SAFE-T GROUP LTD.

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

MARCH 31, 2018

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31		December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
CURRENT ASSETS:			
Cash and cash equivalents	1,609	1,692	3,514
Restricted deposit	97	47	93
Trade receivables and contract assets	852	*420	644
Other receivables	199	117	163
	2,757	2,276	4,414
NON-CURRENT ASSETS:			
Property, plant and equipment, net	176	65	165
Restricted deposit	-	13	-
Deferred issuance expenses	132	-	61
Goodwill	523	523	523
Intangible assets, net	703	953	764
	1,534	1,554	1,513
TOTAL ASSETS	4,291	3,830	5,927
CURRENT LIABILITIES:			
Short-term loan from related party	-	63	-
Accounts payable and accruals:			
Trade	195	44	178
Other	1,013	801	877
Contract liability	777	*436	424
Proceeds on account of private allocation	-	613	-
Liability in respect of the Israeli Innovation Authority	71	79	92
	2,056	2,036	1,571
NON-CURRENT LIABILITIES:			
Derivatives financial instruments – warrants	3	1,168	237
Contract liability	234	*140	286
Liability in respect of anti-dilution feature	181	3	692
Liability in respect of the Israeli Innovation Authority	-	39	-
	418	1,350	1,215
COMMITMENTS			
EQUITY:			
Share premium	29,240	22,706	28,494
Other equity reserves	12,117	11,837	12,583
Accumulated deficit	(39,540)	(34,099)	(37,936)
TOTAL EQUITY	1,817	444	3,141
TOTAL EQUITY AND LIABILITIES	4,291	3,830	5,927

* Early adoption of IFRS 15

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

Date of approval of financial statements by Company's Board of Directors: June 20, 2018.

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

SAFE-T GROUP LTD.

CONDESED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Three-month period ended March 31		Year ended December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
REVENUE	458	*319	1,096
COST OF REVENUE	223	139	583
GROSS PROFIT	235	180	513
OPERATING EXPENSE:			
Research and development expense	487	305	1,608
Selling and marketing expense	1,593	658	4,051
General and administrative expense	484	475	2,150
TOTAL OPERATING EXPENSE	2,564	1,438	7,809
OPERATING LOSS	(2,329)	(1,258)	(7,296)
FINANCE EXPENSE	(18)	(341)	(975)
FINANCE INCOME	743	123	2,959
FINANCE INCOME (EXPENSE), net	725	(218)	1,984
LOSS BEFORE TAXES ON INCOME	(1,604)	(1,476)	(5,312)
TAXES ON INCOME	-	-	1
NET LOSS FOR THE PERIOD	(1,604)	(1,476)	(5,313)
BASIC LOSS PER SHARE (IN DOLLARS)	(0.08)	(0.10)	(0.29)
DILUTED LOSS PER SHARE (IN DOLLARS)	(0.10)	(0.10)	(0.29)

* Early adoption of IFRS 15

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

SAFE-T GROUP LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Cost of treasury shares	Share premium	Receivables on account of shares	Accumulated deficit	Other equity reserves	Total
	U.S. dollars in thousands						
BALANCE AT DECEMBER 31, 2017 (audited)	-	-	28,494	*	(37,936)	12,583	3,141
BALANCE AT JANUARY 1, 2018 (unaudited)							
CHANGES IN THE THREE MONTHS ENDED MARCH 31, 2018 (unaudited):							
Exercise of options			727			(643)	84
Share-based payment						196	196
Expiry of options			19			(19)	-
Loss for the period					(1,604)		(1,604)
BALANCE AT MARCH 31, 2018 (unaudited)	-	-	29,240	*	(39,540)	12,117	1,817
BALANCE AT DECEMBER 31, 2016 (audited)	-	-	22,220	*	(32,672)	11,624	1,172
ADJUSTMENTS DUE TO APPLICATION OF IFRS 15					49		49
			22,220	*	(32,623)	11,624	1,221
CHANGES IN THE THREE MONTHS ENDED MARCH 31, 2017 (unaudited):							
Exercise of warrants			469				469
Share-based payment						230	230
Expiry of options			17			(17)	-
Loss for the period					**(1,476)		**(1,476)
BALANCE AT MARCH 31, 2017 (unaudited)			22,706		(34,099)	11,837	444
BALANCE AT DECEMBER 31, 2016 (audited)	-	-	22,220	*	(32,672)	11,624	1,172
ADJUSTMENTS DUE TO APPLICATION OF IFRS 15					49		49
BALANCE AT JANUARY 1, 2017	-	-	22,220	*	(32,623)	11,624	1,221
CHANGES IN THE YEAR 2017:							
Exercise of options			543			(463)	80
Exercise of warrants			2,286				2,286
Share-based payment						1,318	1,318
Proceeds from private placement of shares net of issuance costs of $ 422 thousand			3,416			133	3,549
Expiry of options			29			(29)	-
Net loss for the year			-		(5,313)	-	(5,313)
BALANCE AT DECEMBER 31, 2017 (audited)	-	-	28,494	*	(37,936)	12,583	3,141

* Represents an amount of less than $1 thousand.

** Early adoption of IFRS 15.

SAFE-T GROUP LTD.

CONDESED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three-month period ended March 31		Year ended December 31
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the period	(1,604)	*(1,476)	(5,313)
Adjustments required to reflect the cash flows from operating activities:			
Exchange differences on cash and cash equivalents balances	16	(69)	(251)
Change in financial liabilities at fair value through profit or loss	(745)	296	(1,981)
Issuance expenses	-	-	242
Foreign currency transaction gain	(4)	-	-
Amortization of intangible assets	61	62	251
Depreciation	13	6	27
Capital gain	-	-	(5)
Share-based payment	196	230	1,318
	(463)	525	(399)
Changes in operating asset and liability items:			
Increase in trade receivables and contract assets	(208)	*(276)	(138)
Increase in other receivables	(36)	(10)	(56)
Increase in trade payables	17	-	134
Increase in other payables	136	160	236
Decrease in contract liability	301	*419	191
	210	293	367
Net cash used in operating activities	(1,857)	(658)	(5,345)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	-	-	15
Restricted deposits	-	-	(36)
Acquisition of property, plant and equipment	(24)	(1)	(132)
Net cash used in investing activities	(24)	(1)	(153)

* Early adoption of IFRS 15

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

SAFE-T GROUP LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Three-month period ended March 31		Year ended December 31
	2018	**2017**	**2017**
	(Unaudited)		**(Audited)**
	U.S dollars in thousands		
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment to Israeli Innovation Authority	(21)	-	(26)
Payment of loans	-	-	(63)
Proceeds from issuance of shares and warrants, net of issuance expenses paid in cash	-	613	5,582
Deferred issuance expenses	(71)	-	(61)
Proceeds in respect of exercise of options and warrants	84	358	2,018
Net cash provided by (used in) financing activities	(8)	971	7,450
INCREAESE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,889)	312	1,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,514	1,311	1,311
EFFECT OF EXCHANGE RATE DIFFERENCES IN RESPECT OF CASH AND CASH EQUIVALENTS	(16)	69	251
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,609	1,692	3,514
SUPPLEMENTARY DATA ON ACTIVITIES NOT INVOLVING CASH FLOWS:			
Conversion of warrants into shares	-	-	348
Issuance of warrants to advisors	-	-	(133)

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

NOTE 1 - GENERAL:

a. Safe-T-Data Group Ltd. (hereinafter - the "Company") is a holding company, which is engaged, as of that date, through the subsidiary Safe-T Data (hereinafter – "Safe-T") and its subsidiaries (RSAccess Ltd. and Safe-T USA Inc.) (hereinafter – "RSAccess", "Safe-T Inc." and together with the Company – the "Group") in the development and marketing of solutions for secure and safe data transfer that allow organizations to benefit from improved productivity and effectivity, enhanced security and higher level of compliance with regulatory requirements relating to information security. As of September 30, 2017, RSAccess was merged into Safe-T and its operation was liquidated.

b. A merger transaction between the Company and Safe-T was completed on June 15, 2016, such that the Company holds all the share capital and voting rights of Safe-T and Safe-T's shareholders gained control in the Company. The Company is essentially a holding company, which operates, as of that date, through Safe-T, a fully owned subsidiary of the Company and its subsidiaries.

c. The condensed consolidated financial statements include the Company and Safe-T's financial statements. Although legally the Company is the entity, which acquired the shares, since Safe-T's shareholders gained control over the Company, Safe-T is the accounting acquirer and therefore the transaction was accounted for using the reverse acquisition method.

d. The Company has accrued losses and most of its activities are funded by its shareholders. Therefore, the continuation of the Company's activities is conditional upon its obtaining additional funding until it achieves profitability. The Company monitors its cash flow projections on a current basis and takes active measures to obtain the funding it requires to continue its operations (see note 8a). These cash flow projections are subject to various risks and uncertainties concerning their fulfilment. The above factors and the risk inherent in the Company's operations raise significant doubts as to the Company's ability to continue as a "going concern". The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and the amounts and classification of liabilities that might be necessary should the Company be unable to continue in its present form.

NOTE 2 - BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

a. Basis of presentation

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2018 (the "Condensed Consolidated Interim Financial Statements") have been prepared in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting". These Condensed Consolidated Interim Financial Statements, which are unaudited, do not include all the information and disclosures that would otherwise be required in a complete set of annual financial statements and should be read in conjunction with the annual financial statements as of December 31, 2017 and their accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period.

The accounting policies applied in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements as of December 31, 2017, except for the adoption of International Financial Reporting Standard No. 9 "Financial Instruments" ("IFRS 9"), effective from January 1, 2018, which did not have a material effect on the Company's financial statements.

NOTE 2 - BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**:**

b. Estimates

The preparation of interim financial statements requires the Company's management to exercise its judgment and to use significant accounting estimates and assumptions that affect the application of the Company's accounting policy and the amounts of reported assets, liabilities, income and expenses. Actual results may materially differ from those estimates.

In preparation of these condensed consolidated interim financial statements, the significant judgments that were exercised by the management in applying the Company's accounting policy and the key sources of estimation uncertainty were similar to those applied in the Company's annual financial statements for the year ended December 31, 2017.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES:

a. Early adoption of IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15" or "the Standard")

1. General

The Company has decided to early adopt IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") from January 1, 2017 ("date of initial application"), whereas revenues recognized in 2016 were accounted for according to the provisions of IAS 18 "Revenue". The early adoption of IFRS 15 by the Company was done pursuant to the transitional provision that enables the recognition of the accumulated impact of adoption as an adjustment of the opening balance of retained earnings as of January 1, 2017 (also known as the modified retrospective approach).

The Standard replaces the guidelines that were in effect through January 1, 2017 regarding revenue recognition and presents a new single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model framework consists of five steps for analyzing transactions to determine the timing and amount of revenue recognition.

The accounting policy applied to the revenues presented in the condensed interim of profit and loss for the three-month period ended March 31, 2018 and the comparative figures for the corresponding period ended March 31, 2017, which were restated to conform with IFRS 15, is consistent with the accounting policy set out in the accounting policies note in the Company's annual financial statements for the year ended December 31, 2017.

2. Effect of adopting IFRS 15

The quantitative effects arising from the early application of IFRS 15 on the condensed consolidated statement of financial position as of March 31, 2017 and on the condensed consolidated statements of profit and loss for the three months ended on that date, presented by way of comparison between the amounts recognized in this period applying the provisions of IFRS 15, and the amounts that would have been recognized applying the previous revenue recognition policy (according to IAS 18), as detailed below:

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

a. Income statement (unaudited)

	Three-months ended March 31, 2017 as reported	Three-months ended March 31, 2017 according to previous policy	Effect of adopting IFRS 15
	U.S dollars in thousands		
Revenue	319	195	124
Net income	(1,476)	(1,600)	124
Basic and diluted loss per share	(0.10)	(0.10)	-

b. Statement of financial position (unaudited)

	Balance at March 31, 2017 as reported	Balance at March 31, 2017 according to previous policy	Effect of adopting IFRS 15
	U.S dollars in thousands		
Trade receivables and contract assets	420	44	376
Contract liability-short term	436	-	436
Contract liability-long term	140	-	140
Deferred revenue-short term	-	321	(321)
Deferred revenue-long term	-	52	(52)

3. Disaggregated revenue data

Set forth below is a breakdown of the Company's revenue by geographic regions:

	Israel	USA	Other	Total
		U.S. dollars in thousands		
Company's revenue:				
For the three-months ended March 31, 2018 (unaudited)	270	81	107	458
For the three-months ended March 31, 2017 (unaudited)	221	96	2	319
For 2017 (audited)	823	227	46	1,096

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Set forth below is a breakdown of the Company's revenue by revenue stream:

	Three-months ended March 31, 2018 (unaudited)	Three-months ended March 31, 2017 (unaudited)	Year ended December 31, 2017 (audited)
	U.S dollars in thousands		
Revenue:			
Revenue from sale of licenses	311	197	486
Revenue from provision of maintenance and support services	132	112	519
Revenue from provision of other services	15	10	91
Total revenue	458	319	1,096

b. IFRS 9 – "Financial Instruments" (hereinafter – "IFRS 9" or "the Standard")

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling.

The standard presents a new model for impairment of financial assets. The new model is based on expected credit losses and it replaces the incurred loss impairment model used in IAS 39.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The Company adopted IFRS 9 on January 1, 2018. The Company's financial assets continue to be measured, as in the past, at their amortized cost, while applying the impairment model for impairment mentioned above. The Company's non-derivative financial liabilities also continue to be measured at their amortized cost.

The initial application of IFRS 9 did not have a material effect on the Company's condensed consolidated financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

c. New standards and interpretations not yet adopted

1. IFRS 16 – "Leases" (hereinafter – "IFRS 16")

   IFRS 16 will replace upon first-time implementation the existing guidance in IAS 17 "Leases"(hereinafter – "IAS 17"). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and is expected to have material impact mainly on the accounting treatment applied by the lessee in a lease transaction.

   IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts (except for the following), with no distinction between financing and capital leases. IFRS 16 exempts lessees in short-term leases or the when underlying asset has a low value.

   IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

   IFRS 16 also changes the definition of a "lease" and the manner of assessing whether a contract contains a lease.

   IFRS 16 will be effective retrospectively for annual periods beginning on or after January 1, 2019, taking into account the reliefs specified in the transitional provisions of IFRS 16. Under the provisions of IFRS 16, early adoption is permitted only if IFRS 15 has also been applied. The Company is assessing the expected impact of IFRS 16 on its condensed consolidated financial statements.

2. In the Company's annual financial statements for 2017, information was presented regarding new IFRS standards and amendments to existing IFRS that are not yet in effect and which the Company did not choose to apply earlier.

   The Company is examining the effect of these standards on the financial statements.

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

a. Fair value disclosure

As of March 31, 2018, the Company does not have financial liabilities, which are based on observable data (level 1) in respect of derivative financial instruments.

b. Fair value measurements based on unobservable data (level 3)

The Company evaluated the fair value of the options and anti-dilution mechanisms that were issued to the private investors and to advisors in connection with capital raising rounds that have taken place over the course of the 3-month period ended March 31, 2018 (see note 7).

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued):

The following table presents Company's financial liabilities, which are measured at fair value for the three-month period ended March 31, 2018 (unaudited):

	Anti-dilution feature	**Warrants**	**Total**
	U.S dollars in thousands		
Balance as of January 1, 2018	692	61	753
Finance income, net	(511)	(58)	(569)
Balance as of March 31, 2018	181	3	184
Total unrealized gains for the period included in profit or loss for liabilities held at the end of the reporting period	(511)	(58)	(569)

The following table presents Company's financial liabilities which are measured at fair value for the three-month period ended March 31, 2017 (unaudited):

	Anti-dilution feature
Balance as of January 1, 2017	94
Finance income, net	(91)
Balance as of March 31, 2017	3
Total unrealized gains (losses) for the period included in profit or loss for liabilities held at the end of the reporting period	91

The following table presents Company's financial liabilities which are measured at fair value as of December 31, 2017 (audited):

	Anti-dilution feature	**Warrants**	**Total**
	U.S. dollar in thousands		
Balance as of January 1, 2017:	94	-	94
Inception	315	1,958	2,273
Finance expenses (income), net	283	(1,897)	(1,614)
Balance as of December 31, 2017	692	61	753
Total unrealized gains (losses) for the period included in profit or loss for liabilities held at the end of the reporting period	283	(1,897)	(1,614)

c. **Valuation processes used by the Company**

Company's valuation policy and methodology are consistent with the ones disclosed in the 2017 condensed consolidated financial statements.

d. **Fair value of financial assets and financial liabilities measured at amortized cost**

Assets and liabilities, which are not measured on a recurrent basis at fair value, are presented at their carrying amount, which approximates their fair value,

NOTE 5 - TRANSACTIONS WITH RELATED PARTIES

a. On June 20, 2016, the Company repaid all of Safe-T's loans amounting to $ 2,178 thousand. This refund recorded as a loan to Safe-T. On July 25, 2016, the Company and Safe-T signed a credit facility agreement, for the purpose of withdrawing the above mentioned loan and further loans which are taken by Safe-T for its operating activities. The loans bear interest in accordance with the rate set in the Income Tax Regulations and they are repayable in one installment or several installments within three years from the date of receipt of each such loan.

   In the year 2018, Safe-T has withdrawn further amounts totaling approximately $1,057 thousand on account of the said credit facility, such that the total amount of the loans extended by the Company to Safe-T is approximately $11,894 thousand as of March 31, 2018 (including exchange differences) (and the total amount of interest is $ 328 thousand).

b. As part of the ongoing running of its business, the Company receives management services from the controlling shareholder and the Chairman of the Board of Directors in consideration for a monthly payment of $ 15 thousand. In the three-month periods ended March 31, 2018, total payroll costs amounted to approximately $ 48 thousand. As of March 31, 2018, this balance reflected a $ 16 thousand balance payable to the controlling shareholder.

c. The Company employs related parties. In the three-month periods ended March 31, 2018, the total payroll costs, including share based compensation, amounted to approximately $ 79 thousand. As of March 31, 2018, the balance payable to those related parties amounted to approximately $56 thousand.

NOTE 6 - EQUITY

a. Composition of share capital:

	Number of shares			
	Authorized	Issued and paid	Authorized	Issued and paid
	March 31, 2018		December 31, 2017	
Ordinary shares of no par value	1,000,000,000	20,342,454	1,000,000,000	20,198,583

b. Approval of private allocation

On March 27, 2017, the Company's Board of Directors approved a private share allocation agreement. Under the agreement, the Company shall allocate 1,963,834 packages comprising 1 share and 1 warrant in consideration for 6.00 NIS per package, such that the total consideration to be received by the Company will amount to approximately 11.8 million NIS (approximately $3.3 million). In April 2017, the Stock Exchange issued an approval for the finalization of the allocation.

The warrants that were awarded to the investors are non-marketable. The exercise price of the warrants that will be awarded to the investors will be 8.75 NIS per share. The warrants will expire on November 30, 2018. The investment of one of the Company's investors – amounting to approximately 3.63 million NIS – was subject to listing the Company's shares for trading over the counter (OTC) in the USA. The investor has waived this demand and invested 3.63 million NIS (approximately $ 1 million) in the Company. The Company allocated 605,000 shares to this investor against the said investment. Those shares are included in the number of packages approved by the Company's Board of Directors on March 27, 2017.

Furthermore, on April 24 and April 30, 2017, the Company's Board of Directors approved the extension of the private allocation by approximately 2,649 thousand NIS (approximately $727 thousands) under the same terms, against the allocation of 441,483 shares. The prices of the shares and the terms of the options are similar to the terms of the private allocation from March 27, 2017.

NOTE 6 - EQUITY (continued):

In addition, on May 21, 2017, the Company's Board of Directors approved a further extension of the private allocation pursuant to an agreement where under two of the investors will make further investments in the Company. Under the agreement, the Company allocated 1,174,286 packages comprising 1 share and 1 warrant in consideration for 7.00 NIS per package, such that the additional consideration received by the Company totaled approximately 8.15 million NIS (approximately $ 2.28 million). The exercise price of the warrants is 10.00 NIS per share and they shall expire on November 30, 2018.

On June 26, 2017, the Company obtained all approvals required for listing the Company's shares as ADS (American Depository Shares) that are tradable as part of the OTCQB Venture Market of the Over the Counter (OTC) market in the USA. In accordance with the approvals, the Company commenced trade as part of the ADR Level 1 program from June 27, 2017 under the symbol SFTTY; each ADS represents 4 ordinary Company shares.

As part of the abovementioned allocations, the Company has undertaken that in case that it will decide to allocate additional securities over the course of up to 12 months from the dates of the allocations, at a price per share that is lower than the price per share that was set as part of the private allocation, it will compensate the investors by allocating additional shares in accordance with the difference between the price per share of the relevant allocation and the price per share in the future allocation, up to a minimal price that ranges between 4-6 NIS per share, according to the terms of the relevant allocation.

In connection with the private allocation referred to in this note 6b, the Company used the services of advisers, who mediated between the investors and the Company. In consideration for the services rendered by those advisors, the Company awarded them warrants, as follows:

Date of award	Number of warrants awarded	Exercise price (in NIS)	Exercise period (in years)
April 6, 2017	11,383	6	5
April 6, 2017	56,558	6	3
May 11, 2017	22,074	6	3
May 22, 2017	45,375	6	3
June 13, 2017	84,500	10	3

The Company accounted for the said awards in accordance with the provisions of IFRS 2. The value of the services that were rendered by the advisors was allocated on a pro rata basis between the premium and general and administrative expenses in accordance with the proportion of equity instruments and liability instruments included in the private allocations.

The Company received a total of 22,634 thousand NIS ($ 6,244 thousand) as a result of the private allocation (including the two extensions).

c. Series 1 warrants

On January 30, 2017, the Company's general meeting decided to defer the exercise date of the Series 1 warrants from February 9, 2017 to April 30, 2017 and to reduce the exercise price of the warrants from 6.25 NIS to 5.50 NIS.

As of April 30, 2017, 8,750 warrants were exercised before the reduction of the exercise price, for a total consideration of approximately 55 thousand NIS (approximately $14 thousand), and 1,281,529 warrants were exercised after the reduction of the exercise price, for a total consideration of approximately 7,048 thousand NIS (approximately $1,930 thousand) (99.85% of all series 1 warrants were exercised in consideration for approximately 7,103 thousand NIS (approximately $ 1,943 thousand). The remaining warrants expired on April 30, 2017.

NOTE 6 - EQUITY (continued):

d. Series 2 warrants

In November 2017, the Company's Board of Directors approved taking the required steps to postpone the expiry of Series 2 options from December 9, 2017 to February 9, 2018, and to reduce the exercise price of the options from 7.50 NIS per share to 6.50 NIS per share.

On February 9, 2018, Series 2 options expired. Out of a total of 2,884,950 options, 7,020 options (0.24%) were exercised for an exercise amount of $14.6 thousand. The rest of the options expired.

NOTE 7 - LOSS PER SHARE

a. **Basic**

Basic loss per share is calculated by dividing the loss attributable to Company's owners by the weighted average number of ordinary shares in issue.

	Three-month period ended March 31		Year ended December 31
	2018	2017	2017
	U.S. dollars in thousands		
Loss attributable to Company's owners	1,604	*1,476	5,313
The weighted average of the number of ordinary shares in issue (in thousands of shares)	20,323	15,262	18,433
Basic loss per share (dollar)	0.08	0.10	0.29

* Early adoption of IFRS 15

In the calculation of the loss per share, the Company used the weighted average number of Safe-T shares until the date of finalization of the merger transaction, multiplied by the exchange ratio determined for the transaction, as described in note 1c. The number of shares used in the calculation as from the transaction date is the weighted average number of Company's shares.

b. Diluted

The diluted loss per share is computed by adjusting the weighted average number of ordinary shares in issue by including all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: non-marketable warrants and marketable warrants. The underlying assumption in computing the diluted loss per share is that all warrants shall be converted into ordinary shares and the net loss is adjusted to cancel the effect of finance income in respect of those instruments.

NOTE 7 - LOSS PER SHARE (continued):

	Three-month period ended March 31		Year ended December 31
	2018	2017	2017
	U.S. dollars in thousands		
Loss attributable to Company's owners, used in computation of basic loss per share	1,604	*1,476	5,313
Adjustment in respect of the finance income relating to anti-dilution mechanism	511	-	-
	2,115	1,476	5,313
The weighted average of the number of ordinary shares in issue used in computation of basic loss per share (in thousands of shares)	20,323	15,262	18,433
Adjustment in respect of incremental shares assuming the conversion of the anti-dilution mechanism	1,084	-	-
	21,407	15,262	18,433
Diluted loss per share (dollar)	0.10	0.10	0.29

* Early application of IFRS 15

When calculating the diluted loss per share for 2017 and 2016, the Company accounted for the dilutive effect of the anti-dilution mechanism. Other financial instruments were not accounted for when calculating the diluted loss per share for 2017 and 2016 since their effect, on a fully diluted basis, is anti-dilutive.

NOTE 8 - SUBSEQUENT EVENTS

a. Private placement

On June 3, 2018, the Company completed a private allocation of 7,634,536 shares and 4,378,693 warrants in consideration of approximately 10.6 NIS million (approximately $2.97 million). The warrants that were awarded to the investors are non-marketable and can be exercised to ordinary shares of the Company using a conversion ratio of 1:1 and for an exercise price of $0.65 per share until November 30, 2019.

As part of the abovementioned allocation, the Company has undertaken that in case that it will decide to allocate additional securities over the course of up to 24 months from the allocation closing date, at a lower price per share, it will compensate the investors by allocating them additional shares according to relevant agreements.

Also, the Company may compensate a foreign investor with additional shares, subject to non-fulfillment of certain terms related to the conversion of the shares to ADS (American Depository Shares) within 6 months from the allocation closing date. In addition, the Company approved an allocation of 416,456 shares which were triggered by an anti-dilution clause related to previous share purchase agreements executed in 2017, in consideration of approximately 125 NIS thousand.

As a result of the allocation, the Company will also grant to three brokers 414,042 non-marketable warrants in consideration of an exercise price of $0.65 per share to be exercised until November 30, 2019, and also 12,893 non-marketable warrants in consideration of 10.0 NIS per share to be exercised until November 30, 2018.

The brokers will receive fees equal to approximately 5.6% in cash out of the gross proceeds received in the allocation (not including the gross proceeds resulted from the anti-dilution shares allocation).

NOTE 8 - SUBSEQUENT EVENTS (continued):

The allocation closing date is subject to formal approval by Tel Aviv Stock Exchange, which is expected to be received until the beginning of June 2018.
As of the date of the financial statements approval, the Company received an amount of approximately 10,725 NIS thousand from the issuance (approximately 3,008 $ thousand).

b. Options grant and options re-pricing

On June 20, 2018, the Company's board of directors approved the award of 900,048 options to Company's employees and consultants at an exercise price of 4.50 NIS per share. The options will be exercisable at the end of the vesting periods in accordance with the terms of the award agreements.

The board of directors also approved the reduction of the exercise prices of 1,733,504 options awarded to the Company's employees and one consultant between August 28, 2016 and November 27, 2017 at exercise prices which ranged between NIS 4.887 per share and NIS 6.976. All exercise prices of the said options were reduced to NIS 4.5 per share. The reduction is subject to the approval of the tax authorities.
The amount above includes 231,840 options granted to the Company's CEO, which are subject also to the approval of the Company's shareholders.