employment Benefits:

The Company's employees are signed on Section 14. A few of the employees signed on section 14 only after the merger. It was agreed with them to fix the amount of the Company's liability to them for the time from the inception of their employment until they sign Section 14 in case they leave the company, such that no uncertainty exists about the amounts to be paid.

The Company's payments for severance pay, in accordance with Section 14 of the Israeli Severance Pay Law for the years ended December 31, 2023 and 2022 was \$425 and \$506 respectively.

NOTE 12 - SHAREHOLDERS' EQUITY

A. Shares issued and outstanding:

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at December 31, 2023 and 2022 the Company has 98,329,339 and 97,250,914 common shares issued and outstanding respectively.

B. Transactions:

- i. During 2021, some of the Company's employees and consultants exercised their options into 783,936 ordinary shares of the Company with a weighted averaged conversion price of \$ 0.01 per share.
- ii. During 2022, some of the Company's employees and consultants exercised their options into 339,715 ordinary shares of the Company with a weighted averaged conversion price of \$ 0.01 per share.
- iii. During 2023, some of the Company's employees and consultants exercised their options into 273,502 ordinary shares of the Company with a weighted averaged conversion price of \$ 0.01 per share.

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NOTE 12 - SHAREHOLDERS' EQUITY (Cont.)

C. All 81,690,928 common shares issued to the former shareholders of Zoomd Ltd. as part of the reverse takeover with Dataminers Capital Corp. completed on August 28, 2019 were subject to a one year contractual lock-up beginning on August 28, 2019, being the date the Qualifying Transaction was completed.

D. Share based payment:

The Company established a stock option plan (the "**Plan**") for its key employees, officers and directors, and certain consultants. The Plan is administered by the Board of Directors of the Company. The Board may from time to time grant options to purchase ordinary shares of the Company according to the terms as set in the Company's option plan. Options under the Plan expire five to ten years after the grant date and vest either immediately or over periods up to three years and are equity-settled.

The following table provides the activity of stock option for the years ended December 31, 2023, and December 31, 2022 for options outstanding, and exercisable. The weighted average exercise price, and the weighted average remaining contractual life.

	Options outstanding		
	Number	Weighted average exercise price	Weighted average remaining contractual life (in years)
Outstanding January 1, 2022	8,803,386	0.13	3.71
Expired	-	-	
Forfeitures	309,137	-	
Exercised	339,715	-	
Granted	3,208,484	0.1	3.3
Outstanding December 31, 2022	<u>11,363,018</u>	<u>0.1</u>	<u>3.59</u>
Expired	-	-	
Forfeitures	442,334	-	
Exercised	273,502	-	
Granted	100,000	0.08	3.3
Outstanding December 31, 2023	<u>10,747,182</u>	<u>0.1</u>	<u>3.59</u>
Options exercisable	<u>7,715,757</u>		

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NOTE 12 - SHAREHOLDERS' EQUITY (Cont.)

D. Share based payment (Cont.):

The following table summarizes information about the assumptions for measuring the fair value of the options granted under the Black-Scholes option pricing model for the year ended December 31, 2023, is as follows:

	<u>2023</u>	<u>2022</u>
Dividend yield (%)	0%	0%
Expected volatility of the share prices (%)	100%	100%
Risk-free interest rate (%)	1.1%	0.8%
Expected life of share options (years)	3.4	3.4

The Company recognized total expenses of \$223 and \$332 related to above equity settled share-based payment transactions for the years ended December 31, 2023 and December 31, 2022 respectively.

NOTE 13- INCOME TAXES

- A.** The corporate tax rate in Israel is 23%.
- B.** Losses and deductions for tax purposes carried forward amount to approximately \$20 million as at December 31, 2023. Due to the lack of history of taxable income and uncertainty of taxable income in the foreseeable future, no deferred tax assets were recorded for these carry forward losses and deductions.
- C.** In 2023, as a result of uncertainty of taxable income in the foreseeable future, the Company has written off its downpayments for taxes of surplus expenses ("Odfot") in the amount of \$12. The Company did not record current taxes for the year ended December 31, 2023, since it had no taxable income.
- D.** Effects of the implementation of the amendment to IAS 12:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Long term Deferred tax Assets	572	661
Short term Deferred tax liabilities	138	114
Long term Deferred tax liabilities	409	522

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NOTE 14- COMMITMENTS AND CONTINGENT LIABILITIES

Provisions:

The Company has a liability to pay royalties to the Israeli government as a result of grants received from the IIA. The liability is calculated based on future sales generated by products which were developed using the IIA grants. As at December 31, 2023, it is probable that the Company will be required to pay the above mentioned royalties, and accordingly, the Company recorded, as at December 31, 2023, a provision in a total amount of \$ 280. According to the terms of the grants, the IIA is entitled to royalties equal to 3% (or at an increased rate under certain circumstances) of the sales of the product funded, up to the full principal amount (which may be increased under certain circumstances) of the U.S. dollar-linked value of the grants, plus interest at the rate of 12-month SOFR. As at December 31, 2023, the Company had received IIA grants in the aggregate amount of \$ 715.

The movement in the provision is as follows:

	December 31,	
	2023	2022
Balance at the beginning of the year:	280	280
Changes during the year:		
Amounts charged to net income or loss and other comprehensive loss	-	-
Balance at year end	280	280

NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES

Composition:

	Year ended December 31,	
	2023	2022
Salaries and related expenses	729	1,550
Depreciation and amortization	1,521	2,712
Services	863	1,557
Other expenses	182	894
	3,295	6,713

NOTE 16 - SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

Composition:

	Year ended December 31,	
	2023	2022
Salaries and related expenses	6,962	8,381
Depreciation and amortization	745	905
Professional fees	455	765
Share based payment	266	277
Other expenses	1,555	1,681
	9,983	12,009

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NOTE 17 - FINANCE INCOME AND EXPENSES

A. Financing income:

	Year ended December 31,	
	2023	2022
Interest from deposits	19	13
Foreign exchange differences and other financing income	150	95
	169	108

B. Financing expenses:

	Year ended December 31,	
	2023	2022
Foreign exchange differences	49	-
Interest on loan, fees, and other financing expenses	669	560
	718	560

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NOTE 18- FINANCIAL INSTRUMENTS

A. Financial instruments fair value:

The carrying amount of the Company's financial instruments equals or approximates their fair value.

B. Financial instruments carried at amortized costs:

	Year ended December 31	
	2023	2022
Financial assets:		
Current assets:		
Cash and cash equivalents	2,602	3,776
Deposits	315	336
Trade receivables	4,663	5,818
Other current assets	-	53
	<u>7,580</u>	<u>9,983</u>
Non-current assets:		
Long term Deposits	179	220
	<u>179</u>	<u>220</u>
Total assets:	<u>7,759</u>	<u>10,203</u>
 Financial liabilities:		
Current liabilities:		
Trade accounts payable	2,978	3,422
Short term bank credit	2,007	2,001
Short term lease liability	598	495
Other payables and accrued expenses	2,206	3,417
	<u>7,789</u>	<u>9,335</u>
Non-current assets:		
Provisions	280	280
Total liabilities:	<u>8,069</u>	<u>9,615</u>

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NOTE 18 - FINANCIAL INSTRUMENTS (Cont.)

C. Purposes of financial risk management:

The Company's finance department renders services for business operations, permits access to local and international financial markets, supervises and administers the financial risks related with the activities of the Company by means of internal reports which analyze the extent of exposure to risks according to their level and intensity. These risks include market risks (including foreign currency risk) and liquidity risk.

D. Market risk:

Foreign currency risk:

The Company's functional currency is the U.S. dollar. The Company's exposures to the fluctuations occurring in the rates of exchange between the U.S. dollar and the New Israeli Shekel result mainly from salaries and related expenses that are incurred in NIS.

The Company acts to reduce the currency risk by means of holding its liquid resources in short-term deposits (NIS and USD).

The book values of the financial assets and liabilities of the Company denominated in foreign currency are as follows:

	Liabilities		Assets	
	December 31,		December 31,	
	2023	2022	2023	2022
NIS	1,070	1,877	634	677
Euro	13	39	937	1,414
CAD	8	8	1	1

Sensitivity analysis of foreign currency:

As stated above, the Company is exposed mainly to the NIS currency since salaries and related expenses are stated in NIS.

The following table itemizes the sensitivity to an increase or a decrease of 10% in the relevant exchange rate. 10% is the rate of sensitivity representing the assessments of management with respect to the reasonable possible change in exchange rates. The sensitivity analysis includes current balances of monetary items denominated in foreign currency and confirms their translation at the end of the period to a change of 10% in foreign currency rates.

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NOTE 18- FINANCIAL INSTRUMENTS (Cont.)

D. Market risk (Cont.)

	Effect of NIS currency	
	December 31,	
	2023	2022
Pre-tax effect of increase of 10% in the \$ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	1,018	813
Effect on equity	1,018	813
 Pre-tax effect of decrease of 10% in the \$ currency vis-à-vis the NIS:		
Effect on profit or loss and other comprehensive income for the year	(1,018)	(813)
Effect on equity	(1,018)	(813)

E. Management of credit risk:

Before receiving a new customer and during the year, the company conducts research on the financial strength of the customer, and also requests the customer to provide credit references from other suppliers with whom the customer maintains business relations. In addition, the Company is purchasing a credit insurance policy for most of its customers.

Moreover, the Company holds cash and cash equivalents in various financial institutions. These financial institutions are located in Israel and the United States. Pursuant to the Company's policies, evaluations of the relative financial stability of the different financial institutions are performed on an on-going basis.

The account receivable balances include overdue accounts which are exceeding payment terms. Management believes that the provision for expected credit loss is adequate.

F. Liquidity risk:

Careful management of liquidity risk requires a sufficient cash balance to support operating activities. Management constantly analyzes cash balances which comprise of cash and cash equivalents. This analysis is based on forecasted cash flows, in accordance with policies and restrictions set by the Company.

The Company keeps a sufficient level of cash and cash equivalents, by taking into account the cash required for its operating activities, in order to reduce the liquidity risk which, the Company is exposed to.

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NOTE 18- FINANCIAL INSTRUMENTS (Cont.)

F. Liquidity risk (Cont.):

Below is an analysis of contractual maturities of financial liabilities, including estimated interest payments and the effect of discounting, as at December 31, 2023 and 2022:

	<u>Carrying Amount</u>	<u>Contractual Cash flow</u>	<u>1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023					
Non-derivative financial liabilities:					
Accounts payable	2,978	2,978	2,978	-	-
Other payables and accrued expenses	2,206	2,206	2,206	-	-
Lease liabilities	2,375	2,865	1,529	1,336	-
IIA liability	280	710	10	10	690
	<u>7,839</u>	<u>8,759</u>	<u>6,723</u>	<u>1,346</u>	<u>690</u>
	<u>Carrying Amount</u>	<u>Contractual Cash flow</u>	<u>1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022					
Non-derivative financial liabilities:					
Accounts payable	3,422	3,422	3,422	-	-
Other payables and accrued expenses	3,158	3,158	3,158	-	-
Lease liabilities	2,766	3,360	1,368	1,938	54
IIA liability	280	710	10	10	690
	<u>9,626</u>	<u>10,650</u>	<u>7,958</u>	<u>1,948</u>	<u>744</u>

NOTE 19- TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

A. Compensation to key management personnel and interested parties:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salary and related expenses to key management personnel	<u>2,468</u>	<u>2,744</u>
Number of personnel to which benefit applies	<u>10</u>	<u>10</u>
Share based payment to interested parties and key management personnel	<u>295</u>	<u>143</u>
Number of personnel to which Share based benefit applies	<u>10</u>	<u>8</u>

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NOTE 19- TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (Cont.)

B. Transactions with interested and related parties:

	Year ended December 31,	
	2023	2022
Subcontractors	226	390
Consultation providers	271	292

NOTE 20 - MAJOR CUSTOMERS

The following is an analysis of the Company's customers who represent more than 10% of the total revenue:

	Year ended December 31,	
	2023	2022
Customer A	11,872	11,668
Customer B	3,266	5,933
Customer C	-	5,537