

ADCORE INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2024**

ADCORE INC.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024

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The amounts are stated in thousand US dollars



INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
ADCORE INC.

We have audited the consolidated financial statements of Adcore Inc. (the "Corporate"), which comprise the consolidated statement of financial position as at December 31, 2024 and December 31, 2023 and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporate as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Recognition of Revenues</i>	<i>How the matter was addressed in our audit</i>
The Corporate generates revenue from providing its technologies and services to its customers, which are mainly advertisers and ad agencies. The key risks on revenue recognition are:	We obtained a detailed understanding of the revenue processes for capturing and recording revenue. Our key audit procedures in relation to the recognition of revenue included:

<p>Cut-off where revenue is not recognized in line with the Corporate policy.</p> <p>Refer to the revenue recognition in note 2 to the consolidated financial statements for further detail.</p>	<ul style="list-style-type: none"> • Gaining an understanding of the recognition of the revenue process. • Testing on a sample basis for invoices (i.e. media budget, fees related to its software products) to significant contracts. • Considering the appropriateness and accuracy of any cut-off adjustments processed. • Evaluating management's assessment whether revenue has been recognized in accordance with IFRS 15 'Revenue from contracts with customers' and with the Corporate's accounting policy by reviewing details of the Corporate revenue recognition policy, the application of this, and any significant new contracts; and
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Other Information

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

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

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of

this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as 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, management is responsible for assessing the Corporate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporate or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporate's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Corporate audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters 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 Tomer Fromovich.

Tel-Aviv, Israel

March 25, 2025

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm



ADCORE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	Note	December 31, 2024	December 31, 2023
CURRENT ASSETS:			
Cash and cash equivalents	4	7,502	6,106
Trade accounts receivable, net	2	4,556	4,616
Other accounts receivable		434	415
Total current assets		12,492	11,137
NON-CURRENT ASSETS:			
Property, plant and equipment, net	5	907	200
Intangible assets, net	6	2,873	3,091
Total non-current assets		3,780	3,291
Total Assets		16,272	14,428

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

ADCORE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	Note	December 31, 2024	December 31, 2023
CURRENT LIABILITIES:			
Trade accounts payable		5,665	3,773
Other accounts payable	7	1,634	1,630
Lease liability	9	139	-
Total current Liabilities		7,438	5,403
NON-CURRENT LIABILITIES:			
Accrued severance pay, net		7	8
Deferred tax liability, net	16	-	144
Lease liability		465	-
Total non-current Liabilities		472	152
SHAREHOLDERS' EQUITY:			
Share capital	10	*	*
Additional paid in capital		10,957	10,905
Treasury shares		(724)	(701)
Actuarial reserve		(71)	(72)
Retained earnings (loss)		(1,800)	(1,259)
Total Shareholders' Equity		8,362	8,873
Total Liabilities And Shareholders' Equity		16,272	14,428

* Less than 1 thousand dollars.

“Omri Brill”	“Roy Nevo”	25.03.2025
Omri Brill Director	Roy Nevo Director	Date of approval of the financial statements

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(US Dollar in thousands except for per share amounts)

		Year ended December 31, 2024	Year ended December 31, 2023
	Note		
Revenues	11	23,703	23,134
Cost of revenues	12	13,824	13,698
Gross profit		9,879	9,436
Research and development expenses	13	1,736	1,230
Selling, general and administrative expenses	14	8,624	8,621
Operating profit (loss)		(481)	(415)
Finance expenses	15	421	675
Finance income	15	(217)	(138)
Profit (loss) before taxes on income		(685)	(952)
Tax Expenses (recovery)	16	(144)	(8)
Net Profit (Loss)		(541)	(944)
Other comprehensive income :			
Item that will not be reclassified to profit or loss:			
Total actuarial (income) loss on defined benefit pension schemes		(1)	-
Total other comprehensive income (loss)		(1)	-
Total comprehensive income (loss) for the year		(540)	(944)
Weighted average number of shares outstanding	17	60,289,295	60,345,807
Basic and diluted loss per share attributable to shareholders	17	(0.009)	(0.016)

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

ADCORE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands except for number of shares)

	Number of Shares	Share capital	Additional paid in capital	Treasury shares	Actuarial reserve	Retained earnings (deficit)	Total Shareholders ' equity
Balance at January 1, 2023	60,443,699	*	10,728	(607)	(72)	(315)	9,734
Changes during the year:							
Share-based compensation		-	177	-	-	-	177
Exercise of options		-	-	-	-	-	-
Exercise of RSU	279,511	-	-	-	-	-	-
Repurchase of shares	(546,500)	-	-	(94)	-	-	(94)
Total comprehensive loss		-	-	-	-	(944)	(944)
Balance at December 31, 2023	<u>60,176,710</u>	<u>*</u>	<u>10,905</u>	<u>(701)</u>	<u>(72)</u>	<u>(1,259)</u>	<u>8,873</u>
Changes during the year:							
Share-based compensation		-	52	-	-	-	52
Exercise of options		-	-	-	-	-	-
Exercise of RSU	460,909	-	-	-	-	-	-
Repurchase of shares	(139,500)	-	-	(23)	-	-	(23)
Total comprehensive loss		-	-	-	1	(541)	(540)
Balance at December 31, 2024	<u>60,498,119</u>	<u>*</u>	<u>10,957</u>	<u>(724)</u>	<u>(71)</u>	<u>(1,800)</u>	<u>8,362</u>

* Represents an amount lower than 1 thousand.

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

ADCORE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(541)	(944)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,135	775
Share-based compensation	52	177
Decrease in trade receivables, net	60	13
increase in other accounts receivable	(19)	(97)
Increase in trade accounts payable	1,886	194
Increase in other accounts payable	4	747
Increase in accrued severance pay, net	1	-
Decrease in deferred tax liability, net	(144)	(16)
Net cash provided by operating activities	2,434	849
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(216)	(19)
Capitalized development cost	(767)	(976)
Net cash used in investing activities	(983)	(995)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury shares	(23)	(94)
Payments and interest of lease liabilities	(38)	(188)
Net cash used in financing activities	(61)	(282)
Exchange rate differences on cash and cash equivalents	6	9
Increase (decrease) in cash and cash equivalents	1,396	(419)
Cash and cash equivalents at beginning of the year	6,106	6,525
Cash and cash equivalents at the end of the year	7,502	6,106

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

ADCORE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	Note	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
Recognition of right of use asset and lease liability	9	<u>641</u>	<u>-</u>

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

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 - GENERAL:

Adcore Inc. (the “Company” or “**Adcore**”), a reporting issuer listed on the TSX Venture Exchange trading under the symbol ADCO.TO, The Company’s registered address and principal place of business is 100 King Street West, Suite 1600, Toronto, ON M5X 1G5, Canada. Adcore is the parent Company of Podium Advertising Technologies Ltd., (“**Podium**”) which her registered address and principal place of business is 1 Namal St, Tel Aviv-Yafo, 6350627, Israel, Adcore Australia Pty., (“**Adcore AU**”) which her registered address and principal place of business is Level 5/111 Cecil St, South Melbourne VIC 3205, Australia, Adcore US Inc. (“**Adcore US**”) which her registered address and principal place of business is 691 S. Milpitas Blvd, Ste 212, Milpitas, CA 95035, Amphy EdTech Ltd., (“**Amphy**”) which her registered address and principal place of business is 1 Namal St, Tel Aviv-Yafo, 6350627, Israel, and Adcore East Limited (“**Adcore East**”) 50 Bonham Strand, Sheung Wan, Hong Kong 3806 Central Plaza, 18 Harbour Rd, Wanchai, Hong Kong, which holds Adcore China (“**Adcore CH**”), which her registered address and principal place of business is 22/F Tomson Commercial Building, 710 Dongfang Road, Shanghai, PRC, 200122. Podium was established and commenced its operations in July 2006, and is a leading provider of machine-learning powered advertising technologies used by digital advertisers to enhance and maximize their Search Engine Marketing (“SEM”). The company Adcore Inc. and its subsidiaries are referred in the financial statements as the Corporate .

On October 7, 2023, an attack was launched against Israel by Hamas (a terror organization) which thrust Israel into a state of war (hereinafter: "The state of war") in Israel and in Gaza strip. The Corporate is continuing with its operations both in Israel and globally, as the state of war had no substantial impact on its operations or business results. The Corporate continues to assess the effects of the state of war on its financial statements and business.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

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 ("IASB"). The financial statements have been prepared under the historical cost convention, except for actuarial assessment and share-based compensation. The Corporate has elected to present the statement of comprehensive income using the function of expense method.

In addition, these consolidated financial statements are presented in US dollars, all currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Basis of consolidation

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

Foreign currency

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

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

Transactions and balances have been converted as follows:

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

Cash and cash equivalents

Cash equivalents are considered by the Corporate to be highly-liquid investments, including, inter alia, short-term deposits with banks and the maturity of which do not exceed three months at the time of deposit and which are not restricted.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. See also Note 3.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments

1. Financial assets

The Corporate classifies its financial assets into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Corporate's accounting policy for the relevant category is as follows:

Amortized cost: These assets arise principally from the provision of goods and services to customers (e.g. trade accounts receivable), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade accounts receivable are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within general and administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Financial Liabilities

The Corporate classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Corporate's accounting policy for each category is as follows:

Other financial liabilities include the following items: Lease liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade accounts payable and other accounts payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

1. De-recognition

- Financial assets - the Corporate derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.
- Financial Liabilities - the Corporate derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

2. Impairment of financial assets

The Corporate assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. The Corporate recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporate expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade accounts receivable and contract assets, the Corporate applies a simplified approach in calculating ECLs. Therefore, the Corporate does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporate has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Corporate's assessed its financial assets that are subject to the expected credit

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

2. Impairment of financial assets (cont.)

loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses (“ECL”) and their measurement:

In order to manage the credit risks associated with customer receivables, the Corporate aims to secure certain financial guarantees prior to entering into business relationship with its customers.

To this end, the Corporate developed a two-level matrix, which is based on past experience and historical data along with projections of the future into consideration, in order to group the ECL:

1. Receivables which pays either pre-paid or post-paid with a short billing cycle of up-to one month ("Payment term 1").
2. Receivables which pays post-paid with a standard billing cycle of up-to two months ("Payment term 2").

ECL are measured as the unbiased probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from services, ECL are mainly calculated with a statistical model using three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors.

This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. For receivables from financial services, these forecasts are performed using a scenario analysis (base case, adverse and optimistic scenarios).

Definition of default, including reasons for selecting the definition

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

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

2. Impairment of financial assets (cont.)

management and inform them of the overdue obligation and the Corporate will pursue remedies available to collect the overdue payment. If the customer and the Corporate are not able to resolve the matter at that time, the receivable is considered to be in default as the collectability is no longer certain. If the collection effort is not successful, the Corporate will retain legal counsel in the applicable country to assist with collection and sends a demand letter to that effect.

Write-off policy

The Corporate writes off its financial assets if any of the following occur:

- Inability to locate the debtor.
- Discharge of the debt in a bankruptcy.
- It is determined that the efforts to collect the debt are no longer cost effective given the size of receivable.

The collections department must comply with the collection efforts outlined in the policy to collect on delinquent customer accounts before any write-offs are made.

Aging Schedule based on due date

	<u>Within payment terms</u>	<u>0-90 days over payment terms</u>	<u>90+ days over payment terms</u>	<u>Total</u>
Aging Schedule 31.12.2024	4,241	-	315	4,556
Aging Schedule 31.12.2023	4,148	143	325	4,616

Provision for doubtful debts

The Corporate recognized a provision for doubtful accounts in the amount of \$219 and \$113 on December 31, 2024 and 2023, respectively.

Accounts receivable by region

	<u>As at December 31, 2024</u>	<u>As at December 31, 2023</u>
North America	1,052	1,415
APAC	1,635	1,440
EMEA	1,869	1,761
Total	4,556	4,616

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

2. Impairment of financial assets (cont.)

two-level matrix

	<u>31.12.2024</u>	<u>31.12.2023</u>
Payment option 1	3,396	2,583
Payment option 2	1,160	2,033
Total	4,556	4,616

At every reporting date the historical observed default rates are updated and changes in the forward looking estimates are analyzed. In this case it is forecast that economic conditions will deteriorate over the next year. On that basis the Corporate estimated the following provision matrix:

two-level provision matrix

	<u>Default rate</u>	<u>31.12.2024</u>	<u>ECL</u>	<u>Total</u>
Payment option 1	4.5%	3,556	(160)	3,396
Payment option 2	4.8%	1,219	(59)	1,160
Total		4,775	(219)	4,556

	<u>Default rate</u>	<u>31.12.2023</u>	<u>ECL</u>	<u>Total</u>
Payment option 1	2.6%	2,593	(10)	2,583
Payment option 2	5.9%	2,136	(103)	2,033
Total		4,729	(113)	4,616

A reconciliation from the opening balance to the closing balance of the loss allowance

	<u>Payment option 1</u>	<u>Payment option 2</u>
Balance as of 31.12.2022	-	71
Changes in trade receivable during the period		
Changes in estimation of ECL during the period (*)	10	32
Balance as of 31.12.2023	10	103
Changes in trade receivable during the period		
Changes in estimation of ECL during the period (*)	150	(44)
Balance as of 31.12.2024	160	59

(*) The changes in the ECL estimation was derived mainly from the Corporate's re-evaluation of its credit risk policy and the determination that was made based on reasonable and supportable information.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

Intangible assets

Intangible assets include internally generated capitalized software development costs (see also Note 2- Research and development costs). Intangible assets with a finite useful life are amortized over their useful life. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end and adjustments, where applicable, are made on a prospective basis. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable (see also Note 2-Impairment of non-financial assets).

Subsequent expenditure on capitalized intangible assets is capitalized only where it clearly increases the Economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Depreciation is computed by the straight line method, based on the estimated useful lives of the assets, as follows:

	<u>%</u>
Computers	33
Furniture and equipment	6-15
Electronic equipment	6-15

Impairment of non-financial assets

Impairment tests on other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Management considers Adcore Core Activity (collectively, "Business Unit") to be one cash generating unit ("CGUs", individually, a "CGU"). The cash generating units have been identified based on the lowest levels at which business performance is monitored for internal management purposes.

The recoverable amounts of the Business Units have been determined based on a value in use calculation using discounted cash flow projections. The Business Units cash flow forecast has been derived from the most recent financial budget approved by management and the board of directors adjusted for expected growth for the following years, based on growth rates in each CGU. In developing its projections, management have considered the CGU's past performance as well as external forecasts of growth in the AdTech industry.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Research and development costs

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

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

Recognition of costs in the carrying amount of an intangible asset, ceases, when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Capitalized development costs are amortized on a straight line basis over their estimated useful lives once the development is completed and the assets are in use. Subsequent expenditure on capitalized intangible assets is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred. During the years 2024 and 2023 the Corporate capitalized development costs in the amounts of \$767 and \$976 thousand dollars, respectively.

Deferred taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies. Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed based on tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred taxes are recognized in Profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Deferred taxes (Cont.)

Any resulting reduction or reversal is recognized on "income tax" within the statement of comprehensive income. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Share based payments

The Corporate measures the share based payments and the cost of equity-settled transaction with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial and Black & Scholes model taking into account the terms and conditions upon which the instruments were granted.

Earnings per share

Earnings per share is calculated by dividing the net profit or loss attributable to owners of the parent by the weighted number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as employee options and warrants) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations.

Further, potential ordinary shares that are converted during the period are included in the diluted earnings per share only until the conversion date, and since that date they are included in the basic earnings per share. The Corporate's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Corporate.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition

The Corporate generates revenue from providing its technologies and services to its customers, which are mainly advertisers and ad agencies.

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers. The Corporate only recognizes revenue when collection is reasonably assured. If collection is not considered reasonably assured, revenue is recognized only once all amounts are collected. Revenue is recorded net of trade discounts and volume rebates. If it is probable that discounts will be granted and amounts can be measured reliably, then the discount is recognized as a reduction of revenue as the related sales are recognized. Amounts billed in excess of revenue recognized to date on an arrangement by arrangement basis are classified as deferred revenue, whereas revenue recognized in excess of amounts billed is classified as accrued receivables and included as part of accounts receivable.

A determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Corporate is acting as the principal or an agent in the transaction.

The Corporate is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as: (1) The Corporate bears credit risks related to the media buying, as it is contractually required to pay media channels within a negotiated period of time, regardless of whether the Corporate's clients pay the Corporate on time, or at all. Moreover, in some cases the Corporate's clients have or may develop higher-risk credit profiles, which may subject the Corporate to even greater credit risk especially when the Corporate's payment cycles to the media channels is relatively short; (2) The Corporate has full discretion in establishing the price to its customers and sole control of the Costs of the media buying prices, including the campaigns, accounts and media channels' budget allocation; (3) The Corporate has the power to use its own advertising technologies and expertise in order to manipulate the media buying process, which is critical to the fulfillment of the customer deliverables; and (4) The Corporate holds full responsibility towards its clients with regards to the campaigns management and fulfillment.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Employee benefits

The Corporate contributes towards the state pension in accordance with local legislation where required. The only obligation of the Corporate is to make the required contributions. Costs related to such contributions are expensed in the period in which they are incurred.

The Corporate has several employee benefit plans as to Israeli employees:

1. Short-term employee benefits: Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Corporate has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.
2. Post-employment benefits: The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

This liability is calculated based on actuary measurement. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution. The Corporate also operates for some employees an immaterial defined benefit plan in respect of severance pay pursuant to the Severance Pay Law.

The Corporate present the accrued severance pay liability net from severance pay fund.

New standards, interpretations and amendments adopted from January 1, 2024

The following amendments are effective for the period beginning January 1, 2024:

- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7) - On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New standards, interpretations and amendments adopted from January 1, 2024 (Cont.)

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS1) - The IASB issued amendments to IAS 1 in January 2020 Classification of Liabilities as Current or Non-current and subsequently, in October 2022 Non-current Liabilities with Covenants.

The amendments clarify the following:

- An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.
- If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.
- The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.
- In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments have no effect on the measurement of any items in the consolidated financial statements of the Corporate.

New standards, interpretations and amendments not yet effective

The Corporate has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Corporate has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The following amendments are effective for the period beginning January 1, 2026:

- Amendments to the Classification and measurement of Financial instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7).

The following standards and amendments are effective for the annual reporting period beginning 1 January 2027:

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New standards, interpretations and amendments not yet effective (Cont.)

- IFRS 18 Presentation and Disclosure in Financial Statements

The Corporate is currently assessing the effect of these new accounting standards and amendments. IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labeling of information, and disclosure of management-defined performance measures. The Corporate does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Corporate.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Corporate's earnings and financial position revenue recognition, the recognition and amortization of development costs, the useful life of property and equipment and leases.

Revenue Recognition

For revenue from advertiser customers, management's judgement is applied regarding the determination of whether the Corporate is a principal or agent to the transactions. In making, this judgement, management places significant weight on the fact: (1) The Corporate bears credit risks related to the media buying, as it is contractually required to pay media channels within a negotiated period of time, regardless of whether the Corporate's clients pay the Corporate on time, or at all. Moreover, in some cases the Corporate's clients have or may develop higher-risk credit profiles, which may subject the Corporate to even greater credit risk especially when the Corporate's payment cycles to the media channels is relatively short;, (2) The Corporate has full and sole control of the Cost per Click or Cost per Impression of the media buying prices, including the campaigns, accounts and media channels' budget allocation. (3) The Corporate has the power to use its own advertising technologies and expertise in order to manipulate the media buying process, which is critical to the fulfillment of the customer deliverables. And (4) The Corporate holds full responsibility towards its clients with regards to the campaign's management and fulfillment.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.):

The Corporate considered to the extent of Reporting Revenue "Gross versus Net" that it applies to the Corporate's revenue arrangements and concluded that the Corporate acts as the principal in these arrangements and therefore reports revenue earned and costs incurred related to these transactions on a gross basis.

Amortization of capitalized development costs and the useful life of property and equipment

Intangible assets and property and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the statement of comprehensive income in specific periods.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the assets may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

NOTE 4 – CASH AND CASH EQUIVALENTS:

The following tables presents cash and cash equivalents by region as of 31.12.2024 and 31.12.2023:

Cash and cash equivalents as of 31.12.2024

	APAC (*)	EMEA (**)	North America	Total
Cash	2,604	1,838	434	4,876
Deposits	-	1,461	1,165	2,626
Total	<u>2,604</u>	<u>3,299</u>	<u>1,599</u>	<u>7,502</u>

Cash and cash equivalents as of 31.12.2023

	APAC (*)	EMEA (**)	North America	Total
Cash	1,483	1,741	252	3,476
Deposits	-	1,380	1,250	2,630
Total	<u>1,483</u>	<u>3,121</u>	<u>1,502</u>	<u>6,106</u>

Interest rates on deposits in EMEA and North America regions were 5%-6.3% and 0%-5.4% respectively.

(*) APAC – Asia pacific

(**) EMEA – Europe, the Middle East and Africa

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET:

	<u>Right of use</u>	<u>Computers</u>	<u>Furniture and equipment</u>	<u>Electronic equipment</u>	<u>Total</u>
Cost:					
As of January 1, 2024	692	292	227	96	1,307
Additions	641	18	184	14	857
Disposals	(692)	-	-	-	(692)
As of December 31, 2024	<u>641</u>	<u>310</u>	<u>411</u>	<u>110</u>	<u>1,472</u>
Accumulated depreciation:					
As of January 1, 2024	692	243	100	72	1,107
Additions	80	29	33	8	150
Disposals	(692)	-	-	-	(692)
As of December 31, 2024	<u>80</u>	<u>272</u>	<u>133</u>	<u>80</u>	<u>565</u>
Net Book Value:					
As of December 31, 2024	<u>561</u>	<u>38</u>	<u>278</u>	<u>30</u>	<u>907</u>

	<u>Right of use</u>	<u>Computers</u>	<u>Furniture and equipment</u>	<u>Electronic equipment</u>	<u>Total</u>
Cost:					
As of January 1, 2023	692	282	226	88	1,288
Additions		10	1	8	19
Disposals					
As of December 31, 2023	<u>692</u>	<u>292</u>	<u>227</u>	<u>96</u>	<u>1,307</u>
Accumulated depreciation:					
As of January 1, 2023	500	202	84	65	851
Additions	192	41	16	7	256
Disposals					
As of December 31, 2023	<u>692</u>	<u>243</u>	<u>100</u>	<u>72</u>	<u>1,107</u>
Net Book Value:					
As of December 31, 2023	<u>-</u>	<u>49</u>	<u>127</u>	<u>24</u>	<u>200</u>

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - INTANGIBLE ASSETS, NET:

	<u>Software-Internally generated capitalized development costs</u>
Cost:	
At January 1, 2023	4,518
Additions	976
At December 31, 2023	<u>5,494</u>
Additions	767
At December 31, 2024	<u>6,261</u>
Accumulated depreciation:	
At January 1, 2023	1,884
Additions	519
At December 31, 2023	<u>2,403</u>
Additions	985
At December 31, 2024	<u>3,388</u>
Net book value at December 31, 2024	<u><u>2,873</u></u>
Net book value at December 31, 2023	<u><u>3,091</u></u>

NOTE 7 - OTHER ACCOUNTS PAYABLE:

	December 31, 2024	December 31, 2023
Employees related liabilities	446	489
Institutions	331	380
Controlling shareholder	42	175
Accrued expenses	815	586
	<u>1,634</u>	<u>1,630</u>

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – LEASE LIABILITY:

During the year, the Corporate entered into a new lease agreement for office space in Tel Aviv, Israel. The lease has a primary term of three years, with options to extend for an additional three years, an additional two years, and then an additional two years thereafter. The Corporate expects to extend the lease for an additional three years, the term of the expected lease period is six years. This lease has been recognized as part of the right-of-use asset under property, plant, and equipment against a lease liability at the amount of 641 thousand US\$, using an incremental borrowing rate of 7% per annum. Set out below are the carrying amounts of lease liabilities recognized and the movements during this period:

	December 31, 2024	December 31, 2023
Obligation under lease	603	-
Less: Current portion	139	-
Non-Currents lease liability	464	-

NOTE 10 – SHAREHOLDERS' EQUITY:

A. On May 17, 2023, Adcore Inc. announced that the Toronto Stock Exchange has accepted its notice of intention to proceed with the NCIB. Pursuant to the notice, Adcore may purchase up to 3,024,452 of its common shares (“Shares”), representing approximately 5% of its issued and outstanding Shares of 60,489,043. The NCIB will be conducted during the twelve month period commencing May 19, 2023 and ending May 18, 2024 Adcore may purchase up to 2,160 Shares on the TSX during any trading day. Any Shares purchased under the normal course issuer bid will be cancelled.

On May 12, 2022, Adcore Inc. announced that the Toronto Stock Exchange has accepted its notice of intention to proceed with the NCIB. Pursuant to the notice, Adcore may purchase up to 3,188,475 of its common shares (“Shares”), representing approximately 5% of its issued and outstanding Shares of 63,769,494. The NCIB will be conducted during the twelve month period commencing May 18, 2022 and ending May 17, 2023. Adcore may purchase up to 13,593 shares on the TSX during any trading day. Any Shares purchased under the normal course issuer bid will be cancelled.

During 2024, the Corporate purchased 139,500 shares as part of the NCIB programs in the amount of \$23. During 2023 the Corporate purchased 546,500 shares as part of the NCIB programs in the amount of \$94.

On June 13, 2022, Adcore Inc. announced that it had entered into an agreement to purchase for cancellation 2,171,400 common shares of the Corporate (“Common Shares”), representing 3.4% of the issued and outstanding Common Shares, from a former executive officer of the Corporate at a price of \$0.20 per Common Share.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 – SHAREHOLDERS' EQUITY(Cont.):

B. Share based compensation:

Options

During the year ended December 31, 2024, the Corporate granted 610,473 options with a CAD\$0.185 exercise price per share to its directors, officers, employees and consultants. the options will vest between 0 and 24 months and will expire within 4 years from the issuance. The Corporate has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: the following inputs: Risk free rate: 3.6%-3.9%, expected volatility: 45.1%-47.6%, expected term: 4 years, expected dividend yield: 0%.

During the year ended December 31, 2023, the Corporate granted 529,333 options with a CAD\$0.23-CAD\$0.27 exercise price per share to its directors, officers, employees and consultants. the options will vest between 0 and 36 months and will expire within 4 years from the issuance. The Corporate has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: the following inputs: Risk free rate: 3.62%, expected volatility: 75%, expected term: 4 years, expected dividend yield: 0%.

The following table reflects the activity with respect to options of the Corporate for the year ended December 31, 2024, compared to the year ended December 31, 2023:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Number of options	Weighted average Exercise price	Number of options	Weighted average Exercise price
Outstanding at beginning of year	6,910,081	CAD 0.32	8,049,081	CAD 0.37
Granted	610,473	CAD 0.185	529,333	CAD 0.25
Exercised	-	-	-	CAD -
Forfeited and cancelled	(259,333)	CAD 0.48	(1,668,333)	CAD 0.51
Outstanding at end of year	7,261,221	CAD 0.32	6,910,081	CAD 0.32
Exercisable options	6,779,954	CAD 0.30	6,401,981	CAD 0.31

During the years ended December 31, 2024 and 2023, the Corporate recorded expenses in the amount of \$32 and \$91 thousand, respectively.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 10 – SHAREHOLDERS' EQUITY (CONT.):

D. Share based compensation (Cont.):

Restricted Share Units

During the year ended December 31, 2024, the Corporate approved an aggregate grant of 309,549 Restricted Share Units (“RSUs”), to its directors, employees and senior officers. The RSUs will vest between 0 and 12 months. Each vested RSU entitles the holder to receive one common share of the Corporate for period of 4 years.

During the year ended December 31, 2023, the Corporate approved an aggregate grant of 433,758 Restricted Share Units (“RSUs”), to its directors, employees and senior officers. The RSUs will vest between 0 and 12 months. Each vested RSU entitles the holder to receive one common share of the Corporate for period of 4 years.

The following table reflects the activity with respect to RSUs of the Corporate for the year ended December 31, 2024 compared to the year ended December 31, 2023:

	Year ended	
	December 31, 2024	December 31, 2023
	Number of RSUs	
Outstanding at beginning of year	489,922	335,675
Granted	309,459	433,758
Exercised	(460,909)	(279,511)
Forfeited and cancelled	(182,222)	-
Outstanding at end of year	156,250	489,922
Exercisable RSUs	98,438	489,922

During the years ended December 31, 2024 and 2023, the Corporate recorded expenses in the amount of \$20 and \$86 thousand, respectively.

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 - REVENUES:

A. Geographic Areas Information divided by revenue streams:

The following present the total revenues for the years ended December 31, 2024 and 2023:

	For the year ended December 31,	
	2024	2023
APAC	9,941	8,063
EMEA	7,935	9,859
North America	5,827	5,212
Total	<u>23,703</u>	<u>23,134</u>

B. Major customers (as percentage of total revenues):

	Year ended December 31,	
	2024	2023
	%	%
Customer A	17%	17%
Customer B	15%	4%
Customer C	12%	15%
Customer D	<u>5%</u>	<u>16%</u>

NOTE 12 - COST OF REVENUES:

	Year ended December 31,	
	2024	2023
Media costs	12,820	12,655
Salary and related expenses	919	911
Others	85	132
Total	<u>13,824</u>	<u>13,698</u>

NOTE 13 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2024	Year ended December 31, 2023
	Amortization	985
Salary and related expenses	552	492
Sub-contractors	55	58
Share-based compensation	4	27
Others	140	134
Total	<u>1,736</u>	<u>1,230</u>

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2024	Year ended December 31, 2023
Salary and related expenses	4,116	3,927
Marketing expenses	2,730	2,856
Professional services	586	671
Office supplies	368	366
Depreciation	150	255
Change in doubtful debts	106	19
Share-based compensation	46	135
Sub-contractors	14	9
Others	508	383
Total	8,624	8,621

NOTE 15 – FINANCIAL EXPENSES, NET:

	Year ended December 31, 2024	Year ended December 31, 2023
Currency Translation differences	124	442
Bank fees and Credit cards	80	95
Total	204	537

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 16 - TAXES ON INCOME:

A. Tax rate applicable in Israel:

Israeli Corporate tax rates are 23% in 2024 and 23% in 2023.

B. Preferred technological plant:

In January 1, 2017 a new section was issued to the Investments Law relating to preferred technological income. The section is applicable to industrial companies that apply further preferred enterprise criteria. Accordingly, the Corporate is entitled for the benefit and therefore is subjected to a Corporate tax rate of 12% commencing 2017.

C. Tax reconciliation:

	<u>2024</u>	<u>2023</u>
Profit (loss) before tax	(541)	(944)
Corporate statutory tax rate	<u>23%</u>	<u>23%</u>
Theoretical tax charge at applicable Corporate statutory rate	-	-
Effect of beneficial tax rate	-	-
Effect of unrecognized temporary difference in the period	(144)	(8)
Effect of previously unrecognized tax loss of a prior period	-	-
Effect of previously unrecognized tax credit of a prior period	-	-
Effect of previously unrecognized temporary difference of a prior period	-	-
Others	-	-
Income tax expenses (recovery)	<u>(144)</u>	<u>(8)</u>

D. Changes in Tax Provision:

	<u>Year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Current year tax	-	-
Deferred tax	(144)	(8)
Previous year tax	-	-
	<u>(144)</u>	<u>(8)</u>

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 16- TAXES ON INCOME (CONT.):

E. Deferred tax liabilities and assets:

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Internally capitalized development costs	(337)	(335)
Accrued severance pay, net	1	1
Tax loss carryforward	328	183
Provision for vacation	8	7
Total deferred tax liabilities, net	<u>-</u>	<u>(144)</u>

NOTE 17 – PROFIT (LOSS) PER SHARE:

The computations for basic and diluted net loss per share for the years ended December 31, 2024 and 2023 are as follows:

	<u>Year ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Basic & diluted</u>	<u>Basic & diluted</u>
Net loss for the year	(541)	(944)
Weighted average number of shares outstanding	60,289,295	60,345,807
Net loss per share	(0.009)	(0.016)

ADCORE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 18 - RELATED PARTIES AND SHAREHOLDERS:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Corporate has transactions with key management personal.

The following transactions arose with related parties:

Transaction	For the Years ended December 31,	
	2024	2023
Management fee to CEO and controlling shareholder	500	549
Share Based Compensation to CEO and controlling shareholder	4	4

Liabilities to related parties:

Transaction	For the Years ended December 31,	
	2024	2023
Controlling shareholder	42	175

NOTE 19 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Corporate 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 Corporate's financial performance and position. The Corporate's financial instruments are its cash, trade and other receivables, payables, other payable. The Corporate 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 Corporate's financial instruments are mainly credit risk, currency risk and liquidity risk. The risk management policies employed by the Corporate to manage these risks are discussed below.

Credit risk:

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Corporate 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 Corporate's main financial assets are cash and cash equivalents and trade accounts receivable and represent the Corporate's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Corporate holds cash with major financial institutions in North America and EMEA.

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NOTE 19 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk (cont.):

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash and cash equivalents	7,502	6,106
Trade accounts receivable	4,556	4,616
Other account receivable	<u>434</u>	<u>415</u>
Total	<u><u>12,492</u></u>	<u><u>11,137</u></u>

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 Corporate's functional currency. The Corporate is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the New Israeli Shekel. The Corporate's policy is not to enter into any currency hedging transactions. The carrying amounts of the Corporate's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Assets	December 31, 2024								
	<u>NIS</u>	<u>CAD</u>	<u>AUD</u>	<u>HKD</u>	<u>SEK</u>	<u>GBP</u>	<u>EUR</u>	<u>RMB</u>	<u>Total</u>
Cash and cash equivalents	169	80	925	35	235	6	292	14	1,756
Trade accounts receivable	<u>126</u>	<u>49</u>	<u>764</u>	<u>-</u>	<u>1,053</u>	<u>-</u>	<u>140</u>	<u>-</u>	<u>2,132</u>
	<u><u>295</u></u>	<u><u>129</u></u>	<u><u>1,689</u></u>	<u><u>35</u></u>	<u><u>1,288</u></u>	<u><u>6</u></u>	<u><u>432</u></u>	<u><u>14</u></u>	<u><u>3,888</u></u>
Liabilities	December 31, 2024								
	<u>NIS</u>	<u>CAD</u>	<u>AUD</u>	<u>HKD</u>	<u>SEK</u>	<u>GBP</u>	<u>EUR</u>	<u>RMB</u>	<u>Total</u>
Short term bank credit	-	-	-	-	-	-	-	-	-
Trade accounts payable	104	43	344	-	476	-	50	9	1,026
Other accounts payable	<u>354</u>	<u>49</u>	<u>380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>806</u>
	<u><u>458</u></u>	<u><u>92</u></u>	<u><u>724</u></u>	<u><u>-</u></u>	<u><u>476</u></u>	<u><u>-</u></u>	<u><u>50</u></u>	<u><u>31</u></u>	<u><u>1,832</u></u>
Net	<u><u>(163)</u></u>	<u><u>37</u></u>	<u><u>965</u></u>	<u><u>35</u></u>	<u><u>812</u></u>	<u><u>6</u></u>	<u><u>382</u></u>	<u><u>(17)</u></u>	<u><u>2,056</u></u>

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NOTE 19 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Assets	December 31, 2023							Total
	NIS	CAD	AUD	HKD	GBP	EUR	RMB	
Cash and cash equivalents	303	60	430	11	3	379	-	1,186
Trade accounts receivable	845	129	579	-	-	-	15	1,568
	<u>1,148</u>	<u>189</u>	<u>1,009</u>	<u>11</u>	<u>3</u>	<u>379</u>	<u>15</u>	<u>2,754</u>
Liabilities	December 31, 2023							Total
	NIS	CAD	AUD	HKD	GBP	EUR	RMB	
Short term bank credit	-	-	-	-	-	-	-	-
Trade accounts payable	82	126	213	-	-	5	33	459
Other accounts payable	541	66	187	-	-	-	7	801
	<u>623</u>	<u>192</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>40</u>	<u>1,260</u>
Net	<u>525</u>	<u>(3)</u>	<u>609</u>	<u>11</u>	<u>3</u>	<u>374</u>	<u>(25)</u>	<u>1,494</u>

ADCORE INC.
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NOTE 19 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Sensitivity analysis:

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

	<u>2024</u>	<u>2023</u>
Linked to NIS	(211)	525
	10%	10%
	<u>21</u>	<u>52</u>
Linked to CAD	37	(3)
	10%	10%
	<u>4</u>	<u>-</u>
Linked to AUD	965	609
	10%	10%
	<u>97</u>	<u>61</u>
Linked to HKD	35	11
	10%	10%
	<u>4</u>	<u>1</u>
Linked to SEK	812	-
	10%	10%
	<u>81</u>	<u>-</u>
Linked to GBP	6	-
	10%	10%
	<u>1</u>	<u>-</u>
Linked to RMB	(17)	(23)
	10%	10%
	<u>(2)</u>	<u>(2)</u>
Linked to EUR	382	377
	10%	10%
	<u>38</u>	<u>38</u>

ADCORE INC.
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NOTE 19 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The Corporate has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having an available adequate amount of committed credit facilities. The following tables detail the Corporate's remaining contractual maturity for its financial liabilities. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December, 2024:

	Up to 12 months	Between 1 and 2 years	Between 2 to 5 years	Over 5 years
Trade and other payables	7,299	-	-	-
Lease liabilities	139	139	417	48
	<u>7,438</u>	<u>139</u>	<u>417</u>	<u>48</u>

At 31 December, 2023:

	Up to 12 months	Between 1 and 2 years	Between 2 to 5 years	Over 5 years
Trade and other payables	5,403	-	-	-
Lease liabilities	-	-	-	-
	<u>5,403</u>	<u>-</u>	<u>-</u>	<u>-</u>

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NOTE 19 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Capital management

The Corporate considers its capital to be comprised of shareholders' equity. The Corporate's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Corporate's capital requirements, the Corporate has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Corporate prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Corporate's approach to capital management during the year ended December 31, 2024. There are no externally imposed restrictions on the Corporate's capital.