Safe-T Group Ltd.

(formerly: Company Marging Purpose Ltd.)

Interim Period Financial Data

(unaudited)

September 30, 2016

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Review Report of the Audit Accountant for Safe-T-Data A.R. Ltd (formerly: Company Marging Purpose Ltd.) shareholders.

Preface

We have reviewed the attached financial data of Safe-T Group Ltd (formerly: Company Marging Purpose Ltd.) and its subsidiaries (hereinafter: "the Company"), which includes the Condensed Consolidated Statement on Financial Position as at September 30, 2016, and the condensed consolidated statements on profit and loss, capital (capital deficit) and cash flow for the nine-month and three-month periods ending on that date. The board of directors and general management is responsible for the preparation and presentation of financial data for this interim period, in accordance with IAS34 ("Interim Financial Reporting"), and are also responsible for the preparation of financial data for this interim period in accordance with chapter 4 of the Securities Regulations (Periodic and Immediate Reports) - 1970. We are responsible for stating our conclusions on the interim financial data, based on our review.

The Scope of the Review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel ("Review of Interim Financial Data Conducted by an Entity's Audit Accountant"). Interim financial statement reviews are comprised of inquiries, conducted mainly vis-à-vis those responsible for financial and accounting matters, and involve the implementation of analytic and various other review protocols. The scope of a review is significantly narrower than that of an audit conducted in accordance with the accepted audit standards in Israel. As such, we can't use it to reach the level of confidence over significant issues that we identify in an audit. Consequently, the opinion we provide is not an audit opinion.

Conclusion

Based on our review, nothing had come to our attention which could lead us to believe that this financial data was not prepared, for all practical purposes, in accordance with the IAS34 international accounting standard.

In addition, based on our review, nothing had been brought to our attention which could lead us to believe that this financial data does not, for all practical purposes, comply with the disclosure regulations in chapter four of the Securities Regulations (Periodic and Immediate Reports) - 1970.

We'd like to direct your attention to the following:

A. The text of Note 1-H of the Consolidated Financial Statements, concerning the Company's financial position, according to which the numbers for comparison presented in those reports are based on the financial data of the acquirer for accounting purposes, in order to reflect the accounting according to the reverse acquisition method.

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B. To the text in Note 1-I of the consolidated financial statements regarding the Company's financial position. The Company has accumulated losses, and much of its activity is funded by its shareholders. Therefore, continuation of the Company's activities is conditioned on raising additional funds, until its activities become profitable. These factors raise serious doubts on whether the Company will continue to function as a "going concern". The financial statements did not contain all of the adjustments to the types and values of assets and liabilities that may be required if the Company is unable to continue functioning as a "going concern".

Tel Aviv,	Kesselman and Kesselman
August 28, 2016	CPAs
	A Price Waterhouse Coopers International Limited member company

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Safe-T Group Ltd.

(formerly: Company Marging Purpose Ltd.)

Condensed Consolidated Report of Financial Position

	As of September 30		As at December 31
	2016	2015**	2015**
	(unaudited)		(audited)
	Thousands of dollars		
Current assets:			
Cash and cash equivalents	938	45	62
Limited Use Deposit	46	43	44
Accounts receivable and outstanding debit			
Customers	102	62	612
Others	122	33	21
	1,208	183	739
Non-current assets:			
Net Property, Plant and Equipment	70	67	60
Limited Use Deposit	13	-	-
Goodwill	523	523	523
Net Intangible Assets	1,078	1,331	1,266
	1,684	1,921	1,849
Total assets	2,892	2,104	2,588
Current liabilities:			
Short-term loans			
Related party	62	62	62
Other	-	-	252
Creditors and accounts payable:			
Suppliers and service providers	56	59	90
Others	468	448	664
Deferred income	205	125	105
Chief Scientist liability	120	92	108
Financial liability at fair value through profit or loss	-	240	*
	911	1,026	1,281
Non-current liabilities:			
Derivative financial instruments - warrants	571	-	-
Chief Scientist liability	-	48	24
	571	48	24
Equity:			
Ordinary share capital	-	6	6
Share premium	20,923	14,836	14,889
Receivables on account of shares	(*)	*	*
Other capital funds	11,616	7,646	10,138
Less the cost of self-held company shares	-	*	*
Retained losses	(31,129)	(21,458)	(23,750)
Total equity	1,410	1,030	1,283
Total equity and liabilities	2,892	2,104	2,588

* Represents an amount less than 1 thousand USD.

** Retrospective application of the reverse acquisition method – see Note 1-H.

Amir Mizhar	Shahar Daniel	Shai Avnit
Chair of the Board of Directors	CEO	CFO

The date the interim financial statements were approved by the Company board of directors: November 28, 2016.

The accompanying notes are an indispensable part of these condensed financial statements.

Safe-T Group Ltd.
(formerly: Company Marging Purpose Ltd.)
Condensed Consolidated Profit and Loss Statement

All amounts are in thousands of USD, unless otherwise stated.

	for the six-month period ended September 30		for the three-month period ended September 30		For the year ended December 31
	2016	2015*	2016	2015*	2015*
	(unaudited)		(unaudited)		(audited)
Income	608	176	207	42	**715**
Cost of revenue	385	273	145	92	**453**
Gross profits (losses)	223	(97)	62	(50)	262
Operating expenses:					
Net R&D expenses	699	633	251	240	795
Marketing and sales expenses	2,163	1,944	789	605	2,295
Management and general costs	1,575	1,872	457	900	2,252
Expenses tied to listing for trade (see Note 1-F)	1,579	-	-	-	-
Share-based payment expenses for the purpose of issuance	-	11,714	-	-	14,012
Total operating expenses	6,016	16,163	1,497	1,745	19,354
Operating losses:	(5,793)	(16,260)	(1,435)	(1,795)	(19,092)
Financing expenses	(1,873)	(306)	(590)	(29)	(312)
Financing income	287	660	55	522	1,206
Net financing income (expenses)	(1,586)	354	(535)	493	894
Period losses	(7,379)	(15,906)	(1,970)	(1,302)	(18,198)
Period losses associated with...					
Company owners	(7,379)	(15,904)	(1,970)	(1,302)	(18,196)
Minority interest stakeholders	-	(2)	-	-	(2)
Total	(7,379)	(15,906)	(1,970)	(1,302)	(18,198)
Basic and diluted losses per share (in USD)	(0.70)	(1.71)	(0.14)	(0.06)	(1.67)

* Retrospective application of the reverse acquisition method – see Note 1-H.

The accompanying notes are an indispensable part of these condensed financial statements.

	Ordinary shares		Preferred shares		Cost of self-held company shares								
	Number of shares	Amt	Number of shares	Amt	Number of shares	Amt	Pre-mium	Receiva-bles on account of shares	Cumula-tive losses	Other capital funds	Total	Minority interest	Total Equity
Balance as at January 1 2016 (audited)**	22,915,980	6	-	-	300,000	*	14,889	(*)	(23,750)	10,138	1,283	-	1,283
Transactions during the nine-month period ended September 30, 2016 (unaudited):													
Share-based payment	-	-	-	-	-	-	-	-	-	1,584	1,584	-	1,584
Exercise and expiration of Options	4,235	-	-	-	-	-	108	-	-	(106)	2	-	2
Cancellation of self-held Company shares	-	*	-	-	(300,000)	(*)	-	-	-	-	-	-	-
Reverse acquisition	(9,250,852)	(6)	-	-	-	-	1,868	-	-	-	1,862	-	1,862
Consideration from issue of shares, less issue expenses in the amount of 101K USD	-	-	-	-	-	-	4,058	-		-	4,058	-	4,058
Period losses	-	-	-	-	-	-		-	(7,379)	-	(7,379)	-	(7,379)
Balance as at September 30, 2016 (unaudited)	13,669,363	-	-	-	-	-	20,923	(*)	(31,129)	11,616	1,410	-	1,410
Balance at January 1, 2015 (audited)**	535,000	*	350,000	*	15,000	*	4,951	*	(5,554)	351	(252)	10	(242)
Transactions during the nine-month period ended September 30, 2015 (unaudited):													
Share-based payment	-	-	-	-	-	-	-	-	-	2,136	2,136	-	2,136
Share-based payment expenses for the purpose of issuance	-	-	-	-	-	-	-	-	-	11,714	11,714	-	11,714
Distribution of bonus shares	21,770,181	6	-	-	285,000	-	(6)	-	-	-	-	-	-
Conversion of preferred shares to ordinary shares, and settlement of a financial liability for dividend distribution	437,500	-	(350,000)	-	-	-	3,328	-	-	-	3,328	-	3,328
Changes in ownership rights to subsidiaries that do not entail a loss of control	173,299	-	-	-	-	-	6,563	-	-	(6,555)	8	(8)	-
Period losses	-	-	-	-	-	-		-	(15,904)	-	(15,904)	(2)	(15,906)
Balance as at September 30, 2015 (unaudited)	22,915,980	6	-	-	300,000	*	14,836	*	(21,458)	7,646	1,030	-	1,030
Balance as at July 1, 2016 (unaudited)	13,665,128	-	-	-	-	-	20,915	(*)	(29,159)	11,212	2,968	-	2,968

Transactions during the three-month period ended September 30, 2016 (unaudited):													
Share-based payment	-	-	-	-	-	-	-	-	-	410	410	-	410
Exercise and expiration of Options	4,235	-	-	-	-	-	8	-	-	(6)	2	-	2
Period losses	-	-	-	-	-	-		-	(1,970)	-	(1,970)	-	(1,970)
Balance as at September 30, 2016 (unaudited)	13,669,363	-	-	-	-	-	20,923	(*)	(31,129)	11,616	1,410	-	1,410

* Represents an amount less than 1 thousand USD.

Retrospective application of the reverse acquisition method – see Note 1-H.

The accompanying notes are an indispensable part of these condensed financial statements.

Safe-T Group Ltd.

(formerly: Company Marging Purpose Ltd.)

Condensed Consolidated Statement on Changes in Equity (continued)

	Ordinary shares		Preferred shares		Cost of self-held Company shares								
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Premium	Receivables on account of shares	Cumulative losses	Other capital funds	Total	Minority interest	Total Equity
		Thousands of dollars		Thousands of dollars		Thousands of dollars							
Balance as at July 1, 2015 (unaudited)**	1,145,799	*	-	*	15,000	*	14,842	*	(20,156)	6,953	1,639	-	1,639
Transactions during the three-month period ended September 30, 2015 (unaudited):													
Share-based payment	-		-	-	-	-	-	-	-	693	693	-	693
Distribution of bonus shares	21,770,181	6	-	-	285,000	*	(6)	-	-	-	-	-	-
Period losses		-	-	-	-	-	-	-	(1,302)	-	(1,302)	-	(1,302)
Balance as at September 30, 2015 (unaudited)	**22,915,980**	**6**	**-**	*****	**300,000**	*****	**14,836**	*****	**(21,458)**	**7,646**	**1,030**	**-**	**1,030**
Balance at January 1, 2015 (audited)**	535,000	*	350,000	*	15,000	*	4,951	*	(5,554)	351	(252)	10	(242)
Transactions during 2015 (audited):													
Share-based payment	-	-	-	-	-	-	53	-	-	2,330	2,383	-	2,383
Share-based payments for the purpose of issuance	-	-	-	-	-	-	-	-	-	14,012	14,012	-	14,012
Conversion of preferred shares to ordinary shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
and settlement of financial liability for dividend distribution	437,500	*	(350,000)	(*)	-	-	3,328	-	-	-	3,328	-	3,328

Changes in ownership rights													
in a subsidiary, which do not		-	-	-	-	-	-	-	-	-	-	-	-
entail loss of control	173,299	-	-	-	-	-	6,563	-	-	(6,555)	8	(8)	-
Distribution of bonus shares	21,770,181	6	-	-	285,000	*	(6)	-	-	-	-	-	-
Period losses	-	-	-	-	-	-	-	-	(18,196)	-	(18,196)	(2)	(18,198)
Balance as of 31 December 2015 (audited)	22,915,980	6	-	-	300,000	*	14,889	*	(23,750)	10,138	1,283	-	1,283

* Represents an amount less than 1 thousand USD.
Retrospective application of the reverse acquisition method – see Note 1-H.

The accompanying notes are an indispensable part of these condensed financial statements.

Safe-T Group Ltd.

(formerly: Company Marging Purpose Ltd.)

Condensed Consolidated Cash Flow Statement

	For the six-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2016	2015*	2016	2015*	2015*
	(unaudited)		(unaudited)		(audited)
	Thousands of dollars				
Cash flow from current activities					
Period losses	(7,379)	(15,906)	(1,970)	(1,302)	(18,198)
Adjustments required for presenting cash flows from current activities:					
Rate differentials for cash and cash equivalents	(83)	-	(50)	-	-
Changes in financial liabilities due to dividend distribution	-	(145)	-	-	(145)
Income from the cancellation of options to group of investors	(193)		-	-	-
Financial expenses due to financial commitment to the group of investors	193	-	-	-	-
Recognition of deferred initial loss	1,056	-	-	-	-
Change in financial liability at fair value through profit or loss	-	(516)	-	(523)	(1,056)
Financing expenses due to the settlement of financial liabilities on account of dividend distribution	-	298	-	-	298
Amortization of intangible assets	186	186	62	62	251
Depreciation	26	26	8	8	33
Losses (profit) from changes in the fair value of derivative financial instruments	557	(*)	558	-	(*)
Trade registration expenses	1,545		-	-	-
Interest on account of related parties	-	(5)	-	-	(5)
Share-based payment for the purpose of issuance	-	11,714	-	-	14,012
Share-based payment	1,584	2,136	410	693	2,383
	4,871	13,694	988	240	15,771
Changes in asset and liability line items:					
Decrease (increase) in receivables	510	112	63	15	(438)
Reduction (increase) in other receivables	(96)	66	45	102	72
Increase (reduction) in suppliers	(34)	(35)	1	28	(4)
Increase (reduction) in other payables	(196)	125	59	175	341
Increase (decrease) in deferred income	100	42	(12)	(1)	22
	284	310	156	319	(7)
Net cash used for current activities	(2,224)	(1,902)	(826)	(743)	(2,434)
Cash flow from investment activities:					
Limited deposits	(15)	1	(2)	2	-
Sale of property, plant and equipment	-	17	-	-	17
Purchase of property, plant and equipment	(34)	(3)	(25)	-	(3)
Net cash stemming from (used in) investment activities	(49)	15	(27)	2	14

* Retrospective application of the reverse acquisition method – see Note 1-H.

The accompanying notes are an indispensable part of these condensed financial statements.

Safe-T Group Ltd.

(formerly: Company Marging Purpose Ltd.)

Condensed Consolidated Cash Flow Statement (continued)

	for the six-month period ended September 30		for the three-month period ended September 30		For the year ended Dec. 31
	2016	2015*	2016	2015*	2015*
	(unaudited)		(unaudited)		(audited)
	Thousands of dollars				
Cash flow from financing activities:					
Cash and cash equivalents following reverse acquisition	317	-	-	-	-
Issue of shares and warrants, less issue expenses	4,072	-	-	-	-
Receipts on account of the investment in preferred shares	-	750	-	-	750
Grants from (paybacks to) the Chief Scientist's Office	(17)	133	(12)	40	132
Receipt (payment) of a financial liability at fair value through profit or loss	(1,056)	756	-	111	1,056
Cash payment of issuance expenses	-	(75)	-	-	(75)
Payment of other financial liabilities at amortized cost	(1,122)	-	-	-	-
Receipts for the exercise of options	2		2		
Receipt of financial liabilities and options given to the group of investors	870	58	-	-	309
Net cash from financing activities	3,066	1,622	(10)	151	2,172
Increase (decrease) in cash and cash equivalents	793	(265)	(863)	(590)	(248)
Rate differentials for cash and cash equivalents	83	-	50	-	-
Cash and cash equivalents at the beginning of the period	62	310	1,751	635	310
Cash and cash equivalents at the end of the period	**938**	**45**	**938**	**45**	**62**
Additional particulars on activities that are not accounted for in the cash flow statement:					
Changes in ownership rights to subsidiaries that do not entail a loss of control	-	6,555	-	-	6,555
Conversion of preferred shares to ordinary shares	-	3,328	-	-	3,328

* Retrospective application of the reverse acquisition method – see Note 1-H.

The accompanying notes are an indispensable part of these condensed financial statements.

Safe-T Group Ltd.
(formerly: Company Marging Purpose Ltd.)
Notes to the Condensed Consolidated Financial Statement

Comment 1 - General:

A. Safe-T Group Ltd (formerly: "Company Marging Purpose Ltd.", hereinafter: "the Company") was incorporated in Israel on October 22, 1989, as a private company engaged in the development of IT systems for organizations. In 2001, this private company became a publicly-traded company, and since then, its shares have been registered for trade in the Tel Aviv Stock Exchange. In 2010, the operations of the Company were sold, and the Company subsequently changed its name to Company Marging Purpose Ltd. Since then, and until June of 2016, the Company has been operating as a "shelf company", without any significant business activity, except for the Company's administrative functions. On June 23, 2016, the Company's name was changed from Company Marging Purpose Ltd. to Safe-T Group Ltd.

B. On December 24, 2015, the Tel Aviv-Jaffa district court issued a judgment on Liquidation Case 31184-03-15, which approved a composition with creditors, in accordance with Article 350 of the Companies Law, between the Company and its shareholders, on one side, and the Company's creditors (hereinafter: "the Composition with Creditors"), on the other side. The Composition with Creditors approved a proposal made by Mr. Kfir Zilberman ("the Investor"), for the purchase of control of the Company as a "shelf company" with no business activity and without any assets or liabilities, in exchange for a cash payment to the Composition with Creditors fund and the allocation of shares, which were allocated to the Investor and/or his agents.

   On April 5, 2016, the Company announced that it satisfies the definition of a "shell company", as defined in the amendment to TASE rules and regulations pursuant thereto (as published on March 28, 2016), and in accordance with the instructions of the Israel Securities Authorities (Legal Position 104-17: "The duty to report and update the fulfillment of the definition of *shell company*"). On April 10, 2016, in light of the completion of the Composition with Creditors, the Company asked the Israel Securities Authority to resume trading, and on April 13, 2016, Company shares began being traded again in the maintenance list. On June 21, 2016, Company shares began being traded again in the maintenance list of the Tel Aviv Stock Exchange Ltd. (hereinafter: "TASE").

C. On May 9, 2016, the Company submitted a prospectus to be supplemented through a public issue, as well as a rights issuing prospectus. On June 7, 2016, the Company completed the rights issuing, in the amount of about 379,000 USD (about 1.4 million ILS). On June 8, the Company raised about 4,173,000 USD from the public (about 16.2 million ILS), before issue expenses.

   On June 15, 2016, the Merger Transaction was concluded, and as such, all of the prerequisites for the Merger Transaction were met. Consequently, Safe-T-Data A.R. Ltd and the Company were merged, such that the Company controls all of the share capital and voting rights of Safe-T-Data A.R. Ltd, a fully-controlled subsidiary (hereinafter: "Safe-T"), and is essentially a holding company, using Safe-T and its subsidiaries (RSX Ltd. and Safe-T USA Inc. - jointly referred to hereinafter as "the Group"), until this time, to develop and market solutions for safe and protected data transfer that allows organizations to benefit from improved efficiency and productivity, enhanced security, and better compliance with regulatory demands regarding data security.

D. In the framework of the conclusion of the merger of Safe-T and the Company ("the Merger Transaction"), the following activities were conducted:

   1) The Company allocated 8,626,671 ordinary Company shares to all Safe-T's shareholders, in exchange for 22,915,980 Safe-T shares held by the aforementioned Safe-T shareholders (which accounts for 100% of Safe-T issued and paid-up share capital). Moreover, the Company allocated 1,496,725 options under the option program to all Safe-T shareholders considered offerees according to the prospectus, in exchange for the 3,975,875 Safe-T options held by these option

holders before the merger was concluded. The total number of shares and options allocated to Safe-T shareholders and option holders constitutes about 67% of the company's shares, not including the warrant series issued to the public, as determined under the Merger Agreement (including a mechanism to determine the replacement ratio adjustment), which is described in detail in Note 6-B.

2) The Company repaid its financial liabilities at amortized cost and its financial liabilities at fair value through profit or loss, in the amount of 2,178K USD. See Note 6 for more details.

E. On January 7, 2016, the second amendment to the Fidelity agreement (hereinafter: "the Second Amendment") regarding the merger of Safe-T with the shelf company was signed. On February 4, 2016, the third amendment to the Fidelity agreement (hereinafter: "the Third Amendment") was signed. This amendment changed terms in the Second Amendment. On March 31, 2016, the merger agreement for the merger of Safe-T with the shelf company was signed. For more information, see Note 6.

F. On November 22, 2015, Safe-T issued a public offering through a prospectus filed at TASE. Orders were placed with the Company, but TASE's commercial registration terms were not met, so the issuance did not occur, and the orders received were not honored.

G. In June, 2015, a statutory merger of the Company and the Consolidated Company was conducted through a stock swap, such that the Company's share of the control of the Consolidated Company rose to 100%. Moreover, the investment agreement with Sasa and the Company's articles of association were amended to reflect that preferred shares held by Sasa and their tangential rights were converted to ordinary Company shares. After the amendment of the investment agreement, the remaining financial dividend distribution commitment was cancelled, and is reflected in the Company's equity.

H. The consolidated financial statements include the Company's and Safe-T's financial statements. Although, from a legal standpoint, the Company is the one who purchased the shares, as stated above, since Safe-T shareholders received control of the Company, it has been determined that Safe-T is the acquirer for accounting purposes, and therefore, the transaction was handled using the reverse acquisition method.

As such, the Company's assets and liabilities (the acquiree for accounting purposes) were listed in the Consolidated Statements, according to their book value before the transaction. The consideration for this acquisition, in the amount of 1,862,000 USD, was determined based on the value of the Company's (the acquiree for accounting purposes) capital instruments before the transaction was concluded. The surplus of the consideration over the book value of the Company's assets and liabilities, amounting to 1,545,000 USD, was recorded as "trade listing expenses" in the Statement on Total Earnings. In addition to the surplus of the consideration, additional costs connected to the transaction, in the amount of about 34,000 USD, were associated with "trade listing expenses".

The numbers for comparison in those reports were presented once again in order to reflect the Group's financial position and performance, using the reverse acquisition method. To calculate the loss per share, the weighted average of the price of Safe-T shares until the time the merger transaction was completed was multiplied by the replacement ratio determined for the transaction. The number of shares used in the calculation, starting at the time of the transaction, is the Company's weighted average.

I. The Company has accumulated losses, and much of its activity is funded by its shareholders. Therefore, continuation of the Company's activities is conditioned on raising additional funds, until its activities

Comment 1 - General (continued):

become profitable. These factors raise serious doubts on whether the Company will continue to function as a "live business". The financial statements did not contain all of the adjustments to the types and values of assets and liabilities that may be required if the Company is unable to continue functioning as a "going concern".

J. Non-inclusion of separate financial data

In accordance with the fourth regulation of the Regulations on Periodic and Interim Statements, the Company did not include separate financial data specified in Regulation 9-C and Regulation 38-D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

The Company did not include separate financial data, at the time, since the Consolidated Companies' financial statement had a negligible influence on the consolidated financial statements. The parameters the Company used to determine the extent of this influence include the following: assets, income, losses, and cash flow from current activities.

K. Definitions:

In these Consolidated Financial Statements:

"The Company"	-	Safe-T Group Ltd.
"The Group"	-	Safe-T Group and its subsidiaries
Controlling shareholders and stakeholders	-	as defined in the Securities Regulations (Annual Financial Statements) of 2010.
Related parties	-	as defined in IAS 24 - "Related Parties Disclosures" (hereinafter: "IAS24").

Note 2 – the Basis for the preparation of the Condensed Consolidated Financial Statements

A. The Group's Condensed Consolidated Financial Statements as at September 30, 2016, and the financial statements for the nine-month and three-month interim period that ended on that date (hereinafter: "the Interim Financial Data") was prepared in accordance with international accounting standard 34 ("Interim Financial Reporting") (hereinafter: "IAS 34"), and include the additional disclosure required by chapter four of the Securities Regulations (Periodic and Immediate Reports) - 1970.

The interim financial data does not include all of the data and disclosures required in annual financial statements. Please consult the Interim Financial Data, in conjunction with Safe-T's annual financial statements for 2015, which reflect the reverse acquisition method specified in Note 1-H and its accompanying notes, which comply with international financial reporting standards. These are standards and interpretations published by the International Accounting Standards Board (hereinafter: "the IFRS Standards"), and they include the additional disclosure required under the Securities Regulations (Annual Financial Statements) - 2010.

B. Estimates

To prepare the Interim Financial Statements, the management of the Group needed to make certain judgment calls and use accounting estimates and assumptions that have an impact on the implementation of the Company's accounting policy and on the reported amounts for assets, liabilities, income and expenses. The actual expenses may differ from the estimates.

When preparing these interim condensed financial statements, significant judgment calls were made by the management in how it implemented the Group's accounting policy, and the uncertainty
associated with the estimates' cardinal sources was the same as that of Safe-T's annual financial statements for the year ended December 31, 2015.

Note 3 - Summary of significant accounting policies:

A. The summary of the significant accounting policies and calculation methods implemented when preparing the Interim Financial Statements are consistent with those used in the preparation of Safe-T's annual financial statements for 2015.

B. For more details on the accounting for the investment group's financial liabilities, in the amount of about 250,000 USD, which were received by Safe-T on January 11, 2016, see Note 6.

C. For more information on the accounting for financial liabilities **at fair value through profit or loss** at the time the Merger Transaction was concluded, see Note 6.

Note 4: Financial instruments:

A. Disclosure of fair value

The following table displays the Group's financial liabilities, measured in terms of fair value, as at September 30, 2016 (unaudited):

	Level 1
	Thousands of dollars
Liabilities:	
Derivative Financial Instruments - Warrants	571

The following table displays the Group's financial liabilities, measured in terms of fair value, as at September 30, 2015 (unaudited):

	Level 3
	Thousands of dollars
Liabilities:	
Financial liabilities at fair value through profit or loss	240

Note 4: Financial instruments (continued):

B. Measurement of fair value, based on data that can't be foreseen (Level 3)

The following table displays the Group's financial liabilities, measured in terms of fair value for the nine months that ended on September 30, 2016 (unaudited):

	Options for the Investment Group	Bridging Loan	Financing of Issuance Expenses	Total***
	Thousands of dollars			
Balance as of January 1, 2016	-	*	*	*
Creation	1,398	-	-	1,398
Financing expenses (income)	-	800**	256**	1,056
Payment/cancellation	(1,398)	(800)	(256)	(2,454)
Balance as of 30 September, 2016	-	-	-	-
Total unrealized earnings (losses) for the period, which were recognized in profit or loss for liabilities held at the end of the reporting period	-	(800)	(256)	(1,056)

The following table displays the Group's financial liabilities, measured in terms of fair value for the nine months that ended on September 30, 2015 (unaudited):

	Anti-dilution mechanism	Bridging Loan	Financing of Issuance Expenses	Total
	Thousands of dollars			
Balance at January 1 2015	*	-	-	-
Creation	-	600	156	756
Financing expenses (income)	(*)	(409)	(107)	(516)
Balance as of 30 September, 2015	-	191	49	240
Total unrealized earnings (losses) for the period, which were recognized in profit or loss for liabilities held at the end of the reporting period	*	409	107	516

The following table displays the Group's financial liabilities, measured in terms of fair value for the three months that ended on September 30, 2015 (unaudited):

	Bridging Loan	Financing of Issuance Expenses	Total
	Thousands of dollars		
Balance at July 1 2015	515	137	652
Creation	85	26	111
Financing expenses (income)	(409)	(114)	(523)
Balance as of 30 September, 2015	191	49	240
Total unrealized earnings (losses) for the period, which were recognized in profit or loss for liabilities held at the end of the reporting period	409	114	523

* Represents an amount less than 1 thousand USD.

** Recognition of an initial deferred loss equivalent to the cash the Company paid when the merger acquisition was concluded. See Note 6 for more information.

*** Warrants were reclassified as Level 1

Note 4: Financial instruments (continued):

A. **Measurement of fair value, based on data that can't be foreseen (Level 3)**(continued)

The following table displays the Group's financial liabilities, measured in terms of fair value, for the year ended December 31, 2015 (audited):

	Anti-dilution mechanism	Bridging Loan	Financing of Issuance Expenses	Total
	Thousands of dollars			
Balance at January 1 2015	*	-	-	*
Inception	-	800	256	1,056
Financing income	(*)	(800)	(256)	(1,056)
Balance at 31 December 2015	-	*	*	*
Total unrealized profits for the period, which were recognized in the profit and loss statement for liabilities held at the end of the reporting period	*	800	256	1,056

* Represents an amount less than 1 thousand USD.

B. **Estimate processes used by the Group**

Third-party valuators, working in conjunction with the Group's finance department, conduct the required valuations that are categorized as Level 3 valuations. Meetings concerning valuation processes and their outcomes are conducted, with the participation of CFO and the valuation team, in accordance with the Group's reporting timetable.

The following data relates to the Company's valuation processes:

1. Financial fair value liabilities via profit or loss - see details in Note 15-B, within Safe-T's financial statements for December 31, 2015, and in Note 6 of this statement.

2. Options for the Investment Group, from January 7, 2016 – to arrive at a fair value estimate, the Group used the Black and Scholes model. The main assumptions used in preparing this estimate were based on the following: expected standard deviation of 59.22%, risk-free interest of 1.65%, with a lifetime of 3.28 years.

Note 5 - Transactions with related parties:

A. On February 4, 2015, one of the Group's related parties transferred approximately 62,000 USD (about 242,000 ILS) to R.S. Access. This amount was earmarked for partially repaying its debt to Safe-T. The funds were transferred through an interest-free loan, with the intent that the loan would be repaid to the related party by the Subsidiary by the end of the year, and would be taken from income or investment proceeds received by the Safe-T. The debt has not been repaid as of the date of these financial statements.

B. On June 20, 2016, the Company repaid all of the loans from Safe-T, amounting to 2,178K USD (as specified in Note 1-D-2). On July 25, 2016, a credit line agreement between the Company and Safe-T was signed, under which the Company would provide a maximum line of credit of about 16.5M ILS (about 4.3M USD) used to withdraw the loan amounts specified above, as well as other loan amounts used to finance Safe-T's current activities. These loans will bear interest based on the interest rate specified in the Income Tax Regulations, and may be repaid by Safe-T in one or more installments, within 3 years of receiving the entire loan. The Company's repayment of Safe-T loans, as specified above, was included in the maximum line of credit the Company provided to Safe-T. Moreover, on June 22, 2016, July 6, 2016, and September 1, 2016, Safe-T withdrew additional sums in the amount of about 649K USD, 513K USD and 662K USD, respectively, against the account of the aforementioned line of credit, such that total loans transferred between the Company and Safety at September 30, 2016 was about 4,002K USD.

   As at September 30, 2016, no further withdrawals were made against this line of credit, and the remaining current debt between the companies is now 199K USD.

Note 6 – the merger transaction:

A. Background

On January 7, 2016, the Second Amendment to the Fidelity agreement was signed. Under the Second Amendment, the First Amendment, which was signed in November 2015, was fully annulled, and the Fidelity Agreement, under which options and shares were granted to the Investment Group (as defined in Note 15-A of Safe-T's financial statements as at December 31, 2015) if an issue occurs, was materially annulled.

According to the Second Amendment, Safe-T shall work with the Investment Group to complete the merger process with the shelf company (hereinafter: "the Merged Company"). Furthermore, until the said merger, the Investment Group will finance Safe-T in the additional amount of at least 500K USD. This amount, along with a 252K USD loan given by a potential investor in December 31, will henceforth be termed "Additional Loans", or "Financial Liabilities from the Investment Group"). Under the Second Amendment, it was determined that the Additional Loans granted in order to finance issuance expenses, and bridging loans of about 1,056K USD (hereinafter: "the Issuance Financing Loans" or "Financial Fair Value Liabilities Via Profit or Loss") shall have the same terms. If the merger process succeeds, all of these amounts will be repaid to the investors, in cash, and will not be converted into the Company's share capital.

Under the agreement, when the merger transaction is concluded, the Merged Company shall have a cash balance of about at least about 4 million USD (16.06 million ILS), which shall be transferred to Safe-T by the Investment Group and/or an agent acting on its behalf, until such time as the transaction is concluded. In exchange, the Investment Group and the public shall receive shares worth about 35% of the Merged Company's total fully-diluted share capital.

Moreover, it has been determined that the investors shall receive options (hereinafter: "Options for the Investment Group") constituting about 8.8% of the Merged Company's fully-diluted issued and paid-up share capital, which may be exercised within up to 36 months. The options' exercise price is determined by dividing the value of the Merged Company – 13 million USD – by the number of shares in the fully-diluted share capital after the merger is finalized, through a cash-less exercise mechanism (hereinafter: "Cash-Less"). As of the Second Amendment, the value of the Options for the Investment Group is estimated at 1,398K USD (see also in Note 4).

The second amendment to the agreement stipulates that Safe-T's existing shareholders will receive additional shares (hereinafter: "Milestone Shares"), without any consideration, in the Merged Company. These shares constitute about 5.8% and about 6.6% of the Merged Company's fully-diluted share capital. This is conditional on the Company attaining sales targets during the 12 and 18-month period, respectively, following the date the merger was finalized. If Safe-T does not meet the sales targets during the said period, but does meet them during the subsequent 12-month period, Safe-T's existing shareholders will be eligible to receive additional shares in the Merged Company, constituting about 5.12% of the Merged Company's fully-diluted share capital.

Safe-T agreed that after the merger is finalized, the Merged Company shall not publish a prospectus for the issuance of Company securities to the public for a period of three and a half years. Instead, it will raise capital solely through private issues, unless the Investment Group had agreed to a public offering ahead of time, or if certain terms tied to the Merged Company's cash position balance or to the share price of the Merged Company, at which it will be traded at the Tel Aviv Stock Exchange, are met.

The Second Amendment also stated that beginning on the date the merger is finalized, the Investment Group will regularly provide support and consulting services for the Company on how to operate in the capital market, and how to operate a public company, in exchange for conditions specified in the Second Amendment.

On January 11, 2016, additional loans worth about 250K USD were received from the Investment Group (hereinafter: “Additional Loan I”).

On February 4, 2016, the Third Amendment to the Fidelity Agreement was signed (hereinafter: “the Third Amendment”). According to the Third Amendment, when the merger is finalized, the Merged Company will have a cash balance of about 4 million USD (16.06 million USD). Moreover, the Investment Group agreed that inasmuch as the merger is not concluded by the 31st of March, 2016, they will provide additional loans of about 250K USD.

It has been further determined that immediately after the merger agreement is concluded, the holdings of the Investment Group and anyone acting on their behalf, along with public holdings in the Merged Company, shall constitute about 33% of the fully-diluted share capital, as compared to the 35% share stated in the Second Amendment. Furthermore, the Third Amendment stated that Investment Group’s options and Milestone Shares which were provided by virtue of the Second Amendment will be cancelled and shall be invalid.

On February 24, 2016, additional loans worth about 250K USD were received from the Investment Group (hereinafter: “Additional Loan II”).
Between April and June of 2016, additional loans in the amount of about 370K USD were provided by the Investment Group, in accordance with the provisions of the third amendment (hereinafter: “Additional Loan 3”).

Note 6 – the merger transaction (continued):

B. Signing the merger agreement

On March 31, 2016, a merger agreement was signed between Safe-T and Company Marging Purpose Ltd. (hereinafter: "the Company), and Safe-T's shareholders (hereinafter jointly referred to as "the Parties"). This agreement stated that Safe-T shareholders will sell Corporate Marging all of their holdings through a stock swap, so that once the deal is concluded, the Company will control 100% of Safe-T's fully-diluted share capital, which, together, will meet the definition of the Merged Company. The Merged Company shall allocate ordinary shares in the Merged Company to Safe-T shareholders, which will constitute 67% of the Merged Company's fully-diluted capital before the change in capital caused by the exercise of the said warrants for raising capital. See below.

To finalize the deal, the Company will raise at least 17 million NIS, less the amounts jointly agreed to by the Parties, which, cumulatively, shall not exceed about 100,000 USD (hereinafter: "the Bar"). If the raised funds are greater or less than the Bar, an adjustment to the Merged Company shares shall be conducted such that for each amount of 1 million ILS raised, which exceeds the Bar, the shares allocated to Company shareholders shall be decreased at the rate of 1.3% of the Company's fully-diluted share capital, and for each sum of 1 million ILS below the Bar, the shares allocated to Company shareholders shall be increased by 1.3% of the fully-diluted Merged Company share capital ("hereinafter: "Replacement Ratio Adjustment Mechanism"). If the amount raised is less than 13 million ILS, the board of directors of Company Marging shall have the authority to cancel the agreement.

Upon completion of the merger transaction, options allocated by Safe-T until that time, which had not expired or had not been exercised until that time, shall be converted to (non-marketable) options in the Merged Company, which may be exercised into ordinary Merged Company shares, such that each option may be exercised as one ordinary Merged Company share.

The following are the terms Safe-T option holders shall receive when the merger agreement is concluded:

1) Option quantity: Safe-T option holders shall each receive a number of Merged Company options equal to the product of (A) the number of Safe-T options held immediately preceding the time the deal was finalized; and (B) the ratio between (1) the product of (a) the number of shares of Safe-T's fully-diluted issued and paid-up capital (not including the number of shares stemming from the exercise of the warrants tied to raising capital, see below), immediately preceding the finalization of the agreement, and (b) the ratio between the quantity of the Merged Company's fully-diluted capital shares held by Safe-T shareholders after the completion of the merger (not including the number of shares stemming from the exercise of the warrants tied to raising capital, see below) and the quantity of the Merged Company's fully-diluted capital shares not held by Safe-T shareholders after the completion of the merger (not including the number of shares stemming from the exercise of the warrants tied to raising capital, see below) - the numerator; and (2) the number of fully-diluted Company shares immediately following the finalization of the deal - the denominator.

2) The exercise price of the options - holders of Safe-T options shall receive the amount produced by multiplying the (a) exercise amount of Safe-T options given to the relevant holder, as at the time this agreement is signed, by (b) the ratio between the number of Safe-T options given to the relevant holder, which, at the time the merger occurred, did not expire or were not exercised (numerator), and the number of Merged Company options allocated to the relevant holder pursuant to the deal (denominator).

Note 6 – the merger transaction (continued):

3) The exercise period for the options for those holding Safe-T options shall be equal to the exercise period of Safe-T options they held (each option holder will enjoy the grant terms that were concluded with him/her).

Capital will be raised through two offerings:

1) Offer of rights: up to 1,447,360 ordinary Merged Company shares will be issued and offered to the Company's existing shareholders when the offering occurs, for a minimum price of 100 agorot (1 ILS) per share, and

2) Public Offering – 31,797 units will be offered to the public. These units include (cumulatively): (a) 3,179,700 ordinary Merged Company shares, at a minimum price of 500 agorot (5 ILS) per share, (b) 1,271,880 warrants (series 1) that may be converted into 1,271,880 ordinary Merged Company shares, and (c) tradable Merged Company warrants (series 2), which may be exercised into 1,271,880 ordinary Merged Company shares (such that each unit will include 100 ordinary Merged Company shares, 40 (series 1) warrants, and 40 (series 2) warrants).

   The exercise terms for the warrants are as follows:

   a. Series 1 Warrants: 1,271,880 options that may be exercised into 1,271,880 ordinary Merged Company shares, in exchange for the payment of an exercise price of 625 agorot. The exercise period for this series shall begin when the public offer is made, and shall conclude eight (8) months after the public offer.

   b. Series 2 Warrants: 1,271,880 options that may be exercised into 1,271,880 ordinary Merged Company shares, in exchange for the payment of an exercise price of 750 agorot. The exercise period for this series shall begin when the public offering is made, and shall conclude ten (10) months after the public offering.

During the period between the signing of the merger agreement and the time the merger is concluded (hereinafter: "the Interim Period"), the Investment Group shall grant loans to the Company in the total amount of up to 400K ILS (hereinafter: "Interim Loans"). These loans do not bear interest or linkage charges. The loan amount will be repaid when the merger is concluded, based on the amount actually received. The two Parties to this agreement also agreed that the Company shall bear all of the costs associated with raising capital, and shall pay those expenses by the time the deal is finalized, out of the funds in the Interim Loans.

Immediately before the merger is concluded, the Company shall repay all of the loans to the Investment Group in the following manner:

1) A total of about 1,056K USD for issuance-financing loans.
2) A total of about 752K USD for additional loans.
3) A total of about 250K USD for additional loans received when the merger agreement is signed.
4) A total of about 250K USD which will be available to the Company until the time of the merger, based on what it chose.

C. Issues and the conclusion of the merger

Before the merger transaction was complete, the Company had finished raising the following sums:

1) On June 7, the Company completed the Offer of Rights through the allocation of 1,445,827 shares, at the price of 1 ILS per share, for a total consideration of 379K USD. This issue was not dependent on the funds the Company had planned to raise from the public, and did not

Note 6 – the merger transaction (continued)

constitute a prerequisite for the completion of the merger transaction.

2) On June 8, a public offering was issued through a package issue, in which offers to purchase 32,307 units of 3,230,700 shares, 1,292,280 Series A warrants and 1,292,280 Series B warrants were received, for a total sum of 4,173K USD. The issue expenses for this public offering amounted to 101K USD. This issue was a prerequisite for the completion of the merger transaction.

3) The terms for the issued warrants were as follows: every Series A warrant could be exercised into one share, at 6.25 ILS per share, until January 9, 2017. Every Series B warrant could be exercised into one share, at 7.50 ILS per share, until January 9, 2017.

On June 15, all of the terms for the merger transaction were met, and the transaction was concluded. Details on the conclusion of the transaction may be found in Note 1-C. Immediately following that time, the Company repaid all of the loans specified above, amounting to about 2,178K USD.

D. **Accounting for loans earmarked for financing issuance, and other loans**

1) Loans to finance the issue and the associated options for the Investment Group –

a. Before the Merger Transaction was concluded, loans for financing the issue were accounted for as financial liabilities, as provided in IAS 39, which were earmarked for fair value through profit or loss at initial recognition.
Even after the amendments to the loan agreements described above, made in the framework of the Second and Third Amendments, the total deferred initial loss due to issue-financing loans of about 2,259K USD is greater than the value of the financial liabilities, and accordingly, no change occurred in the book value of the issue financing loans during the period.

b. Until the time the Merger Transaction was concluded, the Group possessed viewable market information, and accordingly, an initial deferred loss was recognized under the net financing expenses (income), in the amount of about 1,056K USD, at the amount of the cash payment that was expected to be paid to the lenders at that time. After the Merger Agreement was concluded, these loans were fully repaid, as stated above.

2) Additional Loan I and accompanying options for the Investment Group

Before the Merger Transaction specified above was concluded, and pursuant to the Second Amendment, the Additional Loan included a financial liability component for the repayment of the loan and a component concerning the options for the Investment Group.

Note 6 – the merger transaction (continued):

The liability concerning the Company's commitment to repaying Additional Loan was accounted for as a financial liability, as per IAS 39, and was first recognized by subtracting the fair value of the liability for options for the Investors, an amount equal to 193K USD (which constitutes the corresponding part of the total value of the Options for the Investment Group, as specified above) from the amount of cash received.
After first recognition, the loan liability is measured at a depreciated cost, using the effective interest method. The liability was classified as a current liability, since the Group expected to settle the liability during a period of less than 12 months from the end of the reporting period.

Once the options to investors were cancelled, as per the Third Amendment, the Options for the Investment Group were cancelled, and the Company recognized financing income totalling about 193,000 USD. After the Merger Agreement was concluded, this loan was fully repaid, as stated above.

3) Additional Loans 2 and 3 -

Before the completion of the Merger Transaction and as specified above was concluded, the loans were accounted for as a financial liability, pursuant to IAS 39. They had been classified as a current liability, since the Group expected to settle the liability within a period of less than 12 months from the end of the reporting period. After the Merger Agreement was concluded, these loans were fully repaid, as stated above.

4) Loan from a potential investor–

Before the completion of the Merger Transaction and as specified above was concluded, the change in the terms of the loan from the potential investor did not have any effect on the profit and loss statement for Q1 2016. Accordingly, the loan was accounted for as a financial liability, pursuant to IAS 39, which had been classified as a current liability, since the Group expected to settle the liability within a period of less than 12 months from the end of the reporting period. After the Merger Agreement was concluded, this loan was fully repaid, as stated above.

E. Accounting for options for Safe-T employees and warrants following the public offering

1) Options for Safe-T employees -
When the Merger Transaction was concluded, the options were converted into options for Safe-T employees, as described above. The Adjustment Mechanism determined for the Merger Transaction does not meet the definition of a change in terms and conditions, as defined in IFRS, and as such, it was not recognized as an additional expense for the supplemental value.

2) Series A warrants and Series B warrants (hereinafter: "the Warrants") -
Warrants constitute a derivative financial instrument. At the time of the public offering, these were accounted for as a financial liability, pursuant to IAS 39, and were recognized at fair value, as at the issue date, in the amount of 14K USD. At the time of initial recognition, this amount was subtracteed from the consideration for the public offering. After initial recognition, the liability for the warrants is measured at fair value through profit or loss, and is reflected under net financing expenses (income).

Note 7 - Share-based payment

Grants to employees, position holders and consultants

A. On January 18, 2016, exercise money for the exercise of options granted to Safe-T's CEO in June 2015, concerning the three shares that were dependent on the price of the Public Offering, which never occurred, was set at .15 USD per share. Safe-T considered the determination of exercise monies a change in terms, as defined in IFRS 2, and consequently, they were recognized as an additional expense for the incremental value, as reflected in the valuation of the options.

The theoretical economic value of the incremental fair value at the grant date, calculated using the binomial model, is about 29K USD. This value is based on the following assumptions: expected standard deviation of 59.22%, risk-free interest of 2.9%, lifetime of 9.4 years until the exercise date, and an early exercise coefficient of 2.5. The volatility is based on data from software companies for periods equivalent to the expected lifetime of an option until it is exercised.

B. On January 18, 2016, Safe-T's board of directors approved the allocation of 1,178,000 options to employees at an exercise price of 0.15 USD. They will be eligible to exercise their options at the end of the vesting period, in accordance with the terms specified in the grant agreements (after the merger, the warrants specified above were converted into 443,460 Company options, at an exercise price of 0.3985 USD).

The theoretical economic value of the granted options, calculated using the binomial model, is about 1,002,000 USD. This value is based on the following assumptions: expected standard deviation of 59.22%, risk-free interest of 3.08%, a lifetime of 10 years until the exercise date, and an early exercise coefficient of 2.5. The volatility is based on data from software companies for periods equivalent to the expected lifetime of an option until it is exercised.

C. On August 28, 2016, the Company's and the Company's board of director's compensation committee finished granting board of 779,296 options to company employees and consultants, at an exercise price amounting to the closing price of a Company share during the 30 trade days preceding the decision. Of these options, 649,920 were granted in accordance with Paragraph 102 of the Income Tax Ordinance (new text) in the capital gains track with a trustee, and the remainder were granted according to other tax tracks.

The theoretical economic value of the granted options, calculated using the binomial model, is about 607K USD. This value is based on the following assumptions: expected standard deviation of 59.22%, risk-free interest of 1.62%, a lifetime of 10 years until the exercise date, and an early exercise coefficient of 2.5. The volatility is based on data from software companies for periods equivalent to the expected lifetime of an option until it is exercised.

Moreover, the Company's board of directors granted 50,000 to a consultant, at an exercise price of 6.50 ILS per share. The total benefit provided under this grant amounts to about 26K USD.

D. On September 15, 2016, the Company's and the Company's board of director's compensation committee finished granting board of 171,408 options to the Company CEO, the a Company director, and to a Company employee who is related to the Chair of the Board of Directors, at an exercise price amounting to the closing price of a Company share during the 30 trade days preceding the decision. Of these options, 160,080 were granted in accordance with Paragraph 102 of the Income Tax Ordinance (new text) in the capital gains track with a trustee, and the remainder were granted according to other tax tracks. These grants were approved at the Shareholder's meeting that took plaec on November 3, 2016 (see also Note 11-A).

The theoretical economic value of the granted options, calculated using the binomial model, is about 102K USD. This value is based on the following assumptions: expected standard deviation of 59.22%, risk-free interest of 1.99%, a lifetime of 10 years until the exercise date, and an early exercise coefficient of 2.5. The volatility is based on data from software companies for periods equivalent to the expected lifetime of an option until it is exercised.

Note 8 - Liabilities on account of royalties paid to the Chief Scientist Office

On February 24, 2015, the Economy Ministry's research committee decided to approve the Chief Scientist Plan submitted by Safe-T. The total R&D expenses approved for the term of the program, between November 1, 2014 and October 31, 2015, are about 490K USD (1,892K ILS). The grant is for 50%, i.e. up to an amount of about 245K USD (946K ILS). In accordance with the terms of the program, royalties will be paid at the rate of 3-3.5% of the sales proceeds of products that the Chief Scientist Office had participated in developing.

Safe-T completed the program on October 31, 2015, and submitted a final report to the Chief Scientist Office, which the Chief Scientist Office approved. As at September 30, 2016, total grants received are in the amount of about 147K USD. The Company paid royalties in the amount of 30K USD, and the liability to the Chief Scientist Office is about 120K USD.

Note 9 - Capital:

A. Composition of share capital:

	Number of shares	
	Listed	Issued and paid up
	September 30, 2016	
Ordinary shares with no par value	1,000,000,000	13,669,363

	Number of shares			
	Listed	Issued and paid up	Listed	Issued and paid up
	September 30, 2015		December 31, 2015	
Ordinary shares at a par value of 0.001 ILS	100,000,000	22,915,980	100,000,000	22,915,980

B. On March 22, 2016, Safe-T's board of directors decided to cancel 300.000 ordinary shares held by Safe-T itself (self-held shares). The cancellation of self-held Safe-T shares did not have an impact on the Safe-T's listed capital.

C. For more on the Merger Transaction and related activities, see Note 6.

D. During that quarter, an employee exercised 4,235 Company warrants.

Note 10 - Losses per share:

The basic diluted loss per share is calculated by dividing the loss associated with the owners of the Company by the weighted average of the number of ordinary issued shares, except for ordinary shares purchased by the companies in the Group, and held as treasury shares.

	For the six-month period ended September 30		For the three-month period ended September 30		For the year ended December 31,
	2016	2015	2016	2015	2015
	Thousands of dollars		Thousands of dollars		Thousands of dollars
Losses associated with Company owners	(7,379)	(15,904)	(1,970)	(1,302)	18,198
Excess return for owners of preferred shares following conversion to ordinary shares	-	(11,045)	-	-	11,045
	(7,379)	(26,949)	(1,970)	(1,302)	29,243
Weighted average of the number of ordinary issued shares	10,603	15,730	13,668	22,916	17,546
Basic and diluted losses per share (in USD)	(0.70)	(1.71)	(0.14)	(0.06)	1.67

To calculate the loss per share, the weighted average of the price of Safe-T shares until the time the merger transaction was completed was multiplied by the replacement ratio determined for the transaction, as described in Note 1-D.

The number of shares used in the calculation, starting at the time of the transaction, is the weighted average of the Company’s shares. For more information on the agreement concluded in June of 2016 between Safe-T shareholders and the Company, see Note 6.

Note 11 - events following the end of the reporting period

A. On November 3, 2016, the grant described in Note 7-D was approved at the Company's shareholder's meeting.

B. On November 21, 2016, the Company's board of directors approved an agreement for a private placement. According to the agrement, the Company will allocated 1,414,434 packages of 1 share and 1 warrant at a price of 4.25 ILS per package, such that the consideration received by the Company will be about 6.01M ILS.

   Under this agreement, shares allocated under the private placement will be protected from dilution for the period of one year from the time the investment is concluded, in case the Company raises additional capital at a lower price than the package price. This protection will be executed by allocating additional shares, based on the calculation of the number of shares these investors would be entitled to if the allocation of their shares had been at the dilutive allocation price. In any case, the price will be no less than 3 ILS per share. The Company will bear the cost of fundraising fees, as part of this transaction.

   Moreover, the agreement stipulated that warrants granted to investors will be at the exercise price of 7.5 ILS per share, and will expire on November 9, 2017.
   The target date for completing the investment was set for November 30, 2016, though the Company has the right to postpone this date to December 15, 2016, if it does not acquire all of the regulatory approvals necessary for completing the transaction by the target date.

   On November 23, 2016, the Company's board of directors approved an additional private placement in the amount of 78,236 packages, for a consideration of about 332K ILS.