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WAY 2 VAT LTD

ARBN 637 709 114

ANNUAL REPORT 2023

Directors	Adoram Ga'ash Amos Simantov David Assia David Buckingham Robert Edgley
Company Secretary	Emily Austin (appointed 23 August 2022) Lucy Rowe (resigned 6 March 2024)
Registered Office	C/ - Automic Group Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000
Principal Place of Business (Israel)	3 Tozeret Haaretz St. (Y Building 3rd floor) Petah Tikva, Israel 4951703 Telephone: 97 2 3 508 0022 Email: info@way2vat.com Website: www.way2vat.com
Share Register	Automic Registry Services Level 5, 126 Phillip Street Sydney NSW 2000
Auditor	BDO Israel Amot BDO House 48 Menachem Begin Road Tel Aviv, Israel 6618001
Australian Legal Advisors	Thomson Geer Level 27, Exchange Tower 2 The Esplanade Perth WA 6000
Israeli Legal Advisors	Kafri Leibovich 3rd Floor, 11 Habarzel Street Tel Aviv, Israel 6971017

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Way2VAT's annual report for the financial year ending 31 December 2023 (FY23).

In 2023 Way2VAT's strategy for growth began to pay dividends with record revenue of A$3.1 million, including record quarterly revenue of A$1.0 million, and increasing enterprise client wins, demonstrating our ability to scale.

This growth was bolstered by cost efficiencies which allowed us to accelerate product development, providing added value for existing customers and opening new markets for our AI-powered technology platform.

Importantly, 2023 allowed us to experience a full year of operations in post-COVID conditions which saw business travel return to pre-pandemic levels, and the time taken by tax authorities to process claims reduce to an average seven months, rather than the fifteen-month periods we experienced during Covid.

We also saw a full year of integrated operations after our strategic acquisition of Spanish VAT automation business DevoluIVA. The significant transaction volume and revenue DevoluIVA has contributed via their extensive national network not only drives growth, but validates our strategy of non-organic growth.

The global market for our technology is significant with US$20 billion of VAT/GST unclaimed each year. Many of our competitors have outdated technology and manual processes. We believe consolidation of the sector, particularly in Europe, is inevitable and our superior technology means we are well placed to take advantage of this trend.

As the year progressed, our operating expenses continue to decrease as we implemented strategies to reduce costs, including moving functional operations to Romania and refining our onboarding processes for new clients which allows us to generate revenue from them sooner. We also made strides in reducing by half the onboarding process time for new clients, further supporting an agile response to market demands.

These efficiencies have enabled us to invest more in accelerating product development. I'm pleased to report we secured our sixth patent and launched our latest product, AI-AP compliance, which has opened up 40 new countries for Way2VAT to operate in.

Our remarkable achievements over FY23 would not have been possible without the continuing dedication of our Founder and CEO Amos Simantov and the hard work of the entire staff of Way2VAT. I'd like to thank them all for their loyalty, commitment, and outstanding effort.

On behalf of the Board, I would also like to thank our loyal shareholders for their continued support during 2023. We have increased transaction volume from last year and added significant new partnerships and contracts in key markets. We will continue to build on the solid progress we made this year to increase our client base, expand into new markets, and capitalise on opportunities to deliver value.

Adoram Ga'ash

Non-Executive Chairman

WAY 2 VAT LTD
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Directors' Report
31 December 2023

The Directors present their report, together with the consolidated financial statements of Way2VAT Ltd ("the Company" or "Way2VAT") for the year ended 31 December 2023.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
Amos Simantov	CEO and Managing Director	19 February 2014	-
Adoram Ga'ash	Non-Executive Director	10 February 2016	-
David Assia	Non-Executive Director	02 December 2018	-
Ayelet Verbin	Non-Executive Director	09 September 2021	13 June 2023 -
Robert Edgley	Non-Executive Director	09 September 2021	-
David Buckingham	Non-Executive Director	09 September 2021	-

Principal Activities

During the financial year, there were no changes to the principal activities of the Company - global and domestic VAT/GST and accounts payable and travel expenses reclaim. The company uses its patented AI-based technology platform to reclaim these amounts for a growing list of enterprise customers in 40 countries and in 20 languages.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2023 (2022: nil).

Review of Operations

(All figures in Directors' Report in A$ unless otherwise specified.)

Overall growth in 2023 was driven by the return to pre-COVID operating conditions, significant new enterprise client wins, and new markets Way2VAT entered through a full twelve months of integrated operations after the Company's strategic acquisition of DevoluIVA.

This momentum saw FY23 gross transaction value, increase 11% on the prior year to A$23.7 million, with reported revenue up 64% on prior year to $3.1 million. The Company has an accounts receivable balance of $3.57 million, VAT/GST reclaims due mostly from various government tax authorities.

During the year Way2VAT relocated functional operations to Romania and refined onboarding processes for new clients as part of strategy to reduce costs. This focus on cost management has resulted in a 16% YoY reduction in like-for-like total operating expenses from 2022 to 2023.

The Company continued to expand its client base across Europe, increasing enterprise client wins by 38% from 250 to 345 including Eli Lilly, Nestlé Spain, Camper, Serveo, Sony Spain, SecuritasDirect, PGIM, Globalia Handling, Marine Harvest ASA, Lion Television and Lime Pictures.

WAY 2 VAT LTD
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Directors' Report
31 December 2023

During FY2023 Way2VAT raised A$4.04 million before costs via strongly supported private and oversubscribed share placements with new and existing sophisticated investors joining the register.

Funds raised are being used for accelerated sales and marketing campaigns, increasing the Company's key product suite and adding new features to the Ai-powered and patented technology platform.

Financial Overview

Results for the year included the following key movements:

- Transaction volume $23.7 million, up 11% on pcp (FY22: $21.3 million)
- Reported revenue of $3.1 million, up 64% on pcp (FY22: A$1.88 million)
- Cash balance of $711k at 31 December 2023 with Accounts Receivable balance of $3.57 million, VAT reclaims due mostly from various government tax authorities
- Raised $4.04 million via a combined rights issue and oversubscribed share placement to execute growth opportunities and accelerate the pathway to profitability, with strong support from sophisticated, institutional and cornerstone investors
- Received an R&D funding loan of $412k (€250k) from the Spanish Innovation Authority to support new product line technologies in T&E (travel and expense) claim automation.

Growth strategy

In FY2023, Way2VAT secured major multinational clients increasing the enterprise client count to 345, a 38% increase over 12 months. Significant clients include Eli Lilly, Nestlé Spain, Camper (Spanish footwear company), Serveo (Spanish facility and infrastructure management), Sony Spain, SecuritasDirect (Europe-based security provider), PGIM (asset management and insurance), Globalia Handling (airline, hotel and travel agency operator), Marine Harvest ASA (seafood producer), Lion Television and Lime Pictures (television production), Primaflor, Frit Ravich and Broges (fresh produce, food and beverage), Espa and Mase Automation (manufacturing), and Comantur (renewable energy).

Research and development and patents

During the year Way2VAT was granted a new patent (US Pat. No. 11,676,411) by the United States Patent and Trademark Office for 'Systems and Methods for Neuronal Visual-Linguistic Data Retrieval from an Imaged Document.' This is the company's sixth patent in its technology platform, supporting its automated approach to VAT reclaim submissions. The AI-based Automated Invoice Analyzer (AIA) can take multi-invoice pages, crop them into individual files, and then use optical character recognition to match invoices to the corresponding expense line in the report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

On 31 January 2024, the Company announced it had entered into subscription agreements to raise $1.1 million from certain professional and sophisticated investors, being the Convertible Note Investors, pursuant to which the Company agreed to issue, and the Convertible Note Investors agreed will subscribe for, an aggregate of 22 convertible notes each with a face value of $50k per

convertible note ("Convertible Notes"). The Company issued the Convertible Notes on 1 and 29 February 2024, respectively.

The Company has received payment for the Convertible Notes and the costs associated with that transaction are expected to aggregate to $70k. The key terms with respect to those Convertible Notes are accruing 8% annual interest which shall be capitalized on the conversion date and a conversion price which includes a 20% discount to the price achieved in the companies next capital raising transaction.

In accordance with the terms and conditions of the Convertible Notes, the Convertible Notes will convert into Shares (among other events) following the announcement of a transaction, or series of transactions, resulting in the Company receiving aggregate gross proceeds of at least $2.0 million via the issue of Shares ("Financing Conversion"). The announcement of the Placement, see section b. below and the SPP Offer, see section c. below constitutes a Financing Conversion. Accordingly, as part of the upcoming shareholder general meeting scheduled to 10 April 2024, the Company proposes to issue up to 63,445,626 Shares to the Convertible Notes Investors on conversion of the Convertible Notes based on issue price of $0.022 per share pursuant to the Financing Conversion ("Convertible Note Shares"), subject to Shareholder approval.

In addition, the Company is offering up to 42,297,087 Options to the convertible note Investors with each option having an exercise price of $0.033 and expiring on 28 February 2026. Convertible Note Investors will receive two free attaching Options for every three Shares issued pursuant to the Financing Conversion.

In February 2024, Way2VAT received firm commitments to raise $4.25 million via a placement at an issue price of $0.022 per share, with strong support from Australian and international institutional investors. Demand for the placement significantly exceeded the size of the offer. The placement includes, subject to shareholder approval, two free attaching options for every three shares issued under the placement, with each option having an exercise price of $0.033 and expiring on 28 February 2026. Opportunity for existing eligible shareholders to participate via a share purchase plan of up to $1.0 million at the same price as the placement ($0.022 per share), subject to shareholder approval. Proceeds from the placement and share purchase plan will be used for working capital purposes and to accelerate recent company initiatives undertaken to expedite the pathway to profitability. The Company has already received approximately $2.1 million (before costs) for tranche 1.

In February 2024, Way2VAT launched a new AI-driven automated accounts payable auditing product, AI-AP Compliance, to complement the Company's existing suite of AI-powered VAT/GST claim and return solutions. AI-AP Compliance verifies proper submission of AP expenses to tax authorities. Aimed at large and multinational companies looking to maximise VAT/GST returns, AI-AP Compliances creates a new revenue stream for Way2VAT based on fixed costs per audited invoice.

Other than the above, no further matters have arisen since 31 December 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Information on Directors

Amos Simantov	**Chief Executive Officer and Managing Director**
Qualifications	BA and MBA Tel Aviv University
Experience	Mr Simantov has more than 25 years of experience as an executive including as CEO, and EVP Sales of major global high-tech enterprises such as SintecMedia/Operative, Rit Technologies (a NASDAQ Company), Lognet Systems, and ADI. Mr Simantov specialises in the SaaS platform, Fintech, broadcast, IT and telecom industry and has a track record in leading companies to economic success, including several exits and successful mergers and acquisitions.
Interest in shares and Options	17,928,378 Ordinary shares 46,890,319 Options

Adoram Ga'ash	**Non-Executive Chairman**
Qualifications	BScEE in Computer Engineering - Israeli Institute of Technology (Technion) MBA, and an MA (Cum laude) in Philosophy from Tel Aviv University
Experience	Mr Ga'ash has a track record of 20 years as a venture capitalist and in startups leadership. Prior to founding Moneta VC, Mr Ga'ash founded StageOne VC which invested in approximately 20 start-ups and resulted in seven exits. Later in his career, Mr Ga'ash joined Silicon Valley based investment bank, GrowthPoint Technology Partners, to head up the Israeli practice and in this role, he has assisted start-ups with exploring their exit strategy with global companies. Earlier in his career, Mr Ga'ash founded Radwiz that was subsequently acquired by a Silicon Valley company.
Interest in shares and Options	13,534,332 Ordinary shares 11,355,577 Options

David Assia	**Non-Executive Director**

Qualifications	B.A. degree in economics and statistics and an M.B.A. degree, from Tel Aviv University
Experience	Mr David Haim Assia is a serial entrepreneur and angel investor, being one of the pioneers of the vibrant Israeli high tech software industry. Mr Assia founded multiple global companies and listed them on either NASDAQ or TASE (Tel-Aviv Stock Exchange). Mr Assia is the Chairman of iAngels, a leading crowd funding platform and is actively involved as a lead angel and a director in multiple high-tech companies. Mr Assia also runs his family's, privately held, investment company, Nadyr Investments Ltd. Prior to iAngels, Mr Assia was the executive Chairman of eToro, the world's largest social trading network. In 1986, Mr Assia co-founded Magic Software, where he served as either Chairman or CEO until 2007. Magic Software is a global international software company with world class innovative development and integration platforms. Magic Software was the first Israeli Software Company to be listed on NASDAQ (MGIC) in 1991. In 1980, Mr Assia co-founded Mashov Computers, the leading micro-computer software company in Israel, being one of the first high tech companies to be listed three (3) years later, on the Tel-Aviv Stock Exchange – TASE. Mr Assia is involved in educational institutions such as the Weizmann Institute of Science, the Israel Education Fund, Tel-Aviv University and Yeda Research and Development, the technology transfer office of the Weizmann Institute. Mr Assia is also on a board member of the First International Bank of Israel and DBmaestro and Become (formerly Lending Express).
Interest in shares and Options	5,450,937 Ordinary shares

Robert Edgley	**Non-Executive Director**
Qualifications	Bachelor of Economics and Japanese Language, Monash University in Melbourne
Experience	Mr Edgley has served multiple board roles throughout his career. Previously serving as a founding non-executive director for Praemium Limited (ASX:PPS), Mr Edgley saw the company through its listing on the ASX in 2006 and served as the chairman for the audit and risk committee, due diligence committee and remuneration and nomination committee.

	Mr Edgley is currently the non-executive director for EVZ Limited (ASX:EVZ) and is the non-executive chairman for DataMesh Limited.
Interest in shares and Options	2,689,860 Ordinary shares 2,000,000 Options
David Buckingham	**Non-Executive Director**
Qualifications	Bachelor of Technology (Hons) from the Loughborough University of Technology ACA Chartered Accountant in England & Wales and a member of the Australian Institute of Directors
Experience	Mr Buckingham has over thirty years of experience as a corporate leader in telecommunications, media, technology, IT and education. Mr Buckingham began his career in the Audit and Corporate Finance team at PricewaterhouseCoopers in the UK and Australia. Most recently, Mr Buckingham served as both Chief Executive Officer and Chief Financial Officer of Navitas Limited (ASX:NVT), a global education provider with over 120 colleges and campuses across 31 countries. Prior to Navitas, David worked for Telewest Global as the Group Treasurer and Director of Financial Planning, Virginmedia, as Finance Director Business Division and iiNet (ASX:IIN) where he held the roles of chief financial officer and chief executive officer between 2008 and 2015. Mr Buckingham is currently the non-executive chairman of Pentanet Limited (ASX:5GG), non-executive director of Nuheara Limited (ASX:NUH) and non-executive director of Hiremii Limited (ASX:HMI).
Interest in shares and Options	476,114 Ordinary shares 2,000,000 Options
Ayelet Verbin	**Non-Executive Director (resigned 13 June 2023)**
Qualifications	An LLB from the Hebrew University and an LLM (with honors) in commercial law from the Tel Aviv university-Berkeley program
Experience	Ms Nahmias Verbin started her career as an assistant in the Prime Minister's office under the leadership of the late Itzhak Rabin. After several years, Ms Nahmias Verbin moved to the private sector where she served as a board member in several leading companies and as Chairperson of Tavlit Plastic, a water technologies company founded by her late father. A lawyer since 1996, Ms Nahmias Verbin specialises in corporate law and the capital markets and is considered a leading expert in corporate governance. She has been lecturing in Lahav

Management School in Tel Aviv Koller Management faculty since 2005.

As a Member of Knesset (2015-2019), Ms Nahmias Verbin served in the economic committee, security and foreign relations committee, house committee and special hearing committee of the Israeli credit market and has a unique background in regulation. In 2016 she was awarded with the "excellent MK" rating by Israel Democracy institute (IDI).

Company Secretaries

*Emily Austin (appointed 23 August 2022)
*Lucy Rowe (appointed 23 August 2022, resigned 6 March 2024)

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

Board	Number eligible to attend	Number attended
Amos Simantov	14	14
Adoram Ga'ash	14	14
David Assia	14	11
Ayelet Verbin	11	5
David Buckingham	14	14
Robert Edgley	14	14

Audit and Risk Committee

Name of Director	Number Eligible to Attend	Number Attended
Ayelet Verbin	2	1
David Buckingham	2	2
Robert Edgley	2	2

Remuneration and Nomination Committee

Name of Director	Number Eligible to Attend	Number Attended
Davis Assia	3	3
David Buckingham	3	3
Robert Edgley	3	3

Performance Rights

As at 31 December 2023, the Company had no Performance Rights on issue.

State of Incorporation

The Company is incorporated in Israel under the Israeli Companies Law. As a foreign company registered in Australia, the Company is subject to different reporting regime than Australian companies.

Indemnity and insurance of Officers

The Company indemnifies each of its directors, officers and company secretary.

The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure directors and officers against any liability which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Insurance premiums

During the period the Company maintained insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract the nature of the liabilities insured against and the premium paid cannot be disclosed.

Non-audit Services

During the year, BDO Ziv Haft the Company's auditor did not provide any services other than their statutory audits.

Auditor's Independence Declaration

The Auditor's independence declaration for the year ended 31 December 2023 has been received and included in the consolidated financial report.

Future Developments, Business Strategies and Prospects

The Company will continue building on strong momentum with a clear strategy to differentiate through IP protected AI technology to address a global market of unclaimed VAT/GST valued at US$20 billion per year.

It will meet unmet market needs with new AI compliance technology through expanded product suite targeting existing clients and new strong pipeline in the UK and Europe.

Way2VAT will keep investing in its proprietary technology based on Artificial Intelligence and Computer Vision to continue broadening the product suite.

In addition, it will examine growth opportunities via acquisitions as many competitors have outdated technology and manual processes and are struggling to rebound from the challenging COVID period. Way2VAT believes consolidation of the sector, particularly in Europe, is inevitable. With its superior technology, Way2VAT is well placed to take advantage of this trend.

Corporations Act 2001

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (e.g. Substantial holders and takeover).

Under the Israeli Companies Law there are restrictions on acquisition of shares, requiring a tender offer for acquisition of public company shares resulting in a holding of 25% or more voting rights of the Company. In addition, under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares.

Otherwise, the acquisition of the Company's securities are generally not restricted by the Company's articles of association or the laws of Israel, except that Israeli law prohibits the ownership of securities by nationals of certain countries that are, or have been, in a state of war with Israel.

Amos Simantov
CEO and Managing Director

DECLARATION OF INDEPENDENCE BY BDO ZIV HAFT TO THE DIRECTORS OF WAY2VAT LTD.

As lead auditor of Way2Vat Ltd. for the year ended 31 December, 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Way2Vat Ltd.

Tel-Aviv, Israel

March 28, 2024

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

WAY2VAT LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2023

WAY2VAT LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2023

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Independent Auditors' Report to Shareholders of WAY2VAT Ltd.

Opinion

We have audited the accompanying consolidated financial statements of WAY2VAT Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of 31 December 2023 and the related consolidated statements of loss and other comprehensive loss, changes in equity (deficit) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of 31 December 2023 and of its financial performance, the changes in equity (deficit) and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audits of the financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related going concern

We draw attention to Note 1.c. of the financial statements, which indicates among other factors, the company has incurred negative cash from operating activities of $3,801 thousand and net loss of $4,251 thousand during the year ended 31 December 2023 and, as of that date, the Company's current liabilities exceeded its total assets by $736 thousand. As stated in note 1.c., these matters indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of that matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the Material Uncertainty Related Going Concern section, We have determined that there are no other key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the management's discussion and analysis for the year ended 31 December 2023 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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.

When we read the management's discussion and analysis for the year ended 31 December 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the management and directors for the Financial Statements

The directors and management of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as directors and management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors and the management are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend 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 Group's financial reporting process.

Auditor's responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements. As part of the audits in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits 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 audits in order to design audits 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 audits 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 audits 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 financial information of the entities or business activities within the Group 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 audits and significant audits findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide the directors 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 the directors, we determine those matters that were of most significance in the audit of the 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 Yaniv Cohen.

Ziv haft

Tel Aviv, Israel — Certified Public Accountants (Isr.)

28 March 2024 — BDO Member Firm

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(USD in thousands)

	Note	As of 31 December 2023	As of 31 December 2022
ASSETS			
Current Assets:			
Cash and cash equivalents		493	1,030
Trade receivables*	10.a.	2,369	2,095
Other accounts receivables*		131	210
		2,993	3,335
Non-Current Assets:			
Right of use assets	5	220	363
Intangible Assets**	4	900	993
Property, plant and equipment, net		33	129
		1,153	1,485
Total Assets		4,146	4,820

* Reclassified

** Retrospectively adjusted figure, refer to Note 4 for additional information

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

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT.)

(USD in thousands)

	Note	As of 31 December 2023	As of 31 December 2022
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Bank loans	6	1,005	876
Governmental loans	7	19	-
Trade payables		220	467
Lease liabilities	5	125	86
Contingent consideration	4	55	102
Liability for royalties payable*	8	98	139
Other accounts payables*	10.b.	2,207	1,495
		3,729	3,165
Non-Current Liabilities:			
Bank loans	6	385	-
Governmental loans	7	270	145
Contingent consideration	4	82	307
Lease liabilities	5	99	273
Liability for royalties payable	8	378	344
Other liabilities**	4	208	247
		1,422	1,316
Equity (Deficit):	9		
Share capital		1,857	706
Additional paid in capital		21,587	19,844
Share based compensation reserve		3,304	3,245
Adjustments arising from translation to reporting currency		(566)	(520)
Accumulated losses		(27,187)	(22,936)
Total Equity (Deficit)		(1,005)	339
Total Liabilities and Equity (Deficit)		4,146	4,820

* Reclassified

** Retrospectively adjusted figure, refer to Note 4 for additional information

Amos Simantov CEO and Director	Evyatar Cohen CFO	28 March 2024 Date of approval of financial statements

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

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

(USD in thousands)

		Year ended 31 December	
	Note	**2023**	**2022**
Revenues	10.c.	2,049	1,305
Cost of revenues		432	300
Gross profit		1,617	1,005
Research and development expenses	10.d.	1,287	1,680
Selling and marketing expenses	10.e.	1,477	1,268
General and administrative expenses	10.f.	3,123	2,888
Operating loss		(4,270)	(4,831)
Financial expenses	10.g.	(315)	(64)
Financial income	10.g.	334	333
Loss before taxes on income		(4,251)	(4,562)
Taxes on income	11	-	-
Loss for the year		(4,251)	(4,562)
Other comprehensive loss, net of tax:			
Item that will not be reclassified to profit or loss:			
Exchange loss, arising on translation to reporting currency		(46)	(184)
Total comprehensive loss for the year		(4,297)	(4,746)
Loss per share			
Basic and diluted loss per share ($)	12	(0.0090)	(0.0267)

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(USD in thousands)

	Share capital	Additional paid in capital	Shares based payment reserve	Adjustments arising from translation to reporting currency	Accumulated deficit	Total
Balance as of 1 January 2022	481	18,057	2,996	(336)	(18,374)	2,824
Changes during 2022:						
Loss for the year	-	-	-	-	(4,562)	(4,562)
Other comprehensive loss	-	-	-	(184)	-	(184)
Total comprehensive loss for the year	-	-	-	(184)	(4,562)	(4,746)
Issuance of shares, net of Issuance expenses	191	1,368	-	-	-	1,559
Acquisition of controlled entity via issuance of shares (see note 4)	34	246	-	-	-	280
Exercise of options	*	13	(13)	-	-	*
Expiration and forfeiture of Share based compensation	-	160	(187)	-	-	(27)
Share based compensation	-	-	449	-	-	449
Balance as of 31 December 2022	706	19,844	3,245	(520)	(22,936)	339
Changes during 2023:						
Loss for the year	-	-	-	-	(4,251)	(4,251)
Other comprehensive loss	-	-	-	(46)	-	(46)
Total comprehensive loss for the year	-	-	-	(46)	(4,251)	(4,297)
Issuance of shares, net of Issuance expenses	1,128	1,431	-	-	-	2,559
Issuance of shares in connection with contingent consideration (see note 4)	19	26	-	-	-	45
Share based compensation in connection with service rendered	4	125	-	-	-	129
Expiration and forfeiture of Share based compensation	-	161	(188)	-	-	(27)
Share based compensation	-	-	247	-	-	247
Balance as of 31 December 2023	1,857	21,587	3,304	(566)	(27,187)	(1,005)

* Represent an amount lower than $1 thousand.

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

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(USD in thousands)

	Year ended 31 December	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(4,251)	(4,562)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	235	183
Capital loss	76	-
Interest expenses and reassessment	12	147
Share based compensation in connection with service rendered	129	-
Financial expense (income), net	24	(38)
Share based compensation	220	422
Changes in assets and liabilities:		
Change in trade receivables	(341)	(290)
Change in other accounts receivables	89	111
Change in trade payables	389	455
Change in other accounts payable	(12)	618
Change in fair value of contingent consideration	(238)	(185)
Cash from operations	(3,668)	(3,139)
Interest paid	(133)	(24)
Net cash used in operating activities	(3,801)	(3,163)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of controlled entity	-	2
Purchase of property, plant, and equipment	(10)	(11)
Proceeds from sale of property, plant, and equipment	5	-
Net cash used in operating activities	(5)	(9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of options to ordinary shares	-	*
Issuance of shares, net of issuance expenses	2,559	1,559
Bank loans, net	583	127
Principal paid on lease liabilities	(119)	(143)
Governmental loans	158	-
Royalties paid to the IIA	(56)	(31)
Net cash provided by financing activities	3,125	1,512
Net decrease in cash and cash equivalents	(681)	(1,660)
Cash and cash equivalents at the beginning of the year	1,030	3,132
Effects of exchange rate changes on cash and cash equivalents	144	(442)
Cash and cash equivalents at the end of the year	493	1,030

* Represent an amount lower than $1 thousand.

APPENDIX A - NON-CASH ACTIVITIES:

Recognition of right of use assets and lease liabilities	246	311
Elimination of right of use assets and lease liabilities due to termination of lease	194	-
Issuance of shares in connection with contingent consideration	45	-

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

(USD in thousands)

NOTE 1 - GENERAL:

a. Way2Vat Ltd. ("the Company") was incorporated on February 19, 2014, under the laws of Israel and commenced operations on March 1, 2016. The Company is listed, and its shares are publicly traded on the Australian Securities Exchange ("ASX"), see also Note 9. The Company is developing applications for automatic VAT reclaims and compliance for enterprises.

b. The consolidated financial statements include the results of the Company and its wholly owned subsidiaries as follows (together "the Group"):

Entity name	Country of incorporation	Proportion of ownership interest as of 31 December		Held by
		2023	2022	
WAY2VAT SRL	Romania	100%	100%	WAY2VAT Ltd.
WAY2VAT UK Limited	UK	100%	100%	WAY2VAT Ltd.
WAY2VAT Inc.	USA	100%	100%	WAY2VAT Ltd.
DevoluIVA S.L.U	Spain	100%	100%	WAY2VAT Ltd.

c. The Company financed its operation through fundraising via its listing on the ASX, private placements, bank loans, governmental loans and grants. The Group has incurred negative cash from operating activities of $3,801 thousand and net loss of $4,251 thousand for the year ended 31 December 2023 and, as of that date, the Company's current liabilities exceeded its total assets by $736 thousand. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

The directors believe that the Company will be able to pay its debts when they fall due, and to fund near term anticipated activities based on proceeds primarily from:

- Additional support from existing and new shareholders, See Note 17 for additional information.
- Growth in revenues from existing and new clients.

The Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished. The consolidated financial statements do not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

a. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board. The financial statements have been prepared under the historical cost convention except for specified below. The Group has elected to present the consolidated statement of loss and other comprehensive loss using the function of expense method. In addition, these consolidated financial statements are presented in U.S. Dollar. All currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

b. Use of estimates and assumptions in the preparation of the consolidated financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year in which they are identified. Actual results could differ from those estimates. See also Note 3.

c. functional and foreign currency

The reporting currency of the Group is U.S. Dollars, which provides relevant information for most investors and users of the consolidated financial statements. Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and DevoluIVA S.L.U. (DevoluIVA) is Euro, the functional currency of WAY2VAT UK Limited is the Pound sterling ("GBP"), the functional currency of WAY2VAT SRL is RON.

d. Property, plant, and equipment

Items of property, plant and equipment are initially recognized at cost including directly attributable costs. Depreciation is calculated on a straight-line basis, over the useful lives of the assets at annual rates as follows:

	Annual depreciation rate (%)	Main annual depreciation rate (%)
Electronic equipment and software	15-33	33
Furniture and equipment	6-10	6

Leasehold improvements are depreciated over the term of the expected lease including optional extension, or the estimated useful lives of the improvements, whichever is shorter.

e. Leases

The Group applied the following practical expedients when applying IFRS 16 - a single discount rate to a portfolio of leases with reasonably similar characteristics.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

f. Deferred tax

A Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of foreseen future taxable profits together with future tax planning strategies. Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes. Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed based on tax laws that have been enacted or substantively enacted at the end of the reporting period.

g. Liability for royalties payable

Grants received from the IIA as support for research and development projects include an obligation to pay back royalties' conditional on future sales arising from the project. Grants received from the IIA are accounted for as forgivable loans, accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest at the date of receiving the grant, unless there is reasonable assurance that the company will meet the conditions for the forgiveness of the loan, then recognized as a government grant. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in the consolidated statements of loss and other comprehensive loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest and recognized in the consolidated statements of loss and other comprehensive loss. At the end of each reporting period, the Company evaluates, based on its best estimate of future sales, whether there is a reasonable assurance that the liability recognized will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recognized in the consolidated statements of loss and other comprehensive loss as an adjustment of research and development expenses.

h. Revenue recognition

Revenue from contracts with customers is recognized when the service was provided by the Group at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided.

Revenue from VAT claims is recognized in a point of time when control of the services is transferred to the customer. The submission of the claim is the date on which control pass.

i. Employee benefits

Severance/termination benefits in Israel: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans. The Company has contributed for all its employee's contribution plans pursuant to Section 14 on a timely basis and as a result have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

j. Changes in accounting policies

1. New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements); These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Company but affect the disclosure of accounting policies of the Company.
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors); These amendments had no material effect on the consolidated financial statements of the Company.

2. New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2023 that the Company has decided not to adopt early. The Company is currently assessing the impact of these new standards, interpretations and amendments. The Company does not believe that the standards, interpretations and amendments will have a material impact on the financial statements once adopted.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

In the process of applying the significant accounting policies, the Group has made the following estimates and judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

Liability for royalties payable

The Group measured Liability for royalties payable, each period, based on discounted cash flows derived from Group's future anticipated revenues. The discount rate reflects the market rate at the date of receiving the grant.

NOTE 4 - INVESTMENT IN SUBSIDIARY:

On 20 September 2022, the Company signed a binding share sale agreement with Voxel Media, S.L (Voxel) to acquire 100% of the issued share capital of a Spanish company DevoluIVA, a company that offers comprehensive management of corporate expenses and the automatic recovery of national VAT services.
The Company issued to the shareholders of DevoluIVA 11,704,463 shares on the day of the purchase.
Under the terms of the Agreement, Voxel will be entitled to receive earn-out payments in shares which will accrue as follows:

<u>1st Earn Out (12 months post-closing):</u>

Voxel will be entitled to receive such number of the Company shares equivalent in value to the greater of:
€500 thousand (approximately $549 thousand based on the exchange rate of $1.00 / €0.91 in effect as of 20 September 2023); or the total of 1.5 times of the difference between DevoluIVA's 2022 annual revenues derived from its VAT recovery related activity (2022R) less €500 thousand, divided by a deemed issue price of A$0.125 (approximately $0.08 thousand based on the exchange rate of $1.00 / A$1.51 in effect as of 20 September 2023) (multiplied by the average 30-day EUR/AUD exchange rate prior to the 1st Earn-Out Date)
On 20 September 2023, the Company performed a calculation based on the mechanism described above and as a result, issued 6,715,654 shares.

<u>2nd Earn Out (24 months post-closing):</u>

Voxel will be entitled to receive such number of the Company shares equivalent in value to the greater of: €500 thousand; or the total of 1.5 times of the difference between DevoluIVA's 2023 annual revenues derived from its VAT recovery related activity (2023R) less 2022R, divided by a deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the 2st Earn-Out Date).

<u>3rd Earn Out (36 months post-closing):</u>

Voxel will be entitled to receive such number of the Company shares equivalent in value per the following calculation: (x) the difference between DevoluIVA's 2024 annual revenues derived from its VAT recovery related activity (2024R) less 2023R divided by a deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the Third Earn-Out Date); plus (y) 2024R less 2023R divided by two times the deemed issue price of A$0.125 (multiplied by the average 30-day EUR/AUD exchange rate prior to the Third Earn-Out Date). Despite that, (x) will not exceed the result of dividing €500 thousand by a deemed issue price of A$0.125. In the event that 2024 is equal or less than 2023 then no shares will be issued.

In conjunction to that purchase agreement, the Company entered into a service agreement with Voxel for the provision of digital invoicing, hosting and workspace services to DevoluIVA. It is presently envisaged that the Company will pay Voxel a monetary compensation of €30 thousand (approximately $33 thousand based on the exchange rate of $1.00 / €0.91 in effect as of 20 September 2023) per annum for the workspace and a quarterly compensation for hosting and digital invoicing services with a minimum amount of €60 thousand (approximately $66 thousand based on the exchange rate of $1.00 / €0.91 in effect as of 20 September 2023) per annum. The Company will pay the quarterly compensation to Voxel either in cash or shares following receipt of an invoice from Voxel.

(USD in thousands)

NOTE 4 - INVESTMENT IN SUBSIDIARY (CONT.):

a. Amounts recognized on the acquisition date in respect of assets and liabilities:

	Fair value
Cash and cash equivalents	2
Trade receivable	261
Accruals	108
Customer Relationship	264
Technology	172
Non-Compete Agreement	81
Trade payables	(114)
Governmental loan	(136)
Severance/termination liability*	(200)
Deferred tax	(28)
Total identifiable net assets	**410**
Goodwill	430
Total purchase cost	**840**

* The fair value on the acquisition date was based on a provisional assessment as the valuation of a severance/termination liability had not been finalized at that date.

As of the acquisition date, this liability aggregated to approximately €200 thousand (approximately $217 thousand based on the exchange rate of $1.00 / €0.91 in effect as of 31 December 2023).

In order to reflect the changes to the Consolidated Statements of Financial Position - the additional liability as mentioned above (approximately $217 thousand) and a corresponding increase to the goodwill, the 2022 comparative information has been retrospectively adjusted due to such adjustment of provisional amounts recognized at the acquisition date.

(USD in thousands)

NOTE 4 - INVESTMENT IN SUBSIDIARY (CONT.):

b. The purchase costs as of acquisition date was allocated among the issued shares and contingent considerations (Earn Outs) as follows:

	Fair value
Issuance of 11,704,463 ordinary shares of the Company	280
Contingent consideration – current	280
Contingent consideration – non-current	280
	840

Following the acquisition, the contingent consideration (Earn Outs) is presented based on the mechanism described above.

c. Cash inflow on the acquisition:

Consideration paid in cash	-
Cash received from the acquisition	2
Total	**2**

NOTE 5 – LEASES:

The Group has lease contracts for office facilities used in its operations. Leases of office facilities generally have lease terms of between two (2) and three (3) years, The Group has several lease contracts that typically include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

a. **Right of use assets**

Set out below are the carrying amounts of right of use assets recognized and the transactions during the years:

	2023	2022
As of 1 January	363	201
Depreciation	(123)	(124)
New lease	246	311
Termination of lease	(194)	-
Exchange rate differences	(17)	(11)
Adjustments arising from translating financial operations	(55)	(14)
As of 31 December	220	363

(USD in thousands)

NOTE 5 – LEASES (CONT.):

b. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the transactions during the years:

	2023	2022
As of 1 January	359	235
Additions	246	311
Termination of lease	(194)	-
Interest expenses	24	24
Interest paid	(24)	(24)
Principal payments	(119)	(143)
Exchange rate differences	(17)	(11)
Adjustments arising from translating financial operations	(51)	(33)
As of 31 December	224	359

c. Recognition within the Consolidated Statements of loss and other Comprehensive Loss

The following are the amounts recognized in the consolidated statements of loss and other comprehensive loss:

	Year ended 31 December	
	2023	2022
Depreciation of right of use assets	123	124
Interest on lease liabilities	24	24
Total	147	148

d. Future lease obligations

Future lease obligations under non-cancellable operating leases as of December 31, 2023, are as follows:

	As of 31 December 2023
Future lease obligations:	
2024	142
2025	103
Total future obligations	245
Less imputed interest	(21)
Net present value of future lease obligations	224

NOTE 6 – BANK LOANS:

The banks loans as of 31 December 2023 comprised of the following: (the payable date for few loans were extended)

a. NIS 1,000 thousand (approximately $275 thousand based on the exchange rate of $1.00 / NIS 3.627 in effect as of 31 December 2023) non secured short-term bridge loan (principle) received on 29 December 2023, payable on 29 February 2024 with interest set at Israeli Prime Rate + 4.5% (10.5%). Such loan was repaid on its due date.

b. NIS 2,650 thousand (approximately $730 thousand based on the exchange rate of $1.00 / NIS 3.627 in effect as of 31 December 2023) secured loan (principle) based on a percentage of the Company's receivables from tax authorities, payable on 30 August 2024 with interest set at Israeli Prime Rate + 4.5% (10.5%).

c. NIS 1,400 thousand (approximately $385 thousand based on the exchange rate of $1.00 / NIS 3.627 in effect as of 31 December 2023) secured loan (principle) based on a percentage of the Company's receivables from tax authorities, payable on 31 August 2025 with interest set at Israeli Prime Rate + 5.8% (11.8%).

The Company provided the bank with a floating charge for its entire assets as a guarantee for the outstanding loans mentioned in section b. and c. above.

NOTE 7 – GOVERNMENTAL LOANS:

DevoluIVA received the following couple of governmental loans: (1) €135 thousand (approximately $165 thousand based on the exchange rate of $1.00 / €0.82 in effect as of 12 June 2021) on 12 June 2021 and (2) €251 thousand (approximately $273 thousand based on the exchange rate of $1.00 / €0.92 in effect as of 19 April 2023) on 19 April 2023.

Based on the related agreements, DevoluIVA should repay those loans (principal only) based on a payment schedule commencing 1 July 2024 through 1 July 2031. €116 thousand (approximately $129 thousand based on the exchange rate of $1.00 / €0.90 in effect as of 31 December 2023) out of those payments is scheduled to be repaid on 1 July 2031 and may be fully waived in case DevoluIVA will fulfill the required obligations and others as stipulated within agreements. €10 thousand (approximately $11 thousand based on the exchange rate of $1.00 / €0.90 in effect as of 31 December 2023) out of that amount, were already waived up to 31 December 2023 and as a result were deducted from the loans.

NOTE 8 - LIABILITY FOR ROYAITIES PAYABLE:

a. IIA projects:

In July 2020, the Company received approval from the IIA for a budget of NIS 5,088 thousand (approximately $1,472 thousand based on the exchange rate of $1.00 / NIS 3.457 in effect as of 10 July 2020), for R&D expenditure, out of which a grant of 50% of the actual expenses related to the program in the amount of NIS 2,544 thousand (approximately $736 thousand based on the exchange rate of $1.00 / NIS 3.457 in effect as of 10 July 2020).

In June 2022, the Company received approval from the IIA for a budget of NIS 5,017 thousand (approximately $1,433 thousand based on the exchange rate of $1.00 / NIS 3.5 in effect as of 30 June 2022), for R&D expenditure, out of which a grant of 30% of the actual expenses related to the program in the amount of NIS 1,505 thousand (approximately $430 thousand based on the exchange rate of $1.00 / NIS 3.5 in effect as of 30 June 2022).

As of 31 December 2023 the contingent liability aggregated to $1,208 thousdand.

The Company is committed to pay 3% royalties out of the related product sales to the Israeli government funding program. The royalties' payment shall not exceed 100% of the grant principal received plus libor interest.

b. Shalav projects:

In July 2018, the Foreign Trade Adminstration ("FTA") of the Israeli Ministry of Economy approved the Company's participation in the "Shalav" Program, which provides finanical assistance for promoting sales and marketing activities in the UK market. For its marketing efforts in the UK, the FTA has approved a budget of NIS 400 thousand (approximately $109 thousand based on the exchange rate of $1.00 / NIS 3.664 in effect as of 31 July 2018), from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of NIS 200 thousand (approximately $55 thousand based on the exchange rate of $1.00 / NIS 3.664 in effect as of 31 July 2018).

In November 2020, the FTA has approved an additional budget of NIS 580 thousand (approximately $175 thousand based on the exchange rate of $1.00 / NIS 3.308 in effect as of 30 November 2020), from which the Company will obtain a grant of 50% of the actual expenses related to the program, in an aggregate amount of NIS 290 thousand (approximately $88 thousand based on the exchange rate of $1.00 / NIS 3.308 in effect as of 30 November 2020).

As of 31 December 2023 the contingent liability aggregated to $134 thousdand.

Under the terms of the FTA, the Company will pay royalties of 3% of the sales derived in the UK. The royalties' payment shall not exceed 100% of the grant principal received plus index linkage.

(USD in thousands)

NOTE 9 - EQUITY:

a. Issuance of ordinary shares:

The Authorized issued and outstanding ordinary shares of NIS 0.01 par value for the year ended 31 December 2023 and 2022 are as follows:

Composed as follows as of 31 December 2023:	**Authorized**	**Issued and outstanding**
	Number of shares	
Ordinary shares as of 1 January 2023	500,000,000	232,023,205
Increase in authorized shares*	1,000,000,000	-
Issuance of ordinary shares upon financing round	-	411,567,033
Issuance of ordinary shares in connection with contingent consideration	-	6,715,654
Issuance of ordinary shares in connection with service rendered	-	1,593,080
Ordinary shares as of 31 December 2023	1,500,000,000	651,898,972

* On 19 June 2023, as part of the Company's annual general meeting of the shareholders', the authorized share capital was increased from NIS 5,000,000 to NIS 15,000,000, divided into 1,500,000,000 ordinary shares of NIS 0.01 par value.

Composed as follows as of 31 December 2022:	**Authorized**	**Issued and outstanding**
	Number of shares	
Ordinary shares as of 1 January 2022	500,000,000	153,791,449
Issuance of ordinary shares upon financing round	-	66,441,931
Issuance of ordinary shares in connection with acquisition of controlled entity	-	11,704,463
Issuance of ordinary shares upon exercise of options	-	85,362
Ordinary shares as of 31 December 2022	500,000,000	232,023,205

b. Issuance of ordinary shares:

During the year ended 31 December 2022, a total of 78,231,756 shares were issued, which occurred as part of the following transactions and events:

1. In June 2022, the Company raised an amount of A$1.09 million (approximately $762 thousand based on the exchange rate of $1.00 / A$1.43 in effect as of 30 June 2022) for the issuance of 21,372,549 Ordinary shares at a price per share of A$0.051 ("June 2022 Financing Round"). Issuance costs totaled $46 thousand and were offset against contributed equity.
2. In July 2022, the Company issued 85,362 ordinary shares at NIS 0.01 per share upon exercise of options.

NOTE 9 – EQUITY (CONT.):

3. In September 2022, the Company raised an amount of A$337 (approximately $218 thousand based on the exchange rate of $1.00 / A$1.54 in effect as of 30 September 2022) for the issuance of 6,607,844 Ordinary shares at a price per share of A$0.051 (approximately $0.033 based on the exchange rate of $1.00 / A$1.54 in effect as of 30 September 2022). Issuance costs totaled $5 thousand and were offset against the contributed equity.
4. In December 2022, the Company raised an amount of A$1.0 million (approximately $672 thousand based on the exchange rate of $1.00 / A$1.48 in effect as of 31 December 2022) for the issuance of 38,461,538 Ordinary shares at a price per share of A$0.026 (approximately $0.017 based on the exchange rate of $1.00 / A$1.48 in effect as of 31 December 2022). Issuance costs totaled $42 thousand and were offset against the contributed equity.
5. As part of the purchase of DevoluIVA, the Company issued 11,704,463 shares on 20 September 2022 to Voxel**.** See Note 4 for additional information.

During the year ended 31 December 2023, a total of 419,875,767 shares were issued, which occurred as part of the following transactions and events:

6. In January 2023, the Company raised an amount of A$100 thousand ($68 thousand based on the exchange rate of $1.00 / A$1.49 in effect as of February 13, 2023) for the issuance of 3,846,154 Ordinary shares of NIS 0.01 par value at a price per share of A$0.026 as part of the December 2022 raised.
7. In May 2023, the Company raised an amount of A$2,358 thousand ($1,571 thousand based on the exchange rate of $1.00 / A$1.50 in effect as of May 30, 2023) for the issuance of 235,783,999 Ordinary shares of NIS 0.01 par value at a price per share of A$0.01. Issuance costs totaled $166 thousand and were offset against the contributed equity.
8. In June 2023, the Company raised an amount of A$1,194 thousand ($795 thousand based on the exchange rate of $1.00 / A$1.50 in effect as of June 29, 2023) for the issuance of 119,399,960 Ordinary shares of NIS 0.01 par value at a price per share of A$0.01. Issuance costs totaled $49 thousand and were offset against the contributed equity.
9. In July 2023, the Company raised an additional amount of A$445 thousand (approximately $301 thousand based on the exchange rate of $1.00 / A$1.478 in effect as of 19 July 2023). For such amount and the A$80 thousand (approximately $54 thousand based on the exchange rate of $1.00 / A$1.478 in effect as of 19 July 2023) that the Company raised in June 2023, the Company issued 52,536,920 Ordinary shares in July 2023 at a price per share of A$0.01. Issuance costs totaled $15 thousand and were offset against the contributed equity.
10. In September 2023, the Company issued 6,715,654 shares to Voxel in connection with the first earn Out, see note 4 for additional information.
11. In November 2023 the Company issued 1,593,080 shares to Voxel in connection with service renders. The fair value of those shares aggregated to $129 thousand and was recorded within the consolidated statements of loss and other comprehensive loss for the year ended 31 December 2023.

(USD in thousands)

NOTE 9 – EQUITY (CONT.):

c. Share rights:

Ordinary Shares confer to their holder the right to vote at, receive notices of, to attend and participate at all the meetings of shareholders of the Company and the right to be paid its proportional part in any dividends that may be declared by the Company. In addition, in the case of the winding-up of the Company, ordinary shares confer to their holder the right to take part in the distribution of the surplus assets, all in accordance with the provisions of the Company's articles of association.

d. Stock options:

The outstanding options for the year ended 31 December 31, 2023 and 2022 are as follows: (the tables below do not include the performance right, for those see section e. below)

	Year ended 31 December 2023	
	Number of options	**Weighted average Exercise price in USD**
Outstanding as of 1 January 2023	36,943,569	0.11
Granted	65,000,000	0.01
Forfeited	(3,805,638)	0.02
Outstanding as of 31 December 2023	98,137,931	0.05
Exercisable options	44,784,335	0.08

	Year ended 31 December 2022	
	Number of options	**Weighted average Exercise price in USD**
Outstanding as of 1 January 2022	27,891,835	0.14
Granted	9,738,137	0.04
Exercised	(85,362)	0.0003
Forfeited	(601,041)	0.078
Outstanding as of 31 December 2022	36,943,569	0.11
Exercisable options	27,396,392	0.11

The Company granted 65,000,000 and 9,738,137 options during the year ended 31 December 2023 and 2022, respectively. Those options were valued on their grant date based on Black Scholes option valuation methodology based on, among other things, the following data and assumptions: exercise price per share of Between \$0.006 - \$0.103, vesting period is up to 3 years, contractual life between 7-10 years, expected volatility of 62%, dividend growth rate 0% and Expected term - 2 years.

Total value of the options granted during the years ended 31 December 2023 and 2022 were \$339 thousand and \$248 thousand, respectively.

(USD in thousands)

NOTE 9 – EQUITY (CONT.):

e. Performance rights:

The outstanding performance rights for the year ended 31 December 31, 2023 and 2022 are as follows:

	2023
Performance rights outstanding as of 1 January 2023	4,766,894
Changes during the year:	
Forfeited	(4,766,894)
Performance rights outstanding as of 31 December 2023	-

	2022
Performance rights outstanding as of 1 January 2022	9,733,106
Changes during the year:	
Forfeited	(4,966,212)
Performance rights outstanding as of 31 December 2022	4,766,894

On 15 July 2021 the Company granted 14,500,000 Performance Rights to three (3) certain directors, who received a total of 12,000,000, 1,500,000 and 1,000,000 Performance Rights, respectively on the terms and conditions set out below:

Class 1 – 4,766,894 Performance Rights

Upon the Company achieving audited revenues (disregarding one off or extra-ordinary revenue items, revenue from governmental grants, allowances, rebates, or other handouts or 'manufactured' revenue to achieve this performance criteria) in the calendar year 2021 of two (2) times calendar year 2020.

Class 2 - 4,766,894 Performance Rights

Upon the company achieving audited revenues (disregarding one off or extra-ordinary revenue items, revenue from governmental grants, allowances, rebates, or other handouts or 'manufactured' revenue to achieve this performance criteria) in the calendar year 2022 of two (2) times calendar year 2021.

Class 3- 4,966,212 Performance Rights

20 days of VWAP (volume-weighted average price) of at least $A0.40 within the first 12 months following IPO. This condition is not met as shown in the table above.

All the targets detailed above were not met and therefore all the performance rights were forfeited, and none remained as of 31 December 2023.

(USD in thousands)

NOTE 10 – SUPPLEMENTARY INFORMATION:

a. **Trade receivables:**

	As of 31 December	
	2023	**2022**
Europe	2,050	1,529
Israel	319	566
	2,369	2,095

Major customers (defined as those from whom the Group derives at least 10% of its consolidated accounts receivables)**:**
As of 31 December 2023 and 2022, consolidated accounts receivables from the major customers reflected 9% (one customer) and 17% (one customer), respectively.

b. **Other accounts payables:**

	As of 31 December	
	2023	**2022**
Balances due to customers	1,407	1,124
Accrued expenses	426	177
Employees, salaries, and related liabilities	176	83
Payroll Institutions	63	61
Provision for vacation	59	50
Other	76	-
	2,207	1,495

c. **Revenues:**

	Year ended 31 December	
	2023	**2022**
Europe	1,881	1,159
Israel	168	146
	2,049	1,305

Major customers (defined as those from whom the Group derives at least 10% of its consolidated revenues):
During the years ended 31 December 2023 and 2022, consolidated revenues from the major customers reflected 9% (one customer) and 11% (one customer) of the total consolidated revenues, respectively.

(USD in thousands)

NOTE 10 – SUPPLEMENTARY INFORMATION (CONT.):

d. Research and development expenses:

	Year ended 31 December	
	2023	**2022**
Salary and related expenses	943	1,080
Development costs	360	463
Subcontractors and consultants	44	309
Share based compensation	13	(4)
Governmental Grants received and changes in liability, net	(100)	(239)
Others	27	71
	1,287	1,680

e. Selling and marketing expenses:

	Year ended 31 December	
	2023	**2022**
Salary and related expenses	1,000	937
Marketing fees	473	280
Governmental Grants received and changes in liability, net	4	45
Share based compensation	-	3
Travel abroad	-	3
	1,477	1,268

f. General and administrative expenses:

	Year ended 31 December	
	2023	**2022**
Professional fees	769	706
Salary and related expenses	624	632
Depreciation and amortization	235	183
Share based compensation	207	412
Share based compensation in connection with service rendered	129	-
Travel abroad	95	65
Others	1,064	890
	3,123	2,888

(USD in thousands)

NOTE 10 – SUPPLEMENTARY INFORMATION (CONT.):

g. Finance expenses and income:

Finance expenses:	**Year ended 31 December**	
	2023	**2022**
Interest and bank charges	136	36
Change in liability for royalties payable	98	-
Interest on lease liabilities	40	24
Exchange rate differences	40	-
Others	1	4
	315	64

Finance income:	**Year ended 31 December**	
	2023	**2022**
Change in fair value of contingent consideration	238	187
Exchange rate differences	96	46
Change in liability for royalties payable	-	82
Financial income related to lease liabilities	-	18
	334	333

NOTE 11 - TAXES ON INCOME:

a. General tax rate applicable to income in Israel:

Israeli corporate tax rate is 23% in 2023 and 2022. The Company in Israel has final tax assessments until 2017.

b. Non - Israeli subsidiaries:

Romanian corporate tax rate is 16% in 2023 and 2022. The Romanian subsidiary has final tax assessments until 2017.

UK corporate tax rate is 19% in 2023 and 2022. The UK subsidiary has final tax assessments until 2021.

Spain corporate tax rate is 25% in 2023 and 2022. The Spanish subsidiary has final tax assessments until 2018.

c. Net losses carry forwards:

As of December 31, 2023, the Company has estimated carry forward tax losses of approximately $20.7 million which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognize deferred tax assets relating to carry forward losses in the consolidated financial statements because their utilization in the foreseeable future is not probable.

(USD in thousands)

NOTE 11 - TAXES ON INCOME (CONT.):

d. Tax reconciliation:

	Year ended 31 December	
	2023	**2022**
Loss before taxes on income	(4,251)	(4,562)
Tax rate in Israel (23% in both years)	978	1,049
Different tax rates applied in the subsidiaries jurisdictions*	2	9
Non-deductible expenses and other differences*	(23)	76
Tax losses and other differences for which no deferred tax asset was recognized*	(957)	(1,134)
Tax on income	-	-

* Reclassified

NOTE 12 - LOSS PER SHARE:

Net loss per share attributable to equity owners:

	Year ended 31 December	
	2023	**2022**
Net loss used in basic and diluted loss per share	**(4,251)**	**(4,562)**
Weighted average number of shares used in basic and diluted loss per share	468,548,048	170,874,961
Basic and diluted loss per share (dollars)	(0.0090)	(0.0267)

(USD in thousands)

NOTE 13 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS:

Reconciliation of changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows:

	Bank loans	Governmental loans	Lease Liabilities	Liability for royalties payable
As of 1 January 2023	(876)	(145)	(359)	(483)
Changes from financing cash flows:				
Royalties paid to IIA	-	-	-	56
Receipts of additional principal amount, net	(583)	(158)	-	-
Principal paid on lease liabilities	-	-	119	-
Total changes from financing cash flows	(583)	(158)	119	56
Changes from operating cash flows:				
Interest expenses and reassessment	-	22	-	(34)
Additions	-	-	(246)	-
Termination of lease	-	-	194	-
Interest paid	109	-	24	-
Interest expenses	-	-	(24)	-
Adjustments arising from translating financial operations	(40)	(8)	51	(15)
Effects of exchange rate differences	-	-	17	-
Total changes from operating cash flows	69	14	16	(49)
As of 31 December 2023	(1,390)	(289)	(224)	(476)

(USD in thousands)

NOTE 13 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS (CONT.):

	Bank loans	Governmental loans	Lease Liabilities	Liability for royalties payable
As of 1 January 2022	(857)	-	(235)	(365)
Acquisition of DevoluIVA	-	(145)	-	-
Changes from financing cash flows:				
Royalties paid to IIA	-	-	-	31
Receipts of additional principal amount, net	(127)	-	-	-
Principal paid on lease liabilities	-	-	143	-
Total changes from financing cash flows	(127)	-	143	31
Changes from operating cash flows:				
Interest expenses and reassessment	-	-	-	(147)
Additions	-	-	(311)	-
Interest paid	-	-	24	-
Interest expenses	-	-	(24)	-
Adjustments arising from translating financial operations	63	-	11	(18)
Effects of exchange rate differences	45	-	33	16
Total changes from operating cash flows	108	-	(267)	(149)
As of 31 December 2022	(876)	(145)	(359)	(483)

(USD in thousands)

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Group is exposed to a variety of financial risks, which result from its financing, operating, and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash and cash equivalents, trade receivable, other accounts receivable, trade payables, other accounts payables, lease liabilities, bank loans and governmental loans. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors, and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Group to manage these risks are discussed below.

a. Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Group's main financial assets are cash and cash equivalents and trade receivables and other accounts receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade receivables and other accounts receivables are carried on the statement of financial position net of doubtful debt provisions estimated by the management based on prior year experience and an evaluation of prevailing economic circumstances. Wherever possible and commercially practical the Group holds cash with major financial institutions In Israel.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	As of 31 December	
	2023	**2022**
Cash and cash equivalents	286	916
Trade accounts receivable	1,783	1,629
Other accounts receivable	69	124
Total	2,138	2,669

b. Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the NIS, USD, GBP, RON, CHF, DKK, PLN and AUD. The Group's policy is not to enter any currency hedging transactions.

(USD in thousands)

NOTE 14 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

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

	As of 31 December 2023							
	NIS	USD	GBP	RON	CHF	DKK	PLN	TOTAL
Current assets								
Cash and cash equivalents	257	1	19	5	1	2	1	286
Trade accounts receivable	319	-	1,464	-	-	-	-	1,783
Other accounts receivable	37	-	16	16	-	-	-	69
	613	1	1,499	21	1	2	1	2,138
Current and non-current liabilities								
Bank loans	(1,390)	-	-	-	-	-	-	(1,390)
Trade accounts payable	(154)	-	-	(5)	-	-	-	(159)
Lease liabilities	(170)	-	-	(54)	-	-	-	(224)
Other accounts payable	(534)	-	(1,315)	(53)	-	-	-	(1,902)
Liability for royalties payable	-	(476)	-	-	-	-	-	(476)
	(2, 248)	(476)	(1,315)	(112)	-	-	-	(4,151)
Net	(1,635)	(475)	184	(91)	1	2	1	(2,013)

	As of 31 December 2022							
	NIS	USD	GBP	RON	CHF	DKK	AUD	TOTAL
Current assets								
Cash and cash equivalents	99	1	90	6	1	14	705	916
Trade accounts receivable	423	-	1,206	-	-	-	-	1,629
Other accounts receivable	124	-	-	-	-	-	-	124
	646	1	1,296	6	1	14	705	2,669
Current and non-current liabilities								
Bank loans	(876)	-	-	-	-	-	-	(876)
Trade accounts payable	(148)	(13)	(8)	(2)	-	-	(66)	(237)
Lease liabilities	(344)	-	-	(15)	-	-	-	(359)
Other accounts payable	(440)	-	(650)	(40)	-	(5)	(66)	(1,201)
Liability for royalties payable	-	(344)	-	-				(344)
	(1,808)	(357)	(658)	(57)	-	(5)	(132)	(3,017)
Net	(1,162)	(356)	638	(51)	1	9	573	(348)

(USD in thousands)

NOTE 14 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

c. Sensitivity analysis:

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

	Year ended 31 December	
	2023	**2022**
NIS	164	116
USD	48	136
GBP	(18)	(64)
RON	9	5
AUD	-	(57)
CHF, DKK and PLN	*	*

* Represent an amount lower than $1 thousand.

d. Liquidity risk:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Group has procedures with the object of minimizing such losses by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	As of 31 December 2023		
	Up to 3 months	**Between 3 and 12 months**	**Between 1 and 5 years**
Bank loans	-	(1,005)	(385)
Governmental loans	-	(19)	(270)
Trade payables	(220)	-	-
Lease liabilities	(35)	(90)	(99)
Other accounts payables	(2,207)	-	-
Liability for royalties payable	-	(98)	(378)
Total	(2,462)	(1,212)	(1,132)

(USD in thousands)

NOTE 14 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

	As of 31 December 2022		
	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years
Bank loans	(876)	-	-
Governmental loans	-	-	(145)
Trade payables	(467)	-	-
Lease liabilities	(22)	(65)	(272)
Other accounts payables	(1,495)	-	-
Liability for royalties payable	-	(139)	(344)
Total	(2,860)	(204)	(761)

e. Fair value of financial assets and liabilities:

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Contingent consideration – as of 31 December 2023	-	-	137	137
Contingent consideration – as of 31 December 2022	-	-	409	409

The fair value measurement of the Contingent consideration in the table above as of 31 December 2023 was based on the mechanism described in Note 4 while as of 31 December 2022 it was estimated using Monte Carlo simulation, based on a variety of significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy.

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

	2023	2022
As of 1 January	(409)	-
Issuance of shares	45	-
Contingent consideration in business combination (see note 4)	-	(560)
Change in fair value	238	187
Adjustments arising from translating financial operations	(11)	(36)
As of 31 December	(137)	(409)

(USD in thousands)

NOTE 15 - RELATED PARTIES:

The following transactions arose with related parties (as individuals and companies controlled by them)**:**

	Year ended 31 December	
Transaction – expenses*	**2023**	**2022**
Management Fee to the CEO and director	283	284
Consultancy fees to directors	134	59
Share based compensation to the CEO and director	141	226
Share based compensation to directors	52	167

* Recorded within the General and administrative expenses line item.

		As of 31 December	
Liabilities to related parties**	**Nature of transaction**	**2023**	**2022**
CEO and director	Management Fees	23	25
Directors	Consultancy fees	39	5

** Recorded within the other accounts payables line item.

NOTE 16 – LEGAL PROCEEDINGS:

a. DevoluIVA is a party to two small historical (before the acquired date) legal proceedings and one current. The exposure of all is up to $50 thousand. No provision was recorded as of 31 December 2023 and 2022 due to the uncertainty outcome of those proceedings.

b. On 24 February 2024 the Company was served with a lawsuit filed by its former landlord in a total amount of NIS 163 thousand (approximately $45 thousand based on the exchange rate of $1.00 / NIS 3.627 in effect as of 31 December 2023) for office rent differences for prior periods. The Company do not agree with such demand and plan to submit a defense to the court. This litigation is still in its early stage and therefore no provision was recorded as of 31 December 2023.

NOTE 17 - SUBSEQUENT EVENTS:

a. Convertible Notes:

On 31 January 2024, the Company announced that it had entered into subscription agreements to raise A$1.1 million (approximately $719 thousand based on the exchange rate of $1.00 / A$1.53 in effect as of 1 February 2024) from certain professional and sophisticated investors, being the Convertible Note Investors, pursuant to which the Company agreed to issue, and the Convertible Note Investors agreed will subscribe for, an aggregate of 22 convertible notes each with a face value of A$50 thousand (approximately $33 thousand based on the exchange rate of $1.00 / A$1.53 in effect as of 1 February 2024) per convertible note ("Convertible Notes"). The Company issued the Convertible Notes on 1 and 29 February 2024, respectively.

Following the announcement, the Company has received payment for the Convertible Notes and the costs associated with that transaction are expected to aggregate to A$70 thousand (approximately $46 thousand based on the exchange rate of $1.00 / A$1.53 in effect as of 1 February 2024). The key terms with respect to those Convertible Notes are accruing 8% annual interest which shall be capitalized on the conversion date and a conversion price which includes a 20% discount to the price achieved in the companies next capital raising transaction.

In accordance with the terms and conditions of the Convertible Notes, the Convertible Notes will convert into Shares (among other events) following the announcement of a transaction, or series of transactions, resulting in the Company receiving aggregate gross proceeds of at least A$2.0 million (approximately $1.3 million based on the exchange rate of $1.00 / A$1.53 in effect as of 1 February 2024) via the issue of Shares ("Financing Conversion"). The announcement of the Placement, see section b. below and the SPP Offer, see section c. below constitutes a Financing Conversion. Accordingly, as part of the upcoming shareholder general meeting scheduled to 10 April 2024, the Company proposes to issue up to 63,445,626 Shares to the Convertible Notes Investors on conversion of the Convertible Notes based on issue price of A$0.022 (approximately $0.014 based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024) per share pursuant to the Financing Conversion ("Convertible Note Shares"), subject to Shareholder approval.

In addition, the Company is offering up to 42,297,087 options to the convertible note Investors with each option having an exercise price of A$0.033 (approximately $0.021 based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024) and expiring on 28 February 2026. Convertible Note Investors will receive two free attaching options for every three Convertible Note Shares issued pursuant to the Financing Conversion.

NOTE 17 - SUBSEQUENT EVENTS (CONT.):

b. Placement finance round:

On 28 February 2024, the Company announced that it had received firm commitments for a placement of new Shares to raise approximately A$4.25 million (approximately $2.76 million based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024) (before costs) at an issue price of A$0.022 per Share to be issued by the Company together with two free attaching Options for every three Shares issued under the placement, with the same terms as described in section a. above. The Placement comprises of:

95,312,242 Shares which have been issued to the Placement Investors using the Company's existing Listing Rule 7.1 and 7.1A placement capacity, and, subject to Shareholder approval, the proposed issue of up to 63,541,494 Placement Options ("Tranche 1 Placement"); and

Subject to Shareholder approval, a further 97,869,576 Shares and 65,246,384 Placement Options to the Placement Investors ("Tranche 2 Placement");

The Company already collected the amount associated with the Shares under the Tranche 1 Placement – approximately A$2.1 million (approximately $1.36 million based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024) and as a result, the Shares under the Tranche 1 Placement were issued on 6 March 2024. The issuance costs associated with the Tranche 1 Placement are expected to aggregate to A$145 thousand (approximately $94 thousand based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024).

The amount associated with the shares under the Tranche 2 Placement - A$2.15 million (approximately $1.39 million based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024), net off issuance costs should receive once the shareholders will approve so.

c. Share Purchase Plan offer:

In conjunction with the Placement finance round mentioned in section b. above, the Company offer Share Purchase Plan ("SPP") for its eligible shareholders and contain the following key terms:

up to A$30 thousand (approximately $19 thousand based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024) worth of Shares each, at an issue price of A$0.022 per Share to raise up to approximately A$1.0 million (approximately $649 thousand based on the exchange rate of $1.00 / A$1.54 in effect as of 29 February 2024) (before costs) via the issue of up to 45,454,545 Shares (SPP Shares); and two free attaching Options, with the same terms as described in section a. above for every three SPP Shares.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 27 March 2024.

1. DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding.

Holding Ranges	No. of Holders of Ordinary Securities	No. of Ordinary Securities	% Issued Ordinary Securities	No. of Holders of Options	No. of Options	% Issued Options	No. of Holders of Convertible Notes	No. of Convertible Notes	% Issued Convertible Notes
above 0 up to and including 1,000	24	3,461	0.00%	-	-	-	5	22	100.00%
above 1,000 up to and including 5,000	92	288,722	0.04%	-	-	-	-	-	-
above 5,000 up to and including 10,000	109	975,087	0.13%	5	36,990	0.03%	-	-	-
above 10,000 up to and including 100,000	521	23,745,795	3.18%	2	48,371	0.04%	-	-	-
above 100,000	449	722,198,148	96.65%	24	121,352,615	99.93%	-	-	-
Totals	**1,195**	**747,211,213**	**100.00%**	**31**	**121,437,976**	**100.00%**	**5**	**22**	**100.00%**

Based on the price per security as at 27 March 2024, number of holders with an unmarketable holding: **410**, with total 4,760,206, amounting to 0.64% of Issued Capital.

2. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders as at 27 March 2024.

The names of the twenty largest security holders of quoted equity securities are listed below:

Holder Name	Holding	% IC
UBS NOMINEES PTY LTD	106,135,294	14.20%
ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD <ABSOLUTE A/C>	33,500,000	4.48%
DAVSAM PTY LTD <ROSEMAN RETIREMENT FUND A/C>	20,117,711	2.69%
VOXEL MEDIA SL	20,013,197	2.68%
AMOS SIMANTOV	17,928,378	2.40%
MR THOMAS FRITZ ENSMANN	17,909,856	2.40%

DE SILVA SUPER NOMINEES PTY LTD <APEX SUPER FUND A/C>	14,150,000	1.89%
ORIENT GLOBAL HOLDINGS PTY LTD <AL'N'ALL A/C>	14,126,626	1.89%
MONETA SEEDS LP	13,534,332	1.81%
JINDABYNE CAPITAL PTY LTD <PROVIDENCE EQUITY A/C>	12,500,000	1.67%
MR DAVID COX	12,000,000	1.61%
BNP PARIBAS NOMS PTY LTD	11,744,457	1.57%
CITICORP NOMINEES PTY LIMITED	11,318,716	1.51%
POALIM EQUITY LTD	9,280,778	1.24%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	9,165,844	1.23%
BCI HOLDINGS PTY LTD <BCI SUPERANNUATION FUND A/C>	8,750,000	1.17%
IRWIN BIOTECH NOMINEES PTY LTD	8,000,000	1.07%
AYERS CAPITAL PTY LTD	7,727,273	1.03%
PRYTEK INVESTMENT HOLDINGS PTE LTD	7,398,115	0.99%
WIDGRO NOMINEES PTY LTD <WIDGRO SUPER FUND A/C>	7,054,074	0.94%
Total	**362,354,651**	**48.49%**
Total issued capital - selected security class(es)	**747,211,213**	**100.00%**

Unquoted equity securities

	Number on Issue	Number of Holders
Options	121,437,976	31
Convertible Notes	22	5

Holders of 20% or more of unquoted equity securities:

Name	Class	Number held
AMOS SIMANTOV (AND HIS INDIRECT HOLDING ‘PERFORMANCE SYSTEMS LTD’)	Options	46,890,319

3. VOTING RIGHTS

Voting rights are as set out below:

Ordinary Shares	All ordinary shares carry one vote per share without restriction
Options	Do not carry any voting rights
Convertible Notes	Do not carry any voting rights

4. ON-MARKET BUY BACK

There is currently no on-market buyback program.

5. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2023 in a way that is consistent with its business objectives and strategy.