ADCORE INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019

ADCORE INC.

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The amounts are stated in thousand US dollars

INDEPENDENT AUDITORS' STATEMENT

TO THE SHAREHOLDERS OF

ADCORE INC.

We have audited the consolidated financial statements of Adcore Inc. (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019 and December 31, 2018, 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).

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 Corporation 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.

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 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 International Financial Reporting 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Corporation 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.

The engagement partner on the audit resulting in this independent auditor's report is Tomer Fromovich.

Tel-Aviv, Israel,
April 5, 2020

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2019	December 31, 2018
CURRENT ASSETS:			
Cash and cash equivalents		3,710	990
Marketable securities		-	511
Trade accounts receivable, net	2	2,101	1,437
Other accounts receivable		204	232
Total current assets		6,015	3,170
NON-CURRENT ASSETS:			
Property, plant and equipment, net	4	269	129
Intangible assets, net	5	1,472	1,093
Total non-current assets		1,741	1,222
Total Assets		7,756	4,392

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	December 31, 2019	December 31, 2018
CURRENT LIABILITIES:			
Trade accounts payable		540	380
Other accounts payable	6	1,107	2,916
Lease liability		197	-
Total current Liabilities		1,844	3,296
NON-CURRENT LIABILITIES:			
Accrued severance pay, net		36	70
Deferred tax liability, net		170	111
Derivative liability - warrants		124	-
Total non-current Liabilities		330	181
SHAREHOLDERS' EQUITY:	7		
Share capital		*	*
Additional paid in capital		4,128	785
Actuarial reserve		(95)	(101)
Retained earnings		1,549	231
Total Shareholders' Equity		5,582	915
Total Liabilities And Shareholders' Equity		7,756	4,392

* Less than 1 thousand dollars.

"Omri Brill" "Roy Nevo"

Omri Brill	Roy Nevo
Director	Director

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands)

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Revenues	9	11,301	8,570
Cost of revenues	10	4,008	3,797
Gross profit		7,293	4,773
Research and development expenses		590	416
Selling, general and administrative expenses	11	3,243	2,264
Listing Expenses		1,541	-
Operating profit		1,919	2,093
Financial expenses	12	369	261
Financial income		124	7
Profit before taxes on income		1,674	1,839
Taxes on income	13	356	159
Net Profit		**1,318**	**1,680**
Other comprehensive expense :			
Item that will not be reclassified to profit or loss:			
Total actuarial (income) loss on defined benefit pension schemes		(6)	35
Total other comprehensive income		(6)	35
Total comprehensive income for the year		**1,324**	**1,645**
Basic profit per share attributable to shareholders (*)		0.03	0.04
Diluted profit per share attributable to shareholders (*)		0.03	0.04
Weighted average number of ordinary shares		49,366,023	40,482,552
Weighted average number of dilutive ordinary shares		51,474,197	40,482,552

(*) After giving effect to the Share split.

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollar in thousands)

	Number of Shares	Share capital	Additional paid in capital	Actuarial reserve	Retained earnings	Total Shareholders' equity
Balance at December 31, 2017 as previously stated	*	*	187	(66)	1,351	1,472
Changes in accounting policy-IFRS 9 Financial Instruments	-	-	-	-	(132)	(132)
Balance at January 1, 2018 as restated	*	*	187	(66)	1,219	1,340
Changes during the year:						
Share-based compensation	-	-	598	-	-	598
Dividend	-	-	-	-	(2,668)	(2,668)
Total comprehensive income	-	-	-	(35)	1,680	1,645
Balance at December 31, 2018	40,482,552	*	785	(101)	231	915
Changes during the year:						
Reverse take over	5,000,001	-	1,701	-	-	1,701
Issuance of shares, net	5,117,000	-	1,475	-	-	1,475
Share-based compensation	-	-	167	-	-	167
Exercise of option	4,756,700	*	-	-	-	*
Total comprehensive income	-	-	-	6	1,318	1,324
Balance at December 31, 2019	55,356,253	*	4,128	(95)	1,549	5,582

* Represent an amount lower than 1 thousand.

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	1,318	1,680
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	304	207
Change in value of marketable securities	(51)	(18)
Listing expenses	868	-
Share-based compensation	167	598
Revaluation of derivative warrants	(56)	-
Increase in trade receivables, net	(655)	(823)
Decrease in other receivables	(229)	(183)
Increase in trade payables	66	(467)
Decrease in other payables	1,265	28
Decrease in accrued severance pay, net	(28)	(12)
Increase in deferred tax, net	59	31
Net cash provided by operating activities	3,028	1,041
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(85)	(37)
Capitalized development cost	(570)	(554)
Sale of marketable securities	562	116
Net cash used in investing activities	(93)	(475)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares and warrants, net	1,903	-
Dividend paid	(2,894)	(455)
Payments and interest of lease liabilities	(161)	-
Reverse Take Over (Appendix C)	937	-
Net cash used in financing activities	(215)	(455)
Increase in cash and cash equivalents	2,720	111
Cash and cash equivalents at beginning of the year	990	879
Cash and cash equivalents at the end of the year	3,710	990

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

ADCORE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollar in thousands)

APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	Year ended December 31, 2019	Year ended December 31, 2018
Tax	230	191
Interest on lease liabilities	7	-

APPENDIX B - NON-CASH ACTIVITIES:

	Year ended December 31, 2019	Year ended December 31, 2018
Dividend declared	-	2,401

APPENDIX C - REVERSE TAKE OVER:

	As of May 27, 2019
Working capital other than cash	104
Issuance of shares upon RTO (Note 1)	1,701
Issuance cost	(868)
Cash received	937

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

NOTE 1 - GENERAL:

Adcore Inc. (the “Corporation” or “Adcore”), a reporting issuer listed on the TSX Venture Exchange trading under the symbol ADCO.V, is the parent company of Podium Advertising Technologies Ltd. (the “Company”). The Company 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”).

On March 12, 2019 the Company entered into a binding engagement agreement (the “LOI”) with County Capital One Ltd. (“County”), pursuant to which County agreed to acquire all of the issued and outstanding shares in the capital of the Company (the “Transaction” or “RTO”).

For accounting purposes, the Company is considered the accounting acquirer and County is considered the acquired company. Since County’s operations did constitute a business, the acquisition of County is not a business combination pursuant to IFRS 3 and the Transaction is accounted for as a reverse takeover of the County. The reverse takeover will be accounted for under IFRS 2 Share-based Payments. Accordingly, the reverse takeover will be accounted for under IFRS 2 *Share-based Payments*. Accordingly, the acquisition of County is accounted at the fair value of the equity instruments that Company would have to issue to the owners of County to effect the transaction. The difference between the net assets acquired and the fair value of the consideration granted will be treated as a listing expense.

Immediately prior to completion of the Transaction, County consolidated its shares on a 4.57 for 1 basis (the “Consolidation”) and the Company split its shares on a 4048.26 for 1 basis (the “Split”). Following the completion of the Consolidation and the Split, County issued common shares, options and warrants for every Company common share, option or warrant exchanging all of the Company common shares, options and warrants using an exchange ratio of 1 to 1 (the "Exchange Ratio").

On April 18, 2019, the Company, the shareholder of the Company, and County entered into a securities exchange agreement (the “Definitive Agreement”). The Definitive Agreement provided for the acquisition of all of the outstanding equity interests of the Company by County in a transaction in which the security holders of the Company received securities of County. As a result, County became the sole registered and beneficial owner of all of the outstanding securities of the Company, and the Company became a wholly-owned subsidiary of County.

Pursuant to the Definitive Agreement, among other things: (a) County consolidated its common shares on a 4.5738:1 basis (the “Consolidation”); (b) the Company subdivided its ordinary shares, par NIS 0.01 on a 1:4,048.2552 basis, into ordinary shares having a par value of NIS 0.0000024702 (the “Company Split”); (c) County acquired all issued and outstanding ordinary shares of the Company (on a post-Company Split basis) in consideration for the issuance of one County common share (on a post-Consolidation basis) for each ordinary share of the Company and all outstanding securities convertible into ordinary shares of the Company

NOTE 1 - GENERAL (CONT.):

were exchanged for an equal number of securities convertible into common shares of County of like tenor and effect (the “Securities Exchange”); and (e) County changed its name to “Adcore Inc.”

On May 17, 2019, County announced that it has received conditional approval from the TSX Venture Exchange for the Transaction.

On May 27, 2019, County announced that it had completed its previously announced acquisition of all of the issued and outstanding securities of the Company as County’s "Qualifying Transaction". Concurrently with the closing of the Transaction, the Company also closed its previously announced brokered private placement of subscription receipts at CAD 0.50 per subscription receipt for gross proceeds of CAD 2,558,500 (approximately 1.9 Million).

On May 29, 2019, County began trading on the TSX Venture Exchange under the new name “Adcore Inc.” with the trading symbol: ADCO.V

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 marketable securities, actuarial assessment and share based compensation. The Company 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.

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.

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

New IFRSs adopted in the period

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero.

The following table present a summary of the impact on the interim statement of financial position as of January 1, 2019, assuming that the previous accounting policy of the Company for leases would have continued in that period.

The impact on the interim statement of financial position as of January 1, 2019:

	December 31, 2018 As originally Presented	IFRS 16	January 1, 2019
Non-current assets:			
Property, plant and equipment	129	358	487
Current liability:			
Lease liability	-	(181)	(181)
Non-current liability:			
Lease liability	-	(177)	(177)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New IFRSs adopted in the period (cont.)

IFRS 16 Leases (cont.)

The Company recognized the right-of-use assets based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liability were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. As part of initial application, there was no impact on retained earnings on January 1, 2019.

Following the implementation date, the Company sub-leases part of the property to a third party under the same terms as the original lease, the calculation was performed using a back-to-back approach. Total Operating lease asset on January 01, 2019 will be $ 191.

The following is a reconciliation of the Company's liability in respect of operating leases disclosed in the financial statements as of December 31, 2018, discounted at the incremental interest rate on the initial implementation date and lease commitments recognized on January 1, 2019:

	$ in thousands
Operating lease commitments as of December 31, 2018	367
Weighted average incremental borrowing rate as of January 1, 2019	2.5%
Discounted operating lease commitments	358
Lease liability as of January 1, 2019	358

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Cash and cash equivalents

Cash equivalents are considered by the Company 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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or

B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When there are no quoted prices in active markets for identical assets or liabilities, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Classification of financial instruments by fair value hierarchy

Assets and liabilities measured in the statements of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

Items carried at fair value as of December 31, 2019 and 2018 are classified in the table below:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
	December 31, 2019			
Warrants	-	-	(124)	(124)

The warrants were valued based on the Black Scholes model, when adjusted for dilution. The main parameters used in the process are the expected volatility of 65%, the risk-free rate of 1.7% and expected term range between 0.8 and 1.4 years.

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
	December 31, 2018			
Marketable securities	511	-	-	511

Financial instruments

1. Financial assets

   The Company 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 Company'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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

1. Financial assets (cont.)

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

   Fair value through profit or loss: The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

   Other financial liabilities include the following items: Bank borrowings 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. 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.

3. De-recognition

   - Financial assets - The Company 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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company's assessed its financial assets that are subject to the expected credit 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 Company aims to secure certain financial guarantees prior to entering into business relationship with its customers. To this end, the Company developed a three-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 week ("Payment option 1").
2. Receivables which pays post-paid with a standard billing cycle of up-to one month ("Payment option 2").
3. Receivables which pays post-paid with a long billing cycle of over one month ("Payment option 3").

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

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 Company 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 Company 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 Company's management, the CEO will typically make direct contact with the customer's management and inform them of the overdue obligation and the Company will pursue remedies available to collect the overdue payment. If the customer and the Company 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 Company will retain legal counsel in the applicable country to assist with collection and sends a demand letter to that effect.

Write-off policy

The Company 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.

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

Aging Schedule based on due date

	Within payment terms	0-30 days over payment terms	90+ days over payment terms	Total
Aging Schedule 31.12.2019	2,037	31	71	2,139
Aging Schedule 31.12.2018	1,259	39	245	1,543

Provision for doubtful debts

The Company recognized a provision for doubtful accounts in the amount of \$38 and \$106 on December 31, 2019 and 2018, respectively.

Accounts receivable by region, type of services

	As at December 31, 2019	As at December 31, 2018
Direct		
North America	64	253
APAC	157	18
EMEA	246	206
Indirect		
North America	1,633	970
Australia	4	58
EMEA	35	38
Total	**2,139**	**1,543**

Three-level matrix

	31.12.2019	31.12.2018
Payment option 1	628	302
Payment option 2	107	54
Payment option 3	1,404	1,187
Total	**2,139**	**1,543**

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.

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Financial instruments (cont.)

4. Impairment of financial assets (cont.)

On that basis the Company estimated the following provision matrix:

Three-level provision matrix

	Default rate	31.12.2019	ECL	Default rate	31.12.2018	ECL
Payment option 1	0.6%	628	4	4%	302	12
Payment option 2	1%	107	1	4%	54	3
Payment option 3	2%	1,404	33	7.7%	1,187	91
Total		**2,139**	**38**		**1,543**	**106**

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

	Payment option 1	Payment option 2	Payment option 3
Balance as of 31.12.2017	-	-	64
Adoption of IFRS 9	24	29	79
Changes in trade receivable during the period	(12)	(26)	72
Changes in estimation of ECL during the period (*)	-	-	(143)
Balance as of 31.12.2018	12	3	91
Changes in trade receivable during the period	-	-	(91)
Changes in estimation of ECL during the period (*)	(8)	(2)	33
Balance as of 31.12.2019	4	1	33

(*) The changes in the ECL estimation was derived mainly from the Company's reevaluation of its credit risk policy and the determination that was made based on reasonable and supportable information (i.e extended positive credit history from relevant customers in payment option 3, which were new in 2017), that a more lagging default criterion is more appropriate.

As of December 31, 2019 and December 31, 2018, ECL for trade and other account receivables were $38 and $106, respectively, and as such are not disclosed in the financial assets measurement categories in accordance with IFRS 9.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (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:

	%
Computers	33
Furniture and equipment	6-15
Electronic equipment	6-15

Impairment of non-financial assets

Impairment tests on goodwill and 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.

Research and development costs

Expenditure on research activities is recognized in profit or loss as incurred. Expenditure incurred on development activities including the Company'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 Company intend to complete the product so that it will be available for use or sale.
- The Company has the ability to use the product or sell it.
- The Company has the technical, financial and other resources to complete the development and to use or sell the product.
- The Company can demonstrate the probability that the product will generate future economic benefits.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Research and development costs (cont.)

- The Company is able to measure reliability 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 2019 and 2018 the Company capitalized development costs in the amounts of $570 and $555 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. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

New accounting pronouncements

Uncertain tax positions - IFRIC 23

In June 2017, the IASB published IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23") effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. On January 1, 2019, the corporation adopted IFRIC 23 on a modified retrospective basis. The adoption did not have a significant impact on the corporation's financial results.

Share based payments

The Company measures the share based listing expense 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 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) 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 Company'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 Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers. The Company 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.

The Company offers its technologies on a self-serve basis for indirect agency customers ("Indirect") or service on top of the technology basis for direct advertisers' customers ("Direct").

While a direct advertiser customer will utilize the Company's technologies for its own advertising campaigns, an indirect ad-agency customer will utilize the Company's technologies for its customers' advertising campaigns.

For a direct advertiser customer, revenues are recognized as the services rendered based on the media budget managed by the Company during the period. A determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as: (1) the Company bears credit risks related to the media buying; (2) the Company 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 Company 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 Company holds full responsibility towards its clients with regards to the campaigns management and fulfillment.

As for an indirect agency advertiser customer, such arrangements entitle the Company for fees related only to its software products. Revenues are recognized as the services rendered based on the customer's usage of the technology, i.e. the media budget processed through the Company's platform by the customer, during the period. For both direct and indirect customers payments are due on a recurrent basis at the end of the period.

The Company offers its own software products, the three ADCORE advertising platforms *(i.e., "Feeditor", "ADCORE Views", and "SEMDOC*[2]) to both direct and indirect customers.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition (cont.)

Since the three technological products complete one another by providing a unified comprehensive advertising solution, the vast majority of both types of customer agreements include all the three products together as a package.

The Company did not disclose the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as all contracts has an original expected duration of one year or less.

Employee benefits

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

The Company 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 Company 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 Company also operates for some employees an immaterial defined benefit plan in respect of severance pay pursuant to the Severance Pay Law.

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

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 Company's earnings and financial position are the recognition and amortization of development costs and the useful life of property and equipment and income tax.

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

Revenue and cost of revenues recognition

For revenue from direct advertiser customers, management's judgement is applied regarding the determination of whether the Company is a principal or agent to the transactions. In making, this judgement, management places significant weight on the fact: (1) Company bears credit risks related to the media buying, (2) the Company 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 Company 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 company holds full responsibility towards its clients with regards to the campaigns management and fulfillment.

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

Taxes on income

The company recognized tax- related assets and liabilities based on the company's current understanding of tax laws as applied to the company's circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current, deferred tax provisions and uncertain tax positions in the period in which such determination is made.

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.

Share based payments

The Company has a share based plan for its employees. The estimated fair value of share options is determined using the binomial model and Black Scholes model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates (see also Note 7D).

ADCORE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT, NET:

	Right of use	Computers	Furniture and equipment	Electronic equipment	Total
Cost:					
As of January 1, 2019	-	132	119	54	305
Additions	168	15	64	6	253
Disposals	-	-	-	-	-
As of December 31, 2019	168	147	183	60	558
Accumulated depreciation:					
As of January 1, 2019	-	107	36	33	176
Additions	84	13	9	7	113
Disposals	-	-	-	-	-
As of December 31, 2019	84	120	45	40	289
Net Book Value:					
As of December 31, 2019	84	27	138	20	269

	Computers	Furniture and equipment	Electronic equipment	Total
Cost:				
As of January 1, 2018	109	108	51	268
Additions	23	11	3	37
As of December 31, 2018	132	119	54	305
Accumulated depreciation:				
As of January 1, 2018	90	29	27	146
Additions	17	7	6	30
As of December 31, 2018	107	36	33	176
Net Book Value:				
As of December 31, 2018	25	83	21	129

(US Dollar in thousands)

NOTE 5 - INTANGIBLE ASSETS, NET:

	Software-Internally generated capitalized development costs
Cost:	
At January 1, 2018	783
Additions	554
At December 31, 2018	1,337
Additions	570
At December 31, 2019	1,907
Accumulated depreciation:	
At January 1, 2018	67
Additions	177
At December 31, 2018	244
Additions	191
At December 31, 2019	435
Net book value at December 31, 2019	**1,472**
Net book value at December 31, 2018	**1,093**

NOTE 6 - OTHER ACCOUNTS PAYABLE:

	December 31, 2019	December 31, 2018
Employees related liabilities	391	240
Institutions	335	672
Controlling shareholder	223	1,965
Other	158	39
	1,107	2,916

NOTE 7 – SHAREHOLDERS' EQUITY:

A. The common shares in the Corporation confer upon their holders the right to receive notice, to participate and vote in general meetings of the Corporation and the right to receive dividends, if and when declared.

B. In December 2018, the Company declared a dividend amounted 2,668.

C. The number of authorized common shares for the years ended December 31, 2019 and 2018 was an unlimited amount of common shares and 4,048,255,200 (After giving effect to the Share split), respectively.

D. Share based compensation:

1. On May 27, 2019, Albert Bentov, the Corporation's CTO exercised 4,756,700 options of Adcore Inc. to 4,756,700 ordinary shares of Adcore Inc.
2. On October 25, 2018 County granted 500,000 stock options at an exercise price of CAD$0.46 per share. These options were valued using the Black-Scholes option-pricing model using the following assumptions: expected life of 10 years, risk free rate of 1.50%, expected dividend yield of nil and expected volatility of 100%.
3. On May 16, 2019, County approved a share option plan (the "Plan"). Under the plan, the Corporation granted on May 29, 2019 1,950,000 options with a CAD$0.50 exercise price per share to its directors, officers, employees and consultants, the options will expire 4 years from issuance.

   The Corporation has applied a Black-Scholes option-pricing model to determine the fair value of options. The fair value of options was applied the Black Scholes model. Under the following inputs: Risk free rate: 1.52%, expected volatility: 66%, expected term: 4 years, expected dividend yield: 0%, p.a.
4. On July 4, 2019, the Corporation granted 250,000 options with a CAD$0.50 exercise price per share to one of its employees and to one of its consultants, the options will expire 4 years from issuance. The Corporation has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 1.39%, expected volatility: 66%, expected term: 4 years, expected dividend yield: 0%, p.a.
5. On September 2, 2019, the Corporation granted 208,333 options with a CAD$0.48 exercise price per share to one of its employees, the options will expire 4 years from issuance. The Corporation has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 1.39%, expected volatility: 66%, expected term: 4 years, expected dividend yield: 0%, p.a.

(US Dollar in thousands)

NOTE 7 – SHAREHOLDERS' EQUITY (CONT.):

D. Share based compensation (cont.):

The following table reflects the activity with respect to options of the Corporation for the year ended December 31, 2019 compared to the year ended December 31, 2018:

	Adcore Inc		Podium Advertising Technologies Ltd.	
	Year ended December 31, 2019		Year ended December 31, 2018	
	Number of options	Weighted average Exercise price	Number of options (*)	Weighted average Exercise price (*)
Outstanding at beginning of year	9,517,448	CAD 0.06	4,756,700	CAD 0.00
Conversion upon Transaction	(4,756,700)	CAD 0.00	-	-
Granted	2,958,333	CAD 0.49	4,760,748	CAD 0.12
Exercised	-	-	-	-
Forfeited and cancelled	(150,000)	CAD 0.50	-	-
Outstanding at end of year	7,569,081	CAD 0.26	9,517,448	CAD 0.06
Exercisable options	4,760,748	CAD 0.12	-	-

(*) After giving affect to the Share Split. The price translated from NIS to CAD.

During the years ended December 31, 2019 and 2018, the Corporation recorded expenses in the amount of $167 and $598 thousand, respectively.

E. Private Placement:

Immediately prior to the completion of the Transaction, the Company completed a private placement of subscription receipts (“Subscription Receipts”) at a price of CAD$ 0.50 per Subscription Receipt for gross proceeds of CAD$ 2,558,500 (approximately 1.9 million) (the “Private Placement”). Pursuant to the terms of a Subscription Receipt Agreement entered into upon closing of the Private Placement, each Subscription Receipt automatically converted into one unit of securities of the Company (a “Unit”) composed of one ordinary share (as constituted after giving effect to the Company Split) and one-half of one warrant (each whole such warrant, a “Warrant”) immediately before the Securities Exchange. Each whole such Warrant is exercisable into one ordinary share of the Company (as constituted on a post-Company Split basis) at a price of CAD$ 0.75 for a period of 24 months following issuance. WD Capital Markets Inc. was engaged as Agent on the Private Placement on a best-efforts basis (the “Agent”).

NOTE 7 – SHAREHOLDERS' EQUITY (CONT.):

E. Private Placement (cont.):

The Company paid the Agent a cash commission equal to 7% of the gross proceeds of the Private Placement and issued to the Agent warrants (“Broker Warrants”) entitling the Agent to acquire the number of Units that is equal to 7% of the number of Subscription Receipts sold under the Private Placement at $0.50 per Unit. Additionally, the Company and County agreed to pay a corporate finance fee of $25 to the Agent, and the Company paid the Agent’s reasonable expenses, including legal fees.

Pursuant to the Transaction, ordinary shares of the Company, Warrants, and Broker Warrants issued in connection with the Private Placement were exchanged for common shares of County (as constituted on a post-Consolidation basis), warrants and broker warrants of County, on a 1:1 basis.

NOTE 8 – REVERSE TAKE OVER:

Completion of the Qualifying Transaction with County

On March 12, 2019, the Company entered into a letter of intent with County, a capital pool company, for completing the Transaction that will result in a reverse take-over of County by the security holders of the Company. On April 18, 2019, the Company, the shareholder of the Company, and County entered into a securities exchange agreement, the Definitive Agreement. The Definitive Agreement provided for the acquisition of all of the outstanding equity interests of the Company by County in a transaction in which the security holders of the Company received securities of County. As a result, County became the sole registered and beneficial owner of all of the outstanding securities of the Company, and the Company became a wholly-owned subsidiary of County.

Pursuant to the Definitive Agreement, among other things: (a) County consolidated its common shares on a 4.5738:1 basis (the “Consolidation”); (b) the Company subdivided its ordinary shares, par NIS 0.01 on a 1:4,048.2552 basis, into ordinary shares having a par value of NIS 0.0000024702, the Company Split; (c) County acquired all issued and outstanding ordinary shares of the Company (on a post-Company Split basis) in consideration for the issuance of one County common share (on a post-Consolidation basis) for each ordinary share of the Company and all outstanding securities convertible into ordinary shares of the Company were exchanged for an equal number of securities convertible into common shares of County of like tenor and effect (the “Securities Exchange”); and (e) County changed its name to “Adcore Inc.”.

The Transaction constituted the “qualifying transaction” of County under Policy 2.4 – Capital Pool Companies of the TSX Venture Exchange (the “TSXV”). The company resulting from the Transaction has continued the business of the Company under the name “Adcore Inc.”, is a reporting issuer British Columbia, Alberta, and Ontario, and is listed on the TSXV as a Tier 1 technology issuer.

(US Dollar in thousands)

NOTE 8 – REVERSE TAKE OVER (CONT.):

Completion of the Qualifying Transaction with County (cont.)

Current shareholders of the Company acquired 40,482,552 post-Consolidation common shares of County at a deemed value of CAD$0.50 per share, representing 80% of the common shares of County (undiluted) as constituted upon completion of the Transaction and the Private Placement. The Transaction was accounted for as a reverse take-over.

The Transaction was approved by the shareholders of the Company and County, and the TSXV, and all other waivers or other conditions precedent contained in the Definitive Agreement, including completion of the Private Placement were satisfied.

The fair value of the consideration is as follows:

	27/05/2019
Fair value of common shares (22,869,000 shares at CAD$0.10 per share)	
Total fair value of consideration	1,701
Less: Net assets of County	(833)
Listing expense	868

For accounting purposes, the Company is considered the accounting acquirer and County is considered the acquired company. Since County's operations do not constitute a business, the acquisition of County is not a business combination pursuant to IFRS 3 and the transaction is accounted for as a reverse takeover of the publicly traded company. The reverse takeover will be accounted for under IFRS 2 Share-based Payments.
Accordingly, the acquisition of County is accounted at the fair value of the consideration transferred by the accounting acquirer, which is the fair value of the equity instruments of the Company would have had to issue to the owners of County to effect the transaction. The difference between the net assets acquired and the fair value of the consideration granted will be treated as a listing expense.

(US Dollar in thousands)

NOTE 9 - REVENUES:

A. Geographic Areas Information divided by revenue streams:

The following present the total revenues for the years ended December 31, 2019 and 2018:

	For the year ended December 31,	
	2019	2018
Direct		
North America	231	1,398
APAC	3,657	2,802
EMEA	1,681	1,714
Indirect		
North America	5,422	2,207
APAC	22	3
EMEA	288	446
Total	11,301	8,570

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

	Year ended December 31,	
	2019	2018
	%	%
Customer A	43%	31%
Customer B	25%	25%
Customer C	4%	13%
	72%	69%

NOTE 10 - COST OF REVENUES:

	Year ended December 31,	
	2019	2018
Media costs	3,108	3,242
Salary and related expenses	724	484
Others	176	71
Total	4,008	3,797

(US Dollar in thousands)

NOTE 11 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2019	Year ended December 31, 2018
Salary and related expenses	1,645	1,133
Marketing expenses	908	405
Professional services	229	14
Depreciation	202	30
Office supplies	178	102
Share-based compensation	137	598
Change in doubtful debts	(37)	(75)
Others	(19)	57
Total	3,243	2,264

NOTE 12 – FINANCIAL EXPENSES:

	Year ended December 31, 2019	Year ended December 31, 2018
Currency Translation differences	288	203
Bank fees and Credit cards	74	43
Others	7	15
Total	369	261

NOTE 13 - TAXES ON INCOME:

A. Tax rate applicable in Israel:

Israeli corporate tax rates are 23% in 2019 and 23% in 2018.

On December 2016, the Israeli government published the Economic Efficiency Law (2016) (legislative amendments to accomplish budget goals for the years 2017 and 2018) According to which, in 2017 the tax rate will decrease by 1% and starting 2018 by 2%; so that the tax rate will be 24% in 2017 and 23% in 2018 and onwards. Accordingly, the tax rate will be 24% in 2017 and 23% in 2018 and onwards.

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 Company is entitled for the benefit and therefor is subjected to a corporate tax rate of 12% commencing 2017.

(US Dollar in thousands)

NOTE 13 - TAXES ON INCOME (CONT.):

C. Tax reconciliation:

	2019	2018
Profit before tax	1,674	1,839
Corporate statutory tax rate	23%	23%
Theoretical tax charge at applicable corporate statutory rate	385	423
Effect of beneficial tax rate	(184)	(202)
Others	155	(62)
Income tax expenses	356	159

D. Provision for Taxes:

	Year ended December 31,	
	2019	2018
Current year tax	305	244
Deferred tax	59	31
Previous year tax	(8)	(116)
	356	159

E. Deferred tax liabilities:

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 Company's deferred tax liabilities resulting from temporary differences are as follows:

	December 31, 2019	December 31, 2018
Internally capitalized development costs	(165)	(129)
Accrued severance pay, net	(18)	8
Provision for vacation	13	10
Total deferred tax liabilities, net	(170)	(111)

(US Dollar in thousands)

NOTE 14 - 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 Company has transactions with key management personal.

The following transactions arose with related parties:

Transaction	Account name	Year ended December 31, 2019	Year ended December 31, 2018
Executive compensation and benefits	General and administrative expenses and Research and development	461	238
Share based compensation	General and administrative expenses and Research and development	16	-

Liabilities to related parties:

Transaction	Account name	Year ended December 31, 2019	Year ended December 31, 2018
Controlling shareholder	Other accounts payable	223	1,965

In January 2018, the Company signed a new management agreement with the Company's CEO according to the agreement and subject to successful completion of the Transaction until Q2 2019, the Corporation shall pay the CEO management fee of $28 on monthly basis.

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Company 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 Company's financial performance and position. The Company's financial instruments are its cash, marketable securities, trade and other receivables, payables, other payable. The Company 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 Company's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Company 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 Company 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.

(US Dollar in thousands)

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk (cont.):

The Company's main financial assets are cash and cash equivalents and trade accounts receivable as well as marketable securities and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Company holds cash with major financial institutions in EMEA.

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents	3,710	990
Marketable securities	-	511
Trade accounts receivable (indirect)	1,672	1,066
Trade accounts receivable (direct)	467	477
Total	5,849	3,044

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

Assets	December 31, 2019			
	NIS	CAD	AUD	Total
Cash and cash equivalents	64	1,439	444	1,947
Trade accounts receivable	175	37	68	280
	239	1,476	512	2,227

Liabilities	December 31, 2019			
	NIS	CAD	AUD	Total
Short term bank credit	59	-	-	59
Trade accounts payable	9	89	-	98
Other accounts payable	981	2	39	1,022
	1,049	91	39	1,179
Net	(810)	1,385	473	1,048

(US Dollar in thousands)

NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Currency risk (cont.):

Assets	December 31, 2018			
	NIS	EURO	AUD	Total
Cash and cash equivalents	108	17	310	435
Marketing securities	474	-	-	474
Trade accounts receivable	153	37	301	491
	735	54	611	1,400

Liabilities	December 31, 2018			
	NIS	EURO	AUD	Total
Short term bank credit	39	-	-	39
Trade accounts payable	345	-	-	345
Other accounts payable	2,904	-	-	2,904
	3,288	-	-	3,288
Net	(2,553)	54	611	(1,888)

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.

	2019	2018
Linked to NIS	810	2,553
	10%	10%
	81	255
Linked to EUR	-	54
	-	10%
	-	5
Linked to CAD	1,385	-
	10%	-
	139	-
Linked to AUD	473	611
	10%	10%
	47	61

(US Dollar in thousands)

NOTE 15 - 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 Corporation 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 Corporation's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to pay.

	December 31, 2019	December 31, 2018
Trade accounts payable	540	380
Other accounts payable	1,107	2,916
	1,647	3,296

Capital management

The Company considers its capital to be comprised of shareholders' equity. The Company'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 Company's capital requirements, the Company has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Company 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 Company's approach to capital management during the year ended December 31, 2018. There are no externally imposed restrictions on the Company's capital.

	2019	2018
Total liabilities	2,174	3,477
Less: cash and cash equivalents	3,710	990
Net debt	(1,536)	2,487
Less: dividend to pay	-	(2,401)
Adjusted net debt	(1,536)	86
Total equity	5,582	915
Adjusted net debt to equity ratio	(0.3)	0.1

NOTE 16 – SUBSEQUENT EEVNTS:

The 2019 Novel Coronavirus infection ('coronavirus') or 'COVID-19' pandemic poses a major public health threat. It has hindered the movement of people and goods worldwide, and many governments are instituting restrictions on both individuals and businesses. The resulting impact on financial reporting will be significant. Significant development and spread of the coronavirus did not take place until January 2020. At December 31, 2019, only certain events and associated actions had taken place, such as the Wuhan Municipal Health Committee's issue on December 30, 2019. Even though cases were reported to the World Health Organization (WHO) on December 31, 2019, it did not announce the coronavirus as a global health emergency until January 30, 2020, which prompted national governments around the world to begin putting actions in place to slow the spread of COVID-19. Furthermore, significant measures taken by the Chinese government and by private sector organizations did not take place until early 2020. On March 11, 2020, the WHO declared COVID-19 a global pandemic and suggested worldwide containment and mitigation measures. Due to the timing of these events, for calendar year-end companies, the effects of the coronavirus represent a subsequent event that is not expected to impact amounts recognized in the year-end financial statements (i.e., a non-recognized subsequent event). Accordingly, forecasts, projections, and associated assumptions used in preparing financial statements as of December 31, 2019 would reflect either little or no change solely as a result of the coronavirus outbreak.

As the Coronavirus pandemic continues to spread around the globe it could result in a significant negative impact on the Corporation's business operations, mainly due to an impact on its advertiser and advertising agency media budgets. Any disruptions in the Corporation's operations could negatively impact its business and results of operations.