

ADCORE INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2024

UNAUDITED

ADCORE INC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AS OF JUNE 30, 2024**

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ADCORE INC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION**

		June 30, 2024	December 31, 2023
	Note	US \$ in thousands	
CURRENT ASSETS:			
Cash and cash equivalents	4	5,347	6,106
Trade accounts receivable, net		3,122	4,616
Other accounts receivable		300	415
Total current assets		<u>8,769</u>	<u>11,137</u>
NON-CURRENT ASSETS:			
Property, plant and equipment, net		988	200
Intangible assets, net		2,983	3,091
Total non-current assets		<u>3,971</u>	<u>3,291</u>
TOTAL ASSETS		<u>12,740</u>	<u>14,428</u>
CURRENT LIABILITIES:			
Trade accounts payable		3,016	3,773
Other accounts payable		988	1,630
Lease liability	3	127	-
Total current liabilities		<u>4,131</u>	<u>5,403</u>
NON-CURRENT LIABILITIES:			
Accrued severance pay, net		7	8
Deferred tax liability, net		-	144
Lease liability	3	525	-
Total non-current liabilities		<u>532</u>	<u>152</u>
SHAREHOLDERS' EQUITY:			
Share capital	5	*	*
Additional paid in capital		10,934	10,905
Treasury shares		(724)	(701)
Actuarial reserve		(72)	(72)
Retained earnings (loss)		<u>(2,061)</u>	<u>(1,259)</u>
Total Equity		<u>8,077</u>	<u>8,873</u>
TOTAL LIABILITIES AND EQUITY		12,740	14,428

* Represents an amount lower than \$ 1 thousand.

<i>"Omri Brill"</i>	<i>"Roy Nevo"</i>	August 13, 2024
Omri Brill	Roy Nevo	Date of approval of the
Director	Director	financial statements

ADCORE INC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF COMPREHENSIVE INCOME**

		Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
	Note	Unaudited \$ in thousands			
Revenues	6	4,836	5,299	9,907	10,343
Cost of revenues		<u>2,699</u>	<u>3,028</u>	<u>5,476</u>	<u>6,044</u>
Gross profit		2,137	2,271	4,431	4,299
Research and development expenses		425	253	877	563
Selling ,general and administrative expenses		<u>2,285</u>	<u>2,329</u>	<u>2514,</u>	<u>4,228</u>
Operating profit (Loss)		(573)	(311)	(697)	(492)
Finance expenses		124	106	294	383
Finance income		<u>(23)</u>	<u>(15)</u>	<u>(45)</u>	<u>(33)</u>
Profit (Loss) before taxes on income		(674)	(402)	(946)	(842)
Tax expenses (income)		<u>(167)</u>	<u>4</u>	<u>(144)</u>	<u>14</u>
Total comprehensive Profit (Loss) for the period		<u>(507)</u>	<u>(406)</u>	<u>(802)</u>	<u>(856)</u>
Basic Profit (Loss) per share attributable to shareholders		(0.008)	(0.007)	(0.013)	(0.014)
Diluted Profit (Loss) per share attributable to shareholders		(0.008)	(0.007)	(0.013)	(0.014)
Weighted average number of ordinary shares		60,250,996	60,458,324	60,250,996	60,429,982
Weighted average number of dilutive ordinary shares		60,250,996	60,458,324	60,250,996	60,429,982

ADCORE INC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY**

For the six months period ended June 30, 2024:

	Number of Shares	Share capital	Additional paid in capital	Treasury shares	Actuarial reserve	Retained earnings	Total Shareholders' equity
	\$ in thousands						
Balance at January 1, 2024	60,176,710	*	10,905	(701)	(72)	(1,259)	8,873
Changes during the period:							
Share-based compensation	-	-	29	-	-	-	29
Exercise of RSUs	174,459	-	-	-	-	-	-
Repurchase of shares	(139,500)	-	-	(23)	-	-	(23)
Comprehensive income for the period	-	-	-	-	-	(802)	(802)
Balance at June 30, 2024	<u>60,211,669</u>	<u>*</u>	<u>10,934</u>	<u>(724)</u>	<u>(72)</u>	<u>(2,061)</u>	<u>8,077</u>

For the six months period ended June 30, 2023:

	Number of Shares	Share capital	Additional paid in capital	Treasury shares	Actuarial reserve	Retained earnings	Total Shareholders' equity
	\$ in thousands						
Balance at January 1, 2023	60,443,699	*	10,728	(607)	(72)	(315)	9,734
Changes during the period:							
Share-based compensation	-	-	159	-	-	-	159
Exercise of RSUs	232,344	-	-	-	-	-	-
Repurchase of shares	(388,000)	-	-	(71)	-	-	(71)
Comprehensive income for the period	-	-	-	-	-	(856)	(856)
Balance at June 30, 2023	<u>60,288,043</u>	<u>*</u>	<u>10,887</u>	<u>(678)</u>	<u>(72)</u>	<u>(1,171)</u>	<u>8,966</u>

(*) Represents an amount lower than \$ 1 thousand.

ADCORE INC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF CASH FLOWS**

	Six months ended June 30, 2024	Six months ended June 30, 2023
	US \$ in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss) for the period	(802)	(856)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	534	327
Share based compensation	29	159
Decrease in trade accounts receivable	1,494	859
Increase (decrease) in other accounts receivable	115	(43)
Increase (decrease) in deferred tax liability, net	(144)	6
decrease in trade accounts payable	(757)	(1,600)
Increase (decrease) in other accounts payable	(642)	47
Decrease in accrued severance pay, net	(1)	-
Net cash provided by (used in) operating activities	(174)	(1,101)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(206)	(9)
Capitalized development cost	(367)	(528)
Net cash used in investing activities	(573)	(537)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments and interest of lease liabilities	11	(99)
Purchase of treasury shares	(23)	(71)
Net cash provided financing activities	(12)	(170)
Increase (decrease) in cash and cash equivalents	(759)	(1,808)
Cash and cash equivalents at beginning of the period	6,106	6,525
Cash and cash equivalents at the end of the period	5,347	4,717

ADCORE INC.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS
OF CASH FLOWS**

APPENDIX A - NON-CASH ACTIVITIES

	Six months ended June 30, 2024	Six months ended June 30, 2023
	Unaudited	
	US \$ in thousands	
Recognition of right of use asset and liability.	641	-

ADCORE INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(US \$ in thousands)

NOTE 1 - GENERAL:

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed in the preparation of the condensed interim financial statements, on a consistent basis, are:

Basis of preparation

These unaudited interim condensed consolidated financial statements of the Corporate are for the six months ended June 30, 2024 and presented in US dollar, which is the presentation and functional currency of the Corporate. These unaudited interim condensed consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard IAS 34 "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the financial statements of the Corporate for the year ended December 31, 2023.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the last annual financial statements of the Corporate for the year ended December 31, 2023.

ADCORE INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(US \$ in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.):

Basis of consolidation

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

Estimates and assumptions

The preparation of the condensed interim 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, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the condensed interim financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the Corporate that may result in a material adjustment to the carrying amounts of assets and liabilities are discussed below.

NOTE 3- SIGNIFICANT EVENTS AND TRANSACTIONS IN THE PERIOD:

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

ADCORE INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(US \$ in thousands)

NOTE 4 – CASH AND CASH EQUIVALENTS:

The following tables presents cash and cash equivalents by region as of 30.06.2024 and 31.12.2023:

Cash and cash equivalents as of 30.06.2024

	APAC	EMEA	North America	Total
Cash	1,362	1,030	386	2,778
Deposits	-	1,419	1,150	2,569
Total	1,362	2,449	1,536	5,347

Cash and cash equivalents as of 31.12.2023

	APAC	EMEA	North America	Total
Cash	1,483	1,741	252	3,476
Deposits	-	1,380	1,250	2,630
Total	1,483	3,121	1,502	6,106

(*) APAC – Asia pacific

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

NOTE 5- SHAREHOLDERS' EQUITY:

A. On May 17, 2023, Adcore Inc. announced that the Toronto Stock Exchange has accepted its notice of intention to proceed with the NCIB. Pursuant to the notice, Adcore may purchase up to 3,024,452 of its common shares ("Shares"), representing approximately 5% of its issued and outstanding Shares of 60,489,043. The NCIB will be conducted during the twelve month period commencing May 19, 2023 and ending May 18, 2024. Under the NCIB, other than purchases made under block purchase exemptions, Adcore may purchase up to 2,160 Shares on the TSX during any trading day, which represents approximately 25% of 8,640, which represents the average daily trading volume on the TSX for the most recently completed six calendar months prior to the TSX's acceptance of the notice of the NCIB. Any Shares purchased under the normal course issuer bid will be cancelled.

On May 12, 2022, Adcore Inc. announced that the Toronto Stock Exchange has accepted its notice of intention to proceed with the Normal-Course Issuer Bid (the "NCIB"). Pursuant to the notice, Adcore may purchase up to 3,188,475 of its common shares ("Shares"), representing approximately 5% of its issued and outstanding Shares of 63,769,494. The NCIB will be conducted during the twelve month period commencing May 18, 2022 and ending May 17, 2023. Under the NCIB, other than purchases made under block purchase exemptions, Adcore may purchase up to 13,593 Shares on the TSX during any trading day, which represents approximately 25% of 54,370, which represents the average daily trading volume on the TSX for the most recently completed six calendar months prior to the TSX's acceptance of the notice

ADCORE INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(US \$ in thousands)

NOTE 5 - SHAREHOLDERS' EQUITY (Cont.):

of the NCIB. Any Shares purchased under the normal course issuer bid will be returned to the Corporate's treasury for cancellation by no later than the end of the calendar month in which the purchase of such Common shares is completed.

For the six month ended June 30, 2024 the Corporate purchased 139,500 shares as part of the NCIB programs in the amount of \$23.

For the six month ended June 30, 2023 the Corporate purchased 388,000 shares as part of the NCIB programs in the amount of \$71.

B. Share based compensation:

Options

During the six-month period, ended June 30, 2024, the Corporate granted 610,473 options with a with a CAD\$0.185 exercise price per share to its directors, officers, employees and consultants. the options will vest between 0 and 24 months and will expire within 4 years from the issuance. The Corporate has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 3.8%, expected volatility: 46%, expected term: 4 years, expected dividend yield: 0%, p.a.

During the six-month period, ended June 30, 2023, the Corporate granted 529,333 options with a with a CAD\$0.23-CAD\$0.27 exercise price per share to its directors, officers, employees and consultants. the options will vest between 0 and 24 months and will expire within 4 years from the issuance. The Corporate has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 3.62%, expected volatility: 75%, expected term: 4 years, expected dividend yield: 0%, p.a.

ADCORE INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(US \$ in thousands)

NOTE 5 - SHAREHOLDERS' EQUITY (Cont.):

The following table reflects the activity with respect to options of the Corporate for the six months ended June 30, 2024 compared to the six months ended June 30, 2023:

	Six months ended June 30, 2024			Six months ended June 30, 2023		
	Number of options	Weighted average Exercise price		Number of options	Weighted average Exercise price	
Outstanding at beginning of year	6,910,081	CAD 0.32		8,049,081	CAD 0.37	
Granted	610,473	CAD 0.185		529,333	CAD 0.25	
Exercised	-	-		-	-	
Forfeited and cancelled	(199,333)	CAD 0.31		(1,070,000)	CAD 0.52	
Outstanding at end of period	7,321,221	CAD 0.31		7,508,414	CAD 0.37	
Exercisable options	6,779,954	CAD 0.30		6,801,914	CAD 0.33	

During the six months ended June 30, 2024 and 2023, the Corporate recorded expenses in the amount of \$20 and \$94, respectively.

Share based compensation (Cont.):

Restricted Share Units

During the six-month period, ended June 30, 2024, the Corporate approved an aggregate grant of 309,459 Restricted Share Units ("RSUs") to its directors, employees and senior officers. The RSUs will vest between 0 and 24 months. Each vested RSU entitles the holder to receive one common share of the Corporate for period of 4 years.

During the six-month period, ended June 30, 2023, the Corporate approved an aggregate grant of 433,758 Restricted Share Units ("RSUs") to its directors, employees and senior officers. The RSUs will vest between 0 and 12 months. Each vested RSU entitles the holder to receive one common share of the Corporate for period of 4 years.

ADCORE INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(US \$ in thousands)

NOTE 5 - SHAREHOLDERS' EQUITY (Cont.):

The following table reflects the activity with respect to RSUs of the Corporate for the six months ended June 30, 2024 compared to the six months ended June 30, 2023:

	Six months ended June 30, 2024	Six months ended June 30, 2023
	Number of RSUs	Number of RSUs
Outstanding at beginning of year	489,922	335,675
Granted	309,459	433,758
Exercised	(174,456)	(232,344)
Forfeited and cancelled	(182,222)	-
Outstanding at end of period	442,703	537,089
Exercisable RSUs	355,200	489,867

During the six months ended June 30, 2024 and 2023, the Corporate recorded expenses in the amount of \$9 and \$65, respectively.

B. Warrants:

The following table reflects the activity with respect to warrants of the Corporate for the six months ended June 30, 2024 compared to the six months ended June 30, 2023:

	Six months ended June 30, 2024		Six months ended June 30, 2023	
	Number of Warrants	Weighted average Exercise price	Number of Warrants	Weighted average Exercise price
Outstanding at beginning of year	-	-	1,767,000	*
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	-	-	1,767,000	*
Exercisable Warrants	-	-	(1,767,000)	*

* Represents an amount lower than \$ 1 thousand.

As of June 16, 2023, the warrants have expired. During the three months ended June 30, 2023 no warrants were exercised.

ADCORE INC.

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

(US \$ in thousands)

NOTE 6 - REVENUES:

A. Geographic Areas Information:

The following present the total revenues for the three and six months ended June 30, 2024 and 2023:

	For the three months period ended June 30,	For the three months period ended June 30,	For the six months period ended June 30,	For the six months period ended June 30,
	2024	2023	2024	2023
APAC	1,942	1,987	3,515	3,420
EMEA	1,435	2,028	3,416	4,496
North America	1,459	1,284	2,976	2,427
Total	<u>4,836</u>	<u>5,299</u>	<u>9,907</u>	<u>10,343</u>

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

	For the three months period ended June 30,	For the three months period ended June 30,	For the six months period ended June 30,	For the six months period ended June 30,
	2024	2023	2024	2023
Customer A	21%	20%	20%	20%
Customer B	18%	17%	12%	14%
Customer C	10%	15%	10%	12%
Customer D	-	-	-	11%
	<u>49%</u>	<u>52%</u>	<u>42%</u>	<u>57%</u>

NOTE 7 - RELATED PARTIES AND SHAREHOLDERS:

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

The following transactions arose with related parties:

	For the Six months period ended June 30,	
Transaction	2024	2023
Management fee to CEO and controlling shareholder	252	217
Share Based Compensation to CEO and controlling shareholder	1	4

Liabilities to related parties:

	As of June 30,	As of December 31,
Transaction	2024	2023
Controlling shareholder	41	39