

ZOOMD TECHNOLOGIES LTD

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023

ZOOMD TECHNOLOGIES LTD

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2023

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ZOOMD TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands)

	<u>September 30,</u>		<u>December</u>
	<u>2023</u>	<u>2022</u>	<u>31,</u>
			<u>2022</u>
<u>Assets</u>			
Current assets			
Cash and cash equivalents	1,462	3,417	3,776
Trade receivables	4,302	5,879	5,818
Other receivables and prepaid expenses	844	650	796
	<u>6,608</u>	<u>9,946</u>	<u>10,390</u>
Non-current assets			
Long-term deposit	170	218	220
Fixed assets, net	269	308	316
Rights to use assets	2,632	2,901	2,874
Intangible assets	8,126	12,289	11,154
	<u>11,197</u>	<u>15,716</u>	<u>14,564</u>
Total assets	<u>17,805</u>	<u>25,662</u>	<u>24,954</u>
<u>Equity and liabilities</u>			
Current liabilities			
Short term bank credit	1,503	1,000	2,001
Trade payables	1,961	2,995	3,422
Short term lease liability	549	447	495
Other payables and accrued expenses	2,671	3,555	3,158
	<u>6,684</u>	<u>7,997</u>	<u>9,076</u>
Non-current liabilities			
Provisions	280	280	280
Lease liability	1,919	2,308	2,271
Reserve for employee benefits	107	164	240
	<u>2,306</u>	<u>2,752</u>	<u>2,791</u>
Shareholders' equity			
Share capital and premium	39,499	39,499	39,499
Other reserves	5,953	5,477	5,602
Accumulated deficit	(36,637)	(30,063)	(32,014)
	<u>8,815</u>	<u>14,913</u>	<u>13,087</u>
Total equity and liabilities	<u>17,805</u>	<u>25,662</u>	<u>24,954</u>

Amit Bohensky
Chairman of the board

Ido Almany
CEO

Tsvika Adler
CFO

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

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

	For the nine months ended September 30,		For the three months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
Revenue	24,589	42,257	7,120	9,790	53,023
Cost of sales and services	15,153	29,699	4,306	6,731	36,415
Gross profit	<u>9,436</u>	<u>12,558</u>	<u>2,814</u>	<u>3,059</u>	<u>16,608</u>
Operating costs and expenses					
Research and development expenses	2,687	4,221	736	1,446	6,713
Selling, administrative and general expenses	8,059	8,783	2,156	3,071	12,009
Other expenses – Impairment (See note 3)	2,839	-	-	-	-
	<u>13,585</u>	<u>13,004</u>	<u>2,892</u>	<u>4,517</u>	<u>18,722</u>
Operating Loss	<u>(4,149)</u>	<u>(446)</u>	<u>(78)</u>	<u>(1,458)</u>	<u>(2,114)</u>
Finance Income	104	-	(67)	-	108
Finance expense	(566)	(246)	(115)	(62)	(560)
Finance expense, net	<u>(462)</u>	<u>(246)</u>	<u>(182)</u>	<u>(62)</u>	<u>(452)</u>
Net Loss before income taxes	<u>(4,611)</u>	<u>(692)</u>	<u>(260)</u>	<u>(1,520)</u>	<u>(2,566)</u>
Taxes on income	12	210	-	210	287
Net Loss and Comprehensive Loss	<u>(4,623)</u>	<u>(902)</u>	<u>(260)</u>	<u>(1,730)</u>	<u>(2,853)</u>
Net Income (loss) per share:					
Basic and diluted	<u>(0.04)</u>	<u>(0.01)</u>	<u>0.00</u>	<u>(0.02)</u>	<u>(0.03)</u>
Shares used in calculation of net loss per share:					
Basic	<u>104,634,804</u>	<u>102,191,485</u>	<u>105,096,451</u>	<u>102,087,896</u>	<u>102,583,043</u>
Diluted	<u>104,634,804</u>	<u>102,191,485</u>	<u>105,096,451</u>	<u>102,087,896</u>	<u>102,583,043</u>

ZOOMD TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands, except for share data)

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2023	97,250,914	39,499	5,602	(32,014)	13,087
Share-based compensation	-	-	351	-	351
Common stocks issued and to be issued due to business combination	804,923	-	-	-	-
Loss for the period	-	-	-	(4,623)	(4,623)
Balance - September 30, 2023 (Unaudited)	<u>98,055,837</u>	<u>39,499</u>	<u>5,953</u>	<u>(36,637)</u>	<u>8,815</u>

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2022	95,595,617	39,045	5,107	(29,161)	14,991
Share-based compensation	333,863	-	370	-	370
Exercise of options	339,715	5	-	-	5
Common stocks issued and to be issued due to business combination	606,719	449	-	-	449
Loss for the period	-	-	-	(902)	(902)
Balance - September 30, 2022 (Unaudited)	<u>96,875,914</u>	<u>39,499</u>	<u>5,355</u>	<u>(30,063)</u>	<u>14,913</u>

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

ZOOMD TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands, except of share data)

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - July 1, 2023	98,055,837	39,499	5,860	(36,377)	8,982
Share-based compensation	-	-	93	-	93
Common stocks issued and to be issued due to business combination	-	-	-	-	-
Loss for the period	-	-	-	(260)	(260)
Balance - September 30, 2023 (Unaudited)	<u>98,055,837</u>	<u>39,499</u>	<u>5,953</u>	<u>(36,637)</u>	<u>8,815</u>

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - July 1, 2022	96,426,201	39,499	5,355	(28,333)	16,521
Share-based compensation	333,863	-	122	-	122
Exercise of options	115,850	(*)	-	-	(*)
Loss for the period	-	-	-	(1,730)	(1,730)
Balance - September 30, 2022 (Unaudited)	<u>96,875,914</u>	<u>39,499</u>	<u>5,477</u>	<u>(30,063)</u>	<u>14,913</u>

(*) Less than 1 thousand dollars.

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2022	95,595,617	39,045	5,107	(29,161)	14,991
Share-based compensation	-	-	495	-	495
Exercise of options	339,715	5	-	-	5
Common stocks issued and to be issued due to business combination	1,315,582	449	-	-	449
Loss for the year	-	-	-	(2,853)	(2,853)
Balance - December 31, 2022	<u>97,250,914</u>	<u>39,499</u>	<u>5,602</u>	<u>(32,014)</u>	<u>13,087</u>

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

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

	For the nine months ended September 30,		For the three months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				
<u>Cash flows - operating activities</u>					
Net Loss from operations	(4,623)	(902)	(260)	(1,730)	(2,853)
Adjustments to reconcile net loss to net cash from operating activities (Appendix A)	4,269	2,873	484	959	4,786
	(354)	1,971	224	(771)	1,933
Interest Payments	(129)	(44)	(40)	(31)	(90)
Net cash generated from (used in) operating activities	(483)	1,927	184	(802)	1,843
<u>Cash flows - investing activities</u>					
Release from bank deposits	-	256	-	-	-
Capitalized software development costs	(931)	(2,117)	(131)	(678)	(2,117)
Cash used in business combination	-	(125)	-	-	(250)
Purchase of property, plant, and equipment	(11)	(261)	-	(141)	(296)
Net cash used in investing activities	(942)	(2,247)	(131)	(819)	(2,663)
<u>Cash flows - financing activities</u>					
Lease liabilities	(390)	(506)	(129)	(84)	(647)
Short-term bank credit	(500)	(1,000)	(500)	-	-
Exercise of options	1	5	-	(*)	5
Net cash used in financing activities	(889)	(1,501)	(629)	(84)	(642)
Decrease in cash and cash equivalents	(2,314)	(1,821)	(576)	(1,705)	(1,462)
Cash and cash equivalents at the beginning of the period	3,776	5,238	2,038	5,122	5,238
Cash and cash equivalents at the end of the period	1,462	3,417	1,462	3,417	3,776

(*) Less than 1 thousand dollars.

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD in thousands)

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

	<u>For the nine months</u> <u>ended September 30,</u>		<u>For the three months</u> <u>ended September 30,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>Unaudited</u>				
<u>Cash flows from operating activities</u>					
A. Adjustments to reconcile net profit to net cash from operating activities					
Depreciation and amortization	1,648	2,312	570	831	3,617
Impairment of Intangible assets (See note 3)	2,838	-	-	-	-
Change in employee benefit liabilities, net	(133)	(27)	(4)	(2)	49
Cost of share-based payment	351	370	93	122	495
Finance expenses, net	-	(126)	-	(461)	82
Changes in assets and liabilities:					
Decrease in trade receivables and other receivables	1,468	2,366	1,228	2,653	2,531
Increase in long-term deposits	-	-	-	-	(174)
Increase (decrease) in trade payables	(2,443)	(337)	(1,500)	(1,984)	220
Increase (decrease) in other current and non-current liabilities	540	(1,685)	97	(200)	(2,034)
Total	<u>4,269</u>	<u>2,873</u>	<u>484</u>	<u>959</u>	<u>4,786</u>

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD in thousands)

Appendix A - Adjustments to reconcile net income (loss) to net cash from operating activities (Cont.)

	For the nine months ended September 30,		For the three months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				
B. Non-cash investing and financing activities					
(1) Business combination					
Goodwill and Technology from business combination	-	575	-	-	575
Trade payables	-	-	-	(125)	-
Contingent liability from business combination	-	(125)	-	-	-
Share capital and premium balance and equity classified contingent consideration	-	(325)	-	-	(325)
Total	-	125	-	(125)	250
(2) Leases					
Right of use assets	228	-	-	-	2,961
Lease liabilities	(228)	-	-	-	(2,961)
Total	-	-	-	-	-
(3) Purchase of property, plant, and equipment, included in accounts payables					
Purchase of property, plant, and equipment,	-	4	-	2	-
Total	-	4	-	2	-

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

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

Description of Business:

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 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”).

On February 9, 2021 the Company acquired all of Performance Revenues’ Ltd.’s tangible and intangible assets.

On March 27, 2022, the Company acquired all of Albert Technologies’ Ltd and Albert Technologies’ Inc tangible and intangible assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The condensed consolidated interim financial statements of the Company are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with Zoomd annual consolidated financial statements for the year ended December 31, 2022 and accompanying notes, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. As explained above, Zoomd is considered the accounting acquirer and this interim report is a direct continuation of the financial statements of Zoomd.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company’s accounting policies.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Covenants:

During the period, the Company signed an amendment to the Credit Line Agreement, which was originally signed in 2021. In accordance with the amendment, in the event that the Company has negative EBITDA for two consecutive quarters, it will need to maintain a balance of at least \$2 million in its bank account of which \$1 million 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.

NOTE 3 - EVENTS DURING THE PERIOD

1. Due to changes in market conditions and shifts in the marketing tech industry, the Company decided to reallocate resources and adjust its investment focus from certain self-serve components to others, within the current solutions (“restructuring”). The restructuring meant allocation of resources to areas of greater and faster growth potential and discontinue investment in other initiatives the Company worked on. The decision affected the recoverability of software development costs invested which were determined to no longer be recoverable. As such, an amount of \$2.8M of software development costs were written off entirely. Market dynamics, including macroeconomic cycles and shifts in technology in the marketing tech space, have influenced the viability and growth prospects of several components within the current solutions, which have led the Company to decide on the restructuring.
2. 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, it is imperative that we strategically align our focus. As a result, we took immediate actions to attempt to improve financial performance and cash flow throughout our operations. The Company has announced its plans to implement 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. In the short term this plan caused significant one-time expenses. In the long term, Management estimates that the annualized net cost savings of the measures will be approximately US\$4 million in annual terms.

NOTE 4 - SUBSEQUENT EVENTS

On October 7, 2023, subsequent to the reporting period, the State of Israel suffered a surprise attack, which led to the declaration of the ‘Iron Swords’ War (the “War”). The War is on-going as of the issuance date of these financial statements.

Based on its assessment, the Company doesn’t expect a significant negative effect on its results of operations.