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WAY 2 VAT LTD

ARBN 637 709 114

ANNUAL REPORT 2024

Directors

Adoram Ga'ash
Amos Simantov
David Buckingham
Robert Edgley
David Assia (resigned 16 August 2024)

Company Secretary

Emily Austin

Registered Office

C/ - Automic Group Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Principal Place of Business (Israel)

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Petah Tikva, Israel 4951703
Telephone: 97 2 3 508 0022
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Share Register

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000

Auditor

BDO Israel
Amot BDO House
48 Menachem Begin Road
Tel Aviv, Israel 6618001

Australian Legal Advisors

Thomson Geer
Level 27, Exchange Tower
2 The Esplanade
Perth WA 6000

Israeli Legal Advisors

Kafri Leibovich
3rd Floor, 11 Habarzel Street
Tel Aviv, Israel 6971017

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Directors' Report
31 December 2024

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Way2VAT's annual report for the financial year ending 31 December 2024 (FY24).

In 2024 Way2VAT continued to build on its strong organic growth with a significant increase in its enterprise client numbers sourced primarily through our sales personnel in both our London and Barcelona sales centres. Pleasingly, not only have client numbers grown but the size of the clients and the size of the opportunity for Way2VAT have also grown leading to a healthy 47% increase in revenue to A\$4.72million in FY24. Revenue numbers for the last two quarters of 2024 set quarterly records and we have started the new year on a much higher run rate for 2025.

I am very pleased that our team continues to win more and more clients on the back of our superior technology. 2024 saw Way2VAT win a number of very competitive tenders where we were selected above all of our competition on the strength of our suite of AI-powered VAT/GST claim and return solutions which provide our clients with better economic returns in relation to their VAT reclaims. This validation of our technology puts us in a good position to leverage our competitive advantage and continue to scale the business accordingly in 2025.

We often mention the Board's strong belief that the future growth of Way2VAT should not only be through a continuation of the organic growth shown during FY24 but also augmented by acquisitions which provide appropriate shareholder value. The VAT reclaim industry we operate in is a fragmented industry with many smaller companies operating with very outdated technology and manual processes. This situation lends itself perfectly to Way2VAT being able to play an increasing role in the consolidation of the industry, particularly in Europe. We have evaluated a number of such opportunities during 2024 and whilst there is still more work to be done in this area, we are optimistic that 2025 will see some of these opportunities realised.

Of course, the revenue growth and performance of the company during 2024 has contributed to an anticipation that the company is within reach of an operating surplus and cash flow positive milestones. In order to expedite this objective, the company implemented a number of cost saving initiatives that were phased in over Q4 FY24. This included headcount reductions, salary reductions and other cost saving measures effective from December 2024 onwards, collectively resulting in a 20% decrease in ongoing operating expenses.

Also during 2024 the Company launched a new AI-driven automated accounts payable auditing product, AP AI Compliance, to complement Way2VAT's existing suite of AI-powered VAT/GST claim and return solutions. Pilots were conducted with a number of new and existing clients to fine tune this product during the year in readiness for a commercial roll out in 2025. Whilst this has taken some time to reach commercialisation, we are confident that this product is a revolutionary product that opens up significant opportunities for the company for 2025 and beyond.

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Our achievements over FY24 would not have been possible without the continuing dedication of our Founder and CEO Amos Simantov and the hard work of the entire staff of Way2VAT. I'd like to thank them all for their loyalty, commitment, and outstanding effort.

On behalf of the Board, I would also like to thank our loyal shareholders for their continued support during 2024.



Adoram Ga'ash

Non-Executive Chairman

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Directors' Report
31 December 2024

The Directors present their report, together with the consolidated financial statements of Way2VAT Ltd ("the Company" or "Way2VAT") for the year ended 31 December 2024.

Directors

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

Name	Status	Appointed	Resigned
Amos Simantov	CEO and Managing Director	19 February 2014	-
Adoram Ga'ash	Non-Executive Director	10 February 2016	-
David Assia	Non-Executive Director	02 December 2018	16 August 2024
Robert Edgley	Non-Executive Director	09 September 2021	-
David Buckingham	Non-Executive Director	09 September 2021	-

Principal Activities

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

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2024 (2023: nil).

Review of Operations

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

Overall growth in 2024 was driven by significant new enterprise client wins, many of which were onboarded to the Way2VAT platform during the second half of the year.

This momentum saw strong quarterly revenue results in the 3rd and 4th quarters of the year and annual revenue up 43% on prior year to \$4.72 million. The Company has an accounts receivable balance of \$4.5 million which grew during FY24 in line with the underlying growth of the business. The accounts receivable balance is due mostly from various government tax authorities with regard to revenue on submitted client VAT reclaims.

The Company continued to expand its client base across Europe in 2024, increasing enterprise clients by 13% from 345 to 395 including clients such as PACT Group, SGS, Hipra, Randstad, Fever, Acciona, Bulk Tainer Group, Objective Media Group, Solarig, Mahou San Miguel and Sungrow.

Also during 2024, Way2VAT launched its revolutionary APAI product, APAI is Way2VAT's patented world-first 'document first' compliance technology. It uses artificial intelligence and machine learning to verify proper submission of accounts payable and domestic VAT/GST expenses to tax authorities on invoices up to four years old. It checks for common mistakes, identifies wrongly submitted expenses and pinpoints errors. APAI is largely targeted towards large multinational companies looking to boost

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Directors' Report
31 December 2024

their VAT/GST returns and ensure they are meeting their VAT payment obligations. Whilst this new product has taken some time to reach commercialisation, Way2VAT is confident that this product is a revolutionary product that opens up significant opportunities for the company for 2025 and beyond.

During 2024, Way2VAT raised a total of \$5.527 million (before costs) via a combination of \$1.1m convertible notes, a \$4.25m placement at an issue price of \$0.022 per share and \$0.177m through a share purchase plan on the same terms. The placement saw strong support from Australian and international institutional investors. The placement included, two free attaching options for every three shares issued under the placement, with each option having an exercise price of \$0.033 and expiring on 28 February 2026. The convertible notes were subsequently converted to equity on April 17th 2024 after relevant shareholder approvals were obtained.

Finally, the company implemented a number of cost saving initiatives that were phased in over Q4 FY24. This included headcount reductions, salary reductions and other cost saving measures effective from December 2024 onwards, collectively resulting in a 20% decrease in total ongoing operating expenses which will be fully reflected in our expense figures for Q1 FY25. Restructuring costs such as redundancy and termination payments were incurred during Q4 FY24 for this restructure.

Financial Overview

Results for the year included the following key movements:

- Full year revenue of \$4.721 million, up 43% on pcp (\$3.3 million FY23).
- Cash balance of \$117k at 31 December 2024 with Accounts Receivable balance increasing to \$4.5 million being due mostly from various government tax authorities with regard to submitted VAT reclaims.
- During 2024, Way2VAT raised a total of \$5.527 million via a combination of \$1.1m convertible notes, a \$4.25m placement at an issue price of \$0.022 per share and \$0.177m through a share purchase plan on the same terms as the placement.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Subsequent to the end of December 2024, Way2VAT raised A\$2.6m (before costs) via the issue of Convertible Notes (see ASX announcement on 13th January 2025 and 30th January 2025). The conversion of the notes into fully paid ordinary shares in the company will be subject to the Company obtaining shareholder approval. New shares issued following conversion of the Notes will rank equally with the Company's existing fully paid ordinary shares on issue.

Other than the above, no further matters have arisen since 31 December 2024 that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Environmental Regulations

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

Information on Directors

Amos Simantov	Chief Executive Officer and Managing Director
Qualifications	BA and MBA Tel Aviv University
Experience	Mr Simantov has more than 25 years of experience as an executive including as CEO, and EVP Sales of major global high-tech enterprises such as SintecMedia/Operative, Rit Technologies (a NASDAQ Company), Lognet Systems, and ADI. Mr Simantov specialises in the SaaS platform, Fintech, broadcast, IT and telecom industry and has a track record in leading companies to economic success, including several exits and successful mergers and acquisitions.
Interest in shares and Options	18,543,908 Ordinary shares 46,274,789 Options
Adoram Ga'ash	Non-Executive Chairman
Qualifications	BScEE in Computer Engineering - Israeli Institute of Technology (Technion) MBA, and an MA (Cum laude) in Philosophy from Tel Aviv University
Experience	Mr Ga'ash has a track record of 20 years as a venture capitalist and in startups leadership. Prior to founding Moneta VC, Mr Ga'ash founded StageOne VC which invested in approximately 20 start-ups and resulted in seven exits. Later in his career, Mr Ga'ash joined Silicon Valley based investment bank, GrowthPoint Technology Partners, to head up the Israeli practice and in this role, he has assisted start-ups with exploring their exit strategy with global companies. Earlier in his career, Mr Ga'ash founded Radwiz that was subsequently acquired by a Silicon Valley company.
Interest in shares and Options	17,449,447 Ordinary shares 10,973,621 Options

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Directors' Report
31 December 2024

Robert Edgley
Qualifications

Non-Executive Director

Bachelor of Economics and Japanese Language, Monash University in Melbourne

Experience

Mr Edgley is an experienced Investment Banker having had a long career with the NatWest and RBS group and has subsequently served on multiple boards of both private and listed companies in Australia in his career as a Non-Executive Director. Previously serving as a founding non-executive director for Praemium Limited (ASX:PPS), Mr Edgley saw the company through its listing on the ASX in 2006 and served as the chairman for the audit and risk committee, due diligence committee and remuneration and nomination committee.

Mr Edgley is currently the non-executive director for EVZ Limited (ASX:EVZ) and is the non-executive chairman for DataMesh Limited and Filamon Limited.

Interest in shares
and Options

4,462,565 Ordinary shares
2,000,000 Options

David Buckingham
Qualifications

Non-Executive Director

Bachelor of Technology (Hons) from the Loughborough University of Technology

ACA Chartered Accountant in England & Wales and a member of the Australian Institute of Directors

Experience

Mr Buckingham has over thirty years of experience as a corporate leader in telecommunications, media, technology, IT and education. Mr Buckingham began his career in the Audit and Corporate Finance team at PricewaterhouseCoopers in the UK and Australia. Most recently, Mr Buckingham served as both Chief Executive Officer and Chief Financial Officer of Navitas Limited (ASX:NVT), a global education provider with over 120 colleges and campuses across 31 countries. Prior to Navitas, David worked for Telewest Global as the Group Treasurer and Director of Financial Planning, Virginmedia, as Finance Director Business Division and iiNet (ASX:IIN) where he held the roles of chief financial officer and chief executive officer between 2008 and 2015. Mr Buckingham is currently the non-executive chairman of Pentanet Limited (ASX:5GG), non-executive director of Nuheara Limited (ASX:NUH) and non-executive chairman of Hiremii Limited (ASX:HMI).

Interest in shares
and Options

4,609,468 Ordinary shares
2,000,000 Options

David Assia
Qualifications

Non-Executive Director (resigned 16 August 2024)

B.A. degree in economics and statistics and an M.B.A. degree, from Tel Aviv University

Experience

Mr David Haim Assia is a serial entrepreneur and angel investor, being one of the pioneers of the vibrant Israeli high tech software industry. Mr Assia founded multiple global companies and listed them on either NASDAQ or TASE (Tel-Aviv Stock Exchange).

Mr Assia is the Chairman of iAngels, a leading crowd funding platform and is actively involved as a lead angel and a director in multiple high-tech companies. Mr Assia also runs his family's, privately held, investment company, Nadyr Investments Ltd.

Prior to iAngels, Mr Assia was the executive Chairman of eToro, the world's largest social trading network. In 1986, Mr Assia co-founded Magic Software, where he served as either Chairman or CEO until 2007. Magic Software is a global international software company with world class innovative development and integration platforms. Magic Software was the first Israeli Software Company to be listed on NASDAQ (MGIC) in 1991.

In 1980, Mr Assia co-founded Mashov Computers, the leading micro-computer software company in Israel, being one of the first high tech companies to be listed three (3) years later, on the Tel-Aviv Stock Exchange – TASE.

Mr Assia is involved in educational institutions such as the Weizmann Institute of Science, the Israel Education Fund, Tel-Aviv University and Yeda Research and Development, the technology transfer office of the Weizmann Institute. Mr Assia is also on a board member of the First International Bank of Israel and DBmaestro and Become (formerly Lending Express).

Company Secretary

Emily Austin (appointed 23 August 2022)

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Directors' Report
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Meetings of Directors

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

Board	Number eligible to attend	Number attended
Amos Simantov	15	15
Adoram Ga'ash	15	13
David Buckingham	15	14
Robert Edgley	15	15
David Assia*	9	9

*Resigned 16 August 2024

Audit and Risk Committee

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

Remuneration and Nomination Committee*

Name of Director	Number Eligible to Attend	Number Attended
David Buckingham	0	0
Robert Edgley	0	0
Davis Assia**	0	0

*Due to the small number of Directors in the Company, Remuneration and Nomination matters were deliberated upon during Board meetings

**Resigned 16 August 2024

Performance Rights

As at 31 December 2024, the Company had no Performance Rights on issue.

State of Incorporation

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

Indemnity and insurance of Officers

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

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

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

Indemnity and insurance of auditor

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

Insurance premiums

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

Non-audit Services

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

Auditor's Independence Declaration

The Auditor's independence declaration for the year ended 31 December 2024 has been received and included in the consolidated financial report.

Future Developments, Business Strategies and Prospects

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

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

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

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

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31 December 2024

Corporations Act 2001

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

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

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



Amos Simantov
CEO and Managing Director

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

As lead auditor of Way2Vat Ltd. for the year ended 31 December, 2024, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Way2Vat Ltd.

Tel-Aviv, Israel
March 27, 2025

Ziv haft
Ziv Haft
Certified Public Accountants (Isr.)

BDO Member Firm

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WAY2VAT LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2024

WAY2VAT LTD.

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

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Independent Auditors' Report to Shareholders of WAY2VAT Ltd.

Opinion

We have audited the accompanying consolidated financial statements of WAY2VAT Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of 31 December 2024 and the related consolidated statements of loss and other comprehensive income (loss), changes in equity (deficit) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of 31 December 2024 and of its financial performance, the changes in equity (deficit) and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material uncertainty related going concern

We draw attention to Note 1.c. of the financial statements, which indicates among other factors, the company has incurred negative cash from operating activities of \$3,599 thousand and net loss of \$3,620 thousand during the year ended 31 December 2024 and, as of that date, the Company's current liabilities exceeded its total assets by \$1,501 thousand. As stated in Note 1.c., these matters indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of that matter.

Key Audit Matters

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

Other information

Management is responsible for the other information. The other information comprises the management's discussion and analysis for the year ended 31 December 2024 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information

is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the management's discussion and analysis for the year ended 31 December 2024, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the management and directors for the Financial Statements

The directors and management of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as directors and management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors and the management are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements. As part of the audits in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audits procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audits evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audits evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Tel Aviv, Israel
27 March 2025


Ziv haft

Certified Public Accountants (Isr.)
BDO Member Firm

WAY2VAT LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands)


	Note	As of 31 December	
		2024	2023
ASSETS			
Current Assets:			
Cash and cash equivalents		81	493
Trade receivables	11.a.	2,790	2,369
Other accounts receivables		<u>161</u>	<u>131</u>
		<u>3,032</u>	<u>2,993</u>
Non-Current Assets:			
Right of use assets, net	5	680	220
Intangible assets, net	4	739	900
Property, plant and equipment, net		<u>33</u>	<u>33</u>
		<u>1,452</u>	<u>1,153</u>
Total Assets		<u><u>4,484</u></u>	<u><u>4,146</u></u>

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

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WAY2VAT LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT.)
(USD in thousands)

	Note	As of 31 December	
		2024	2023
LIABILITIES AND DEFICIT			
Current Liabilities:			
Bank loans	6	1,259	1,005
Governmental loans	7	56	19
Trade payables		434	220
Lease liabilities	5	194	125
Contingent consideration	4	26	55
Liability for royalties payable	8	137	98
Derivative liability – Options	9	100	-
Other accounts payables	11.b.	2,327	2,207
		<u>4,533</u>	<u>3,729</u>
Non-Current Liabilities:			
Bank loans	6	-	385
Governmental loans	7	227	270
Contingent consideration	4	-	82
Lease liabilities	5	486	99
Liability for royalties payable	8	340	378
Other liabilities		219	208
		<u>1,272</u>	<u>1,422</u>
Deficit:			
	10		
Share capital		2,626	1,857
Additional paid in capital		24,400	21,587
Share based compensation reserve		2,993	3,304
Adjustments arising from translation to reporting currency		(533)	(566)
Accumulated losses		<u>(30,807)</u>	<u>(27,187)</u>
Total Deficit		<u>(1,321)</u>	<u>(1,005)</u>
Total Liabilities and Deficit		<u>4,484</u>	<u>4,146</u>


Amos Simantov
CEO and Director


Evyatar Cohen
CFO

27 March 2025
Date of approval of financial statements

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

WAY2VAT LTD.

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)

(USD in thousands)

	Note	Year ended 31 December	
		2024	2023
Revenues	11.c.	3,007	2,049
Cost of revenues		541	432
Gross profit		2,466	1,617
Research and development expenses	11.d.	1,684	1,287
Selling and marketing expenses	11.e.	1,625	1,477
General and administrative expenses	11.f.	2,840	3,123
Operating loss		(3,683)	(4,270)
Financial expenses	11.g.	(348)	(315)
Financial income	11.g.	411	334
Loss before taxes on income		(3,620)	(4,251)
Taxes on income	12	-	-
Loss for the year		(3,620)	(4,251)
Other comprehensive income (loss), net of tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange loss, arising on translation to reporting currency		33	(46)
Total comprehensive income (loss) for the year		(3,587)	(4,297)
Loss per share			
Basic and diluted loss per share (\$)	13	(0.004)	(0.009)

The accompanying notes are an integral part of the financial statements

WAY2VAT LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(USD in thousands)

	<u>Share capital</u>	<u>Additional paid in capital</u>	<u>Shares based payment reserve</u>	<u>Adjustments arising from translation to reporting currency</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance as of 1 January 2023	706	19,844	3,245	(520)	(22,936)	339
Changes during 2023:						
Loss for the year	-	-	-	-	(4,251)	(4,251)
Other comprehensive loss	-	-	-	(46)	-	(46)
Total comprehensive loss for the year	-	-	-	(46)	(4,251)	(4,297)
Issuance of shares, net of Issuance expenses	1,128	1,431	-	-	-	2,559
Issuance of shares in connection with contingent consideration	19	26	-	-	-	45
Share based compensation in connection with service rendered	4	125	-	-	-	129
Expiration and forfeiture of Share based compensation	-	161	(188)	-	-	(27)
Share based compensation	-	-	247	-	-	247
Balance as of 31 December 2023	<u>1,857</u>	<u>21,587</u>	<u>3,304</u>	<u>(566)</u>	<u>(27,187)</u>	<u>(1,005)</u>

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

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WAY2VAT LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) (CONT.)
(USD in thousands)

	<u>Share capital</u>	<u>Additional paid in capital</u>	<u>Shares based payment reserve</u>	<u>Adjustments arising from translation to reporting currency</u>	<u>Accumulated deficit</u>	<u>Total</u>
Changes during 2024:						
Loss for the year	-	-	-	-	(3,620)	(3,620)
Other comprehensive income	-	-	-	33	-	33
Total comprehensive income for the year				33	(3,620)	(3,587)
Issuance of shares in connection with conversion of the Convertible Notes	177	507	-	-	-	684
Issuance of shares, net of issuance expenses in connection with the Placement finance round	530	1,643	-	-	-	2,173
Issuance of shares, net of issuance expenses in connection with the Share Purchase Plan offer	22	60	-	-	-	82
Issuance of shares in connection with Director's service rendered	23	46	-	-	-	69
Issuance of shares in connection with contingent consideration	17	27	-	-	-	44
Exercise of options	*	167	(167)	-	-	*
Expiration and forfeiture of Share based payment	-	363	(363)	-	-	-
Share based compensation	-	-	219	-	-	219
Balance as of 31 December 2024	<u>2,626</u>	<u>24,400</u>	<u>2,993</u>	<u>(533)</u>	<u>(30,807)</u>	<u>(1,321)</u>

* Represent an amount lower than \$1 thousand.

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

WAY2VAT LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

	Year ended 31 December	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(3,620)	(4,251)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	281	235
Capital loss	-	76
Fair value adjustments of Derivative liability Options, net of related expenses	(344)	-
Fair value adjustments of contingent consideration	(63)	(238)
Interest expenses and reassessment	14	12
Share based compensation in connection with service rendered	-	129
Financial expenses, net	203	24
Share based compensation	219	220
Changes in assets and liabilities:		
Change in trade receivables	(577)	(341)
Change in other accounts receivables	(41)	89
Change in trade payables	235	258
Change in other accounts payables	204	131
Change in other liabilities	24	(12)
Cash from operations	<u>(3,465)</u>	<u>(3,668)</u>
Interest paid	(134)	(133)
Net cash used in operating activities	<u>(3,599)</u>	<u>(3,801)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	(16)	(10)
Proceeds from sale of property, plant, and equipment	-	5
Net cash used in operating activities	<u>(16)</u>	<u>(5)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares, net of issuance cost	-	2,559
Cash received in connection with Convertible Notes	684	-
Issuance of shares, net of issuance expenses in connection with the Placement finance round	2,601	-
Issuance of shares, net of issuance expenses in connection with the Share Purchase Plan offer	102	-
Bank loans, net	(125)	583
Principal paid on lease liabilities	(182)	(119)
Governmental loans	-	158
Royalties paid and grants received from the IIA, net	24	(56)
Exercise of options to ordinary shares	*	-
Net cash provided by financing activities	<u>3,104</u>	<u>3,125</u>

* Represent an amount lower than \$1 thousand.

WAY2VAT LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)
(USD in thousands)

	Year ended 31 December	
	2024	2023
Net decrease in cash and cash equivalents	(511)	(681)
Cash and cash equivalents at the beginning of the year	493	1,030
Effects of exchange rate changes on cash and cash equivalents	99	144
Cash and cash equivalents at the end of the year	<u>81</u>	<u>493</u>

APPENDIX A - NON-CASH ACTIVITIES:

Recognition of right of use assets and lease liabilities	<u>671</u>	<u>246</u>
Issuance of shares in connection with contingent consideration	<u>44</u>	<u>45</u>
Issuance of shares in connection with Director's service rendered	<u>69</u>	<u>-</u>

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

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WAY2VAT LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 1 - GENERAL:

- a. Way2Vat Ltd. ("the Company") was incorporated on 19 February 2014, under the laws of Israel and commenced operations on 1 March 2016. The Company is listed, and its shares are publicly traded on the Australian Securities Exchange ("ASX"), see also Note 10. The Company is developing applications for automatic VAT reclaims and compliance for enterprises.
- b. The consolidated financial statements include the results of the Company and its wholly owned subsidiaries as follows (together "the Group"):

Entity name	Country of incorporation	Proportion of ownership interest as of 31 December		Held by
		2024	2023	
WAY2VAT UK Limited	UK	100%	100%	WAY2VAT Ltd.
DevoluIVA S.L.U	Spain	100%	100%	WAY2VAT Ltd.
WAY2VAT SRL	Romania	100%	100%	WAY2VAT Ltd.
WAY2VAT Inc.	USA	100%	100%	WAY2VAT Ltd.

- c. The Company financed its operation through fundraising via its listing on the ASX, private placements, bank loans, governmental loans and grants. The Group has incurred negative cash from operating activities of \$3,599 thousand and net loss of \$3,620 thousand for the year ended 31 December 2024 and, as of that date, the Company's current liabilities exceeded its total assets by \$1,501 thousand. As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

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

- Additional support from existing and new shareholders, See Note 18 for additional information.
- Growth in revenues from existing and new clients.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

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

a. Basis of preparation

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

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

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

c. functional and foreign currency

The reporting currency of the Group is U.S. Dollars, which provides relevant information for most investors and users of the consolidated financial statements. Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The functional currency of the Company and DevoluIVA S.L.U. (DevoluIVA) is Euro, the functional currency of WAY2VAT UK Limited is the Pound sterling ("GBP"), the functional currency of WAY2VAT SRL is RON.

d. Intangible assets, net

Intangible assets are recognized when it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. For intangible assets acquired in a business combination, the cost is determined as the fair value at the acquisition date.

Intangible assets with finite useful lives are amortized on a systematic basis over their useful lives. The amortization method and the useful life of the intangible asset are reviewed at least annually. If there is an indication of impairment, the asset is tested for impairment in accordance with IFRS.

Intangible assets with indefinite useful lives, such as goodwill, are not amortized but are tested for impairment at least annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):**e. Property, plant, and equipment**

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

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

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

f. Leases

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

g. Deferred tax

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

h. Liability for royalties payable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

i. Revenue recognition

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

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

j. Employee benefits

Severance/termination benefits in Israel: The plans are financed by contributions to insurance companies and classified as defined contribution plans. The Company has contributed for all its employee's contribution plans pursuant to Section 14 of the Israeli Severance Compensation Law - 1963 on a timely basis and as a result have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

k. Changes in accounting policies

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

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

Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Financial Covenants

(Amendments to IAS 1) - The amendments regarding the classification of liabilities as current or non-current aim to clarify the classification of liabilities in the statement of financial position as either current or non-current.

Additionally, the amendments regarding non-current liabilities with financial covenants aim to improve the information provided by a company about liabilities arising from loan arrangements, where the company's right to defer settlement of liabilities for at least 12 months after the reporting period is subject to meeting specific conditions included in the arrangements. These amendments had no material effect on the consolidated financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

2. New standards, interpretations and amendments not yet effective

A new accounting standard is effective for annual reporting periods beginning after 1 January 2024 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

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

Determining the fair value of share-based payment transactions

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

Liability for royalties payable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 4 - INVESTMENT IN SUBSIDIARY:

On 20 September 2022, the Company signed a binding share sale agreement with Voxel Media, S.L (Voxel) to acquire 100% of the issued share capital of a Spanish company DevoluVA, a company that offers comprehensive management of corporate expenses and the automatic recovery of national VAT services.

The Company issued Voxel 11,704,463 shares on the day of the purchase.

As part of this acquisition, the Company recognized intangible assets, including goodwill and other intangible assets. As of 31 December 2024 and 2023, the net carrying value of these intangible assets amounted to \$739 thousand and \$900 thousand, respectively.

Under the terms of the Agreement, Voxel will be entitled to receive earn-out payments in shares which will accrue as follows:

1st Earn Out (12 months post-closing):

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

On 20 September 2023, the Company performed a calculation based on the mechanism described above and as a result, issued 6,715,654 shares.

2nd Earn Out (24 months post-closing):

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

On 20 September 2024, the Company performed a calculation based on the mechanism described above and as a result, issued 6,520,393 shares.

3rd Earn Out (36 months post-closing):

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 5 – LEASES:

The Group has lease contracts for office facilities used in its operations. Leases of office facilities generally have lease terms of between two (2) and four (4) years, The Group has several lease contracts that typically include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

a. Right of use assets

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

	<u>2024</u>	<u>2023</u>
As of 1 January	220	363
Depreciation	(180)	(123)
New lease	671	246
Termination of lease	-	(194)
Adjustments arising from translation to reporting currency	(31)	(72)
As of 31 December	<u>680</u>	<u>220</u>

b. Lease liabilities

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

	<u>2024</u>	<u>2023</u>
As of 1 January	224	359
New lease	671	246
Termination of lease	-	(194)
Interest expenses	11	24
Interest paid	(11)	(24)
Principal payments	(182)	(119)
Exchange rate differences	(2)	(17)
Adjustments arising from translation to reporting currency	(31)	(51)
As of 31 December	<u>680</u>	<u>224</u>

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

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

	<u>Year ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Depreciation of right of use assets	180	123
Interest in connection with Lease liabilities	11	24
Total	<u>191</u>	<u>147</u>

WAY2VAT LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands)

NOTE 5 – LEASES (CONT.):

d. Future lease obligations

Future lease obligations under non-cancellable operating leases as of December 31, 2024, are as follows:

	As of 31 December 2024
Future lease obligations:	
2025	208
2026	191
2027	205
2028	205
Total future obligations	809
Less imputed interest	(129)
Net present value of future lease obligations	680

NOTE 6 – BANK LOANS:

The banks loans as of 31 December 2024 comprised of the following:

- a. NIS 2,650 thousand (approximately \$727 thousand based on the exchange rate of \$1.00 / NIS 3.647 in effect as of 31 December 2024) secured loan (principle) based on a percentage of the Company's receivables from tax authorities, payable on 30 August 2025 with interest set at Israeli Prime Rate + 4.5% (10.5%) and such interest is paid on a monthly basis.
- b. Original Principal amount of NIS 1,400 thousand (approximately \$384 thousand based on the exchange rate of \$1.00 / NIS 3.647 in effect as of 31 December 2024) bearing an annual interest rate set at Israeli Prime Rate + 5.80% (11.80%). Such loan is payable via 17 monthly installments commencing 30 April 2024 (through 31 August 2025). The remainder amount as of 31 December 2024 aggregated to NIS 689 thousand (approximately \$188 thousand based on the exchange rate of \$1.00 / NIS 3.647 in effect as of 31 December 2024).
- c. NIS 1,000 thousand (approximately \$275 thousand based on the exchange rate of \$1.00 / NIS 3.647 in effect as of 31 December 2024) non secured short-term bridge loan (principle) received on 31 October 2024, payable on 31 January 2025 and on 28 February 2025 with interest set at Israeli Prime Rate + 4.9% (10.9%). Such a loan was repaid on its due dates.
- d. NIS 250 thousand (approximately \$69 thousand based on the exchange rate of \$1.00 / NIS 3.647 in effect as of 31 December 2024) non secured short-term bridge loan (principle) received on 31 December 2024, payable on 15 January 2025 with interest set at Israeli Prime Rate + 4.9% (10.9%). Such a loan was repaid on its due date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 7 – GOVERNMENTAL LOANS:

DevoluIVA received the following couple of governmental loans:

- a. €135 thousand (approximately \$165 thousand based on the exchange rate of \$1.00 / €0.82 in effect as of 12 June 2021) on 12 June 2021 and
- b. €251 thousand (approximately \$273 thousand based on the exchange rate of \$1.00 / €0.92 in effect as of 19 April 2023) on 19 April 2023.

Based on the related agreements, DevoluIVA should repay those loans (principal only) based on a payment schedule commencing 1 July 2024 through 1 July 2031. €116 thousand (approximately \$121 thousand based on the exchange rate of \$1.00 / €0.96 in effect as of 31 December 2024) out of those payments is scheduled to be repaid on 1 July 2031 and may be fully waived in case DevoluIVA will fulfill the required obligations and others as stipulated within agreements. €24 thousand (approximately \$25 thousand based on the exchange rate of \$1.00 / €0.96 in effect as of 31 December 2024) out of that amount, were already waived up to 31 December 2024 and as a result were deducted from the loans.

NOTE 8 - LIABILITY FOR ROYALTIES PAYABLE:**a. IIA projects:**

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

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

As of 31 December 2024 the contingent liability aggregated to \$1,282 thousand.

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

WAY2VAT LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands)

NOTE 8 - LIABILITY FOR ROYALTIES PAYABLE (CONT.):

b. Shalav projects:

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

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

As of 31 December 2024 the contingent liability aggregated to \$136 thousand.

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

NOTE 9 – DERIVATIVE LIABILITY - OPTIONS:

a. Stock options granted to investors

The outstanding options granted to investors for the 12 months ended 31 December 2024 are as follows:

	Number of options
Outstanding as of 1 January 2024	-
Granted	163,130,381
Exercised	-
Forfeited	-
Outstanding as of 31 December 2024	163,130,381

Those options have an exercise price denominated in A\$, which differs from the Company's functional currency and as a result they are recorded as liabilities and not within the consolidated statements of changes of equity /(deficit). They were recorded initially at fair value, the same as of 31 December 2024 and should be continually measured at fair value at each cut-off date.

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WAY2VAT LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands)

NOTE 9 – DERIVATIVE LIABILITY – OPTIONS (CONT.):

Those options break into two categories:

First category – The options that were granted in connection with the Tranche 1 Placement, Tranche 2 Placement and SPP (120,833,298 options), see Note 10.b.8 and 10.b.9 for further information – those were granted as part of a unit, each unit was issued for price of A\$0.022 and comprised of one share and two third option. The Company utilized a Black-Scholes valuation method in order to measure the option fair value at the grant date (the key figures inserted into the formula beside the known figures such as the stock price, the exercise price and expected terms were volatility – 84%, Dividend yield – None and Risk-free interest rate – 4.30%), resulted in a fair value of A\$0.0057 per option. As a result, the Company bifurcated the options fair value from the Tranche 1 Placement, Tranche 2 Placement and SPP aggregated to A\$690 thousand (approximately \$448 thousand based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) from the total consideration to a liability under Derivative liability – Options.

Second category - The options that were granted to the Convertible Note holders (42,297,083 options), see Note 10.b.7 for further information – those options were not granted as part of the Convertible Note subscription agreements but rather subsequent to that and as such were recorded as finance expenses on their grant date and were not bifurcated from the Convertible Note consideration.

The Company utilized a Black-Scholes valuation method in order to identify the option fair value at the grant date (the key figures inserted into the formula beside the known figures such as the stock price, the exercise price and expected terms were volatility – 84%, Dividend yield – None and Risk-free interest rate – 4.30%), resulted in a fair value of A\$0.0073 per option. As a result, the Company recorded a finance expense aggregated to A\$309 thousand (approximately \$206 thousand based on the exchange rate of \$1.00 / A\$1.50 in effect as of 10 March 2024).

The options commenced trading on 6 May 2024 and therefore the fair value as of 31 December 2024 was derived from the traded price as of such date (A\$0.001). Updating the fair value of the entire options was recorded versus finance income/expenses and the fair value as of 31 December 2024 aggregated to A\$163 (approximately \$100 thousand based on the exchange rate of \$1.00 / A\$1.61 in effect as of 31 December 2024).

b. Fair value measurement

	Fair value hierarchy			
	As of 31 December 2024			
	Level 1	Level 2	Level 3	Total
Options granted to investors*	100	-	-	100

* Those options were classified to Level 2 on their grant date and reclassified to Level 1 once they commenced trading on 6 May 2024.

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NOTE 10 - EQUITY:

a. Ordinary shares - Status:

The Authorized issued and outstanding ordinary shares of NIS 0.01 par value for the years ended 31 December 2024 and 2023 are as follows:

For the year ended 31 December 2024:	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares as of 1 January 2024	1,500,000,000	651,898,972
Issuance of shares in connection with conversion of the Convertible Notes	-	63,445,626
Issuance of shares in connection with the Placement finance round	-	193,181,813
Issuance of shares in connection with the Share Purchase Plan offer	-	8,068,182
Issuance of shares in connection with Director's service rendered	-	8,439,218
Issuance of ordinary shares in connection with contingent consideration	-	6,520,393
Exercise of options	-	1,111,302
Ordinary shares as of 31 December 2024	<u>1,500,000,000</u>	<u>932,665,506</u>
For the year ended 31 December 2023:	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares as of 1 January 2023	500,000,000	232,023,205
Increase in authorized shares*	1,000,000,000	-
Issuance of ordinary shares upon financing round	-	411,567,033
Issuance of ordinary shares in connection with contingent consideration	-	6,715,654
Issuance of ordinary shares in connection with service rendered	-	1,593,080
Ordinary shares as of 31 December 2023	<u>1,500,000,000</u>	<u>651,898,972</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10 – EQUITY (CONT.):**b. Issuance of ordinary shares:**

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

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

During the year ended 31 December 2024, a total of 280,766,534 shares were issued, which occurred as part of the following transactions and events:

7. Convertible Notes: On 31 January 2024, the Company entered into subscription agreements to raise A\$1.1 million (approximately \$711 thousand based on the exchange rate of \$1.00 / A\$1.53 in effect as of 1 February 2024) from certain professional and sophisticated investors, being the Convertible Note Investors, pursuant to which the Company agreed to issue, and the Convertible Note Investors agreed will subscribe for, an aggregate of 22 convertible notes each with a face value of A\$50 thousand (approximately \$32 thousand based on the exchange rate of \$1.00 / A\$1.53 in effect as of 1 February 2024) per convertible note ("Convertible Notes"). The Company issued the Convertible Notes on 1 and 29 February 2024, respectively.

Following the engagement, the Company has received payment for the Convertible Notes and the costs associated with that transaction aggregated to A\$58 thousand (approximately \$37 thousand based on the

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NOTE 10 – EQUITY (CONT.):

exchange rate of \$1.00 / A\$1.53 in effect as of 1 February 2024). The key terms with respect to those Convertible Notes are accruing 8% annual interest which shall be capitalized on the conversion date and a conversion price which includes a 20% discount to the price achieved in the next capital raising transaction.

In accordance with the terms and conditions of the Convertible Notes, the Convertible Notes will convert into Shares (among other events) following the announcement of a transaction, or series of transactions, resulting in the Company receiving aggregate gross proceeds of at least A\$2.0 million (approximately \$1.3 million based on the exchange rate of \$1.00 / A\$1.53 in effect as of 1 February 2024) via the issue of Shares (“Financing Conversion”). The announcement of the Placement, see section 8. below and the SPP offer, see section 9. below constitutes a Financing Conversion. Accordingly, those Convertible Notes and the accrued interest as of conversion date which aggregated to A\$16 thousand (approximately \$10 thousand based on the exchange rate of \$1.00 / A\$1.53 in effect as of 1 February 2024) converted into shares. As a result, the Company issued 63,445,626 Shares to the Convertible Notes Investors on conversion of the Convertible Notes based on 20% discount to the issue price of A\$0.022 (approximately \$0.014 based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) per share pursuant to the Financing Conversion (“Convertible Note Shares”).

In addition, the Company granted 42,297,083 options to the Convertible Note Investors with each option having an exercise price of A\$0.033 (approximately \$0.021 based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) and expiring on 28 February 2026. Convertible Note Investors received two free attaching options for every three Convertible Note Shares issued pursuant to the Financing Conversion.

8. On 28 February 2024, the Company announced that it had received firm commitments for a placement of new Shares to raise approximately A\$4.25 million (approximately \$2.76 million based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) (before costs) at an issue price of A\$0.022 per Share to be issued by the Company together with two free attaching Options for every three Shares issued under the placement, with the same terms as described in section 7. above. The Placement comprises of:

A\$2,097 thousand (approximately \$1,385 thousand based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) - 95,312,242 Shares which have been issued to the Placement Investors using the Company's existing Listing Rule 7.1 and 7.1A placement capacity, and the proposed issue of up to 63,541,495 Placement Options (“Tranche 1 Placement”), all issued; and

A\$2,153 thousand (approximately \$1,459 thousand based on the exchange rate of several dates during 2024) - Further 97,869,571 Shares and up to 65,246,384 Placement Options to the Placement Investors (“Tranche 2 Placement”), 51,913,015 out of those were issued;

The issuance costs associated with Tranche 1 Placement and Tranche 2 Placement aggregated to A\$151 thousand (approximately \$102 thousand based on the exchange rate of several dates during 2024).

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NOTE 10 – EQUITY (CONT.):

9. Share purchase plan offer: In conjunction with the Placement finance round mentioned in section 8. above, the Company offered a Share Purchase Plan (“SPP”) for its eligible shareholders which contained the following key terms:

up to A\$30 thousand (approximately \$19 thousand based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) worth of Shares each, at an issue price of A\$0.022 per Share to raise up to approximately A\$1.0 million (approximately \$649 thousand based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) (before costs) via the issue of up to 45,454,545 Shares (SPP Shares); and two free attaching Options, with the same terms as described in section 7. above for every three SPP Shares.

The Company raised A\$177 thousand (approximately \$115 thousand based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024) and as a result issued 8,068,182 shares and granted 5,378,788 options. The issuance costs associated with the collected SPP aggregated to A\$20 thousand (approximately \$13 thousand based on the exchange rate of \$1.00 / A\$1.54 in effect as of 29 February 2024).

10. In August 2024 the Company issued 8,439,218 shares to three (3) of its directors in connection with service renders. The fair value of those shares aggregated to \$69 thousand. \$34 thousand out of those amounts were recorded within the consolidated statements of loss and other comprehensive income for the year ended 31 December 2024 and the remainder \$35 thousand in previous years.
11. In September 2024, the Company issued 6,520,393 ordinary shares to Voxel in connection with the second earn Out, see Note 4 for additional information.
12. During 2024 the Company issued 1,111,302 shares upon exercise of options.

c. Share rights:

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

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NOTE 10 – EQUITY (CONT.):

d. Stock options:

The outstanding options for the year ended 31 December 31, 2024 and 2023 are as follows:

	Year ended 31 December 2024	
	Number of options	Weighted average Exercise price in USD
Outstanding as of 1 January 2024	98,137,931	0.05
Granted	6,500,000	0.012
Exercised	(1,111,302)	0.001
Forfeited	(13,443,815)	0.131
Outstanding as of 31 December 2024	90,082,814	0.032
Exercisable options	56,752,775	0.043
	Year ended 31 December 2023	
	Number of options	Weighted average Exercise price in USD
Outstanding as of 1 January 2023	36,943,569	0.11
Granted	65,000,000	0.01
Forfeited	(3,805,638)	0.02
Outstanding as of 31 December 2023	98,137,931	0.05
Exercisable options	44,784,335	0.08

The Company granted 6,500,000 and 65,000,000 options during the year ended 31 December 2024 and 2023, respectively.

Those options were valued on their grant date based on Black Scholes option valuation methodology based on, among other things, the following key data and assumptions: exercise price per share of Between \$0.007 - \$0.02, vesting period is up to 3 years, expected volatility of 62% and 0% dividend yield.

Total value of the options granted during the years ended 31 December 2024 and 2023 were \$49 thousand and \$339 thousand, respectively.

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NOTE 11 – SUPPLEMENTARY INFORMATION:

a. Trade receivables:

	As of 31 December	
	2024	2023
Europe	2,615	2,050
Israel	175	319
	2,790	2,369

b. Other accounts payables:

	As of 31 December	
	2024	2023
Balances due to customers	1,850	1,407
Accrued expenses	193	426
Wages and related liabilities	231	239
Provision for vacation	47	59
Other	6	76
	2,327	2,207

c. Revenues:

	Year ended 31 December	
	2024	2023
Europe	2,823	1,881
Israel	184	168
	3,007	2,049

Major customers (defined as those from whom the Group derives at least 10% of its consolidated revenues):

During the years ended 31 December 2024 and 2023, consolidated revenues from the major customers reflected 17% (one customer) and none of the total consolidated revenues, respectively.

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NOTE 11 – SUPPLEMENTARY INFORMATION (CONT.):

d. Research and development expenses:

	Year ended 31 December	
	2024	2023
Salary and related expenses	988	943
Development costs	652	360
Subcontractors and consultants	50	44
Share based compensation	15	13
Governmental Grants received and changes in liability, net	(49)	(100)
Others	28	27
	<u>1,684</u>	<u>1,287</u>

e. Selling and marketing expenses:

	Year ended 31 December	
	2024	2023
Salary and related expenses	1,340	1,000
Marketing fees	260	473
Share based compensation	23	-
Other	2	4
	<u>1,625</u>	<u>1,477</u>

f. General and administrative expenses:

	Year ended 31 December	
	2024	2023
Professional fees	845	769
Salary and related expenses	601	624
Depreciation and amortization	281	235
Share based compensation	181	207
Share based compensation in connection with service rendered	-	129
Travel abroad	65	95
Others	867	1,064
	<u>2,840</u>	<u>3,123</u>

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NOTE 11 – SUPPLEMENTARY INFORMATION (CONT.):

g. Finance expenses and income:

	Year ended 31 December	
	2024	2023
Finance expenses:		
Interest in connection with bank loans	123	109
Interest in connection with royalties payable	94	98
Interest in connection with Lease liabilities	11	24
Exchange rate differences	92	40
Others	28	44
	<u>348</u>	<u>315</u>
Finance income:		
	Year ended 31 December	
	2024	2023
Fair value adjustments of Derivative liability Options, net of related expenses	344	-
Change in fair value of contingent consideration	63	238
Others	4	96
	<u>411</u>	<u>334</u>

NOTE 12 - TAXES ON INCOME:

a. General tax rate applicable to income in Israel:

Israeli corporate tax rate is 23% in 2024 and 2023. The Company in Israel has final tax assessments until 2018.

b. Non - Israeli subsidiaries:

Romanian corporate tax rate is 16% in 2024 and 2023. The Romanian subsidiary has final tax assessments until 2018.

UK corporate tax rate is 19%-25% (subject to taxable income) in 2024 and 2023. The UK subsidiary has final tax assessments until 2022.

Spain corporate tax rate is 25% in 2024 and 2023. The Spanish subsidiary has final tax assessments until 2019.

c. Net losses carry forwards:

As of December 31, 2024, the Company has estimated carry forward tax losses of approximately \$22.8 million which may be carried forward and offset against taxable income for an indefinite period in the future. The Company did not recognize deferred tax assets relating to carry forward losses in the consolidated financial statements because their utilization in the foreseeable future is not probable.

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NOTE 12 - TAXES ON INCOME (CONT.):**d. Tax reconciliation:**

	Year ended 31 December	
	2024	2023
Loss before taxes on income	(3,620)	(4,251)
Tax rate in Israel (23% in both years)	833	978
Different tax rates applied in the subsidiaries jurisdictions	47	2
Non-deductible expenses and other differences	(138)	(23)
Tax losses and other differences for which no deferred tax asset was recognized	(742)	(957)
Tax on income	-	-

NOTE 13 - LOSS PER SHARE:**Net loss per share attributable to equity owners:**

	Year ended 31 December	
	2024	2023
Net loss used in basic and diluted loss per share	(3,620)	(4,251)
Weighted average number of shares used in basic and diluted loss per share	836,642,399	468,548,048
Basic and diluted loss per share (dollars)	(0.004)	(0.009)

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NOTE 14 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS:

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

	Bank loans	Governmental loans	Lease Liabilities	Liability for royalties payable
As of 1 January 2024	(1,390)	(289)	(224)	(476)
<u>Changes from financing cash flows:</u>				
Royalties received from IIA, net of paid amount	-	-	-	(24)
Receipts of additional principal amount, net	125	-	-	-
Principal paid on lease liabilities	-	-	182	-
Total changes from financing cash flows	125	-	182	(24)
<u>Changes from operating cash flows:</u>				
Interest expenses and reassessment	-	(10)	-	(4)
Additions	-	-	(671)	-
Interest paid	123	-	11	-
Interest expenses	(123)	-	(11)	-
Adjustments arising from translation to reporting currency	77	16	31	27
Effects of exchange rate differences	(71)	-	2	-
Total changes from operating cash flows	6	6	(638)	23
As of 31 December 2024	(1,259)	(283)	(680)	(477)

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NOTE 14 - FINANCING ACTIVITIES IN THE STATEMENT OF CASH FLOWS (CONT.):

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

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

a. Credit risk:

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

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

	As of 31 December	
	2024	2023
Cash and cash equivalents	59	286
Trade receivables	1,951	1,783
Other accounts receivables	95	69
Total	<u>2,105</u>	<u>2,138</u>

b. Currency risk:

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

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

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

	As of 31 December 2024					
	NIS	USD	GBP	RON	Other	TOTAL
Current assets						
Cash and cash equivalents	47	1	5	4	2	59
Trade receivables	175	-	1,776	-	-	1,951
Other accounts receivables	73	-	10	12	-	95
	<u>295</u>	<u>1</u>	<u>1,791</u>	<u>16</u>	<u>2</u>	<u>2,105</u>
Current and non-current liabilities						
Bank loans	(1,259)	-	-	-	-	(1,259)
Trade payables	(177)	-	(47)	(105)	-	(329)
Lease liabilities	(507)	-	-	(14)	-	(521)
Other accounts payables	(839)	-	(1,371)	(36)	-	(2,246)
Liability for royalties payable	-	(476)	-	-	-	(476)
	<u>(2,782)</u>	<u>(476)</u>	<u>(1,418)</u>	<u>(155)</u>	<u>-</u>	<u>(4,831)</u>
Net	<u>(2,487)</u>	<u>(475)</u>	<u>373</u>	<u>(139)</u>	<u>2</u>	<u>(2,726)</u>
	As of 31 December 2023					
	NIS	USD	GBP	RON	Other	TOTAL
Current assets						
Cash and cash equivalents	257	1	19	5	4	286
Trade receivables	319	-	1,464	-	-	1,783
Other accounts receivables	37	-	16	16	-	69
	<u>613</u>	<u>1</u>	<u>1,499</u>	<u>21</u>	<u>4</u>	<u>2,138</u>
Current and non-current liabilities						
Bank loans	(1,390)	-	-	-	-	(1,390)
Trade payables	(154)	-	-	(5)	-	(159)
Lease liabilities	(170)	-	-	(54)	-	(224)
Other accounts payables	(534)	-	(1,315)	(53)	-	(1,902)
Liability for royalties payable	-	(476)	-	-	-	(476)
	<u>(2,248)</u>	<u>(476)</u>	<u>(1,315)</u>	<u>(112)</u>	<u>-</u>	<u>(4,151)</u>
Net	<u>(1,635)</u>	<u>(475)</u>	<u>184</u>	<u>(91)</u>	<u>4</u>	<u>(2,013)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):**c. Sensitivity analysis:**

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

	Year ended 31 December	
	2024	2023
NIS	249	164
USD	48	48
GBP	(37)	(18)
RON	14	9

d. Liquidity risk:

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

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

	As of 31 December 2024				
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years
Bank loans	(1,259)	-	-	-	-
Governmental loans	(56)	(38)	(38)	(38)	(208)
Trade payables	(434)	-	-	-	-
Lease liabilities	(208)	(191)	(205)	(205)	-
Other accounts payables	(2,327)	-	-	-	-
Liability for royalties payable	(150)	(155)	(168)	(218)	-
Total	(4,434)	(384)	(411)	(461)	(208)

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

	As of 31 December 2023				
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years
Bank loans	(1,005)	(385)	-	-	-
Governmental loans	(20)	(40)	(40)	(40)	(277)
Trade payables	(220)	-	-	-	-
Lease liabilities	(142)	(103)	-	-	-
Other accounts payables	(2,207)	-	-	-	-
Liability for royalties payable	(108)	(160)	(138)	(154)	(201)
Total	(3,702)	(688)	(178)	(194)	(478)

e. Fair value of financial assets and liabilities:

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Contingent consideration – as of 31 December 2024	-	-	26	26
Contingent consideration – as of 31 December 2023	-	-	137	137

The fair value measurement of the Contingent consideration in the table above as of 31 December 2024 and 2023 were based on the mechanism described in Note 4.

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

	2024	2023
As of 1 January	(137)	(409)
Issuance of shares	44	45
Change in fair value	63	238
Adjustments arising from translation to reporting currency	4	(11)
As of 31 December	(26)	(137)

WAY2VAT LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands)

NOTE 16 - RELATED PARTIES:

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

Transaction – expenses*	Year ended 31 December	
	2024	2023
Management Fee to the CEO and director	266	283
Consultancy fees to directors	116	134
Share based compensation to the CEO and director	118	141
Share based compensation to directors	31	52

* Recorded within the General and administrative expenses line item.

Liabilities to related parties**	Nature of transaction	As of 31 December	
		2024	2023
CEO and director	Management Fees	8	23
Directors	Consultancy fees	41	39

** Recorded within the other accounts payables line item.

NOTE 17 – LEGAL PROCEEDINGS:

- a. DevoluVA is a party to one small historical (before the acquired date) legal proceeding and two current ones. The exposure of all is up to \$50 thousand. No provision was recorded as of 31 December 2024 and 2023 due to the uncertainty outcome of those proceedings.
- b. On 24 February 2024 the Company was served with a lawsuit filed by its former landlord in a total amount of NIS 163 thousand (approximately \$45 thousand based on the exchange rate of \$1.00 / NIS 3.647 in effect as of 31 December 2024) for office rent differences for prior periods. The Company does not agree with such a demand, submitted its defense to the court as well as an affidavit by one witness. The evidence hearing is set to 22 December 2025. This litigation is still in its early stage and therefore no provision was recorded as of 31 December 2024.

NOTE 18 - SUBSEQUENT EVENT:

In January-February 2025, the Company raised A\$2.55 million (approximately \$1.58 million based on the exchange rate of \$1.00 / A\$1.61 in effect as of 31 December 2024), before costs via issue of Convertible Notes from certain sophisticated investors and key shareholders. The conversion conditions are detailed within the related subscription agreements but in any event the conversion price will be no more than A\$0.015 (approximately \$0.009 based on the exchange rate of \$1.00 / A\$1.61 in effect as of 31 December 2024) per share.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 24 March 2025.

1. DISTRIBUTION OF EQUITABLE SECURITIES

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

Holding Ranges	No. of Holders of Ordinary Securities	No. of Ordinary Securities	% Issued Ordinary Securities	No. of Holders of Options	No. of Options	% Issued Options	No. of Holders of Convertible Notes	No. of Convertible Notes	% Issued Convertible Notes
above 0 up to and including 1,000	27	3,762	0.00%	3	3	0.00%	26	51	100.00%
above 1,000 up to and including 5,000	87	275,312	0.03%	-	-	-	-	-	-
above 5,000 up to and including 10,000	97	859,188	0.09%	-	-	-	-	-	-
above 10,000 up to and including 100,000	387	17,336,095	1.86%	6	472,388	0.29%	-	-	-
above 100,000	378	915,525,784	98.02%	64	162,657,990	99.71%	-	-	-
Totals	976	934,000,141	100.00%	73	163,130,381	100.00%	26	51	100.00%

Based on the price per security as at 24 March 2025, number of holders with an unmarketable holding: **498**, with total 9,773,907, amounting to 0.01% of Issued Capital.

2. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders as at 24 March 2025.

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

Holder Name	Holding	% IC
UBS NOMINEES PTY LTD	155,008,159	16.60%
CASSA TRADING PTY LTD <CASSA TRADING A/C>	36,750,000	3.93%
VOXEL MEDIA SL	27,868,225	2.98%
ABSOLUTE INVESTMENTS AUSTRALIA PTY LTD <ABSOLUTE A/C>	26,600,000	2.85%
ORIENT GLOBAL HOLDINGS PTY LTD <AL'N'ALL A/C>	24,132,125	2.58%
DAVSAM PTY LTD <ROSEMAN RETIREMENT FUND A/C>	23,006,575	2.46%

DE SILVA SUPER NOMINEES PTY LTD <APEX SUPER FUND A/C>	18,213,636	1.95%
AMOS SIMANTOV	17,928,378	1.92%
MR THOMAS FRITZ ENSMANN	17,909,856	1.92%
YARRAC PTY LTD <COLEBATCH PROPERTY A/C>	17,647,182	1.89%
WICKLOW CORPORATION	17,045,455	1.83%
IRWIN BIOTECH NOMINEES PTY LTD	16,000,000	1.71%
BOMAN ASSET MANAGEMENT PTY LTD	15,790,273	1.69%
MR CARLOS PEDRO GISLER	14,717,373	1.58%
ICE COLD INVESTMENTS PTY LTD <G & J BROWN SUPER FUND A/C>	14,444,432	1.55%
MONETA SEEDS LP	13,534,332	1.45%
WALKLEY HOLDINGS PTY LTD <AUSTRALASIAN SHOPFIT S/F A/C>	13,278,065	1.42%
BNP PARIBAS NOMS PTY LTD	11,744,457	1.26%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	11,698,291	1.25%
CITICORP NOMINEES PTY LIMITED	11,619,113	1.24%
Total	504,935,927	54.06%
Total issued capital - selected security class(es)	934,000,141	100.00%

Unquoted equity securities

	Number on Issue	Number of Holders
Options	92,552,681	70
Convertible Notes	51	26

Holder of 20% or more of unquoted equity securities:

Name	Class	Number held
AMOS SIMANTOV (AND HIS INDIRECT HOLDING 'PERFORMANCE SYSTEMS LTD')	Options	46,274,789

3. VOTING RIGHTS

Voting rights are as set out below:

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

4. ON-MARKET BUY BACK

There is currently no on-market buyback program.

5. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Company confirms that it has been using the cash and assets for the year ended 31 December 2024 in a way that is consistent with its business objectives and strategy.