

G Medical Innovations Holdings Ltd.

Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2023

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G Medical Innovations Holdings Ltd.

Unaudited Interim Condensed Consolidated Statements of Financial Position

(In thousands of USD)

	Note	June 30, 2023	December 31, 2022
Assets			
Cash and cash equivalents		2,009	295
Restricted deposit		117	142
Inventory	4	206	292
Trade receivables, net		832	593
Loan to major shareholder, net		330	230
Other accounts receivable		358	441
Total current assets		3,852	1,993
Other accounts receivable		152	185
Property, plant and equipment, net		2,555	2,263
Right-of-use asset		738	384
Total non-current assets		3,445	2,832
Total assets		7,297	4,825
Liabilities and Shareholder's Equity (Deficit)			
Short term loan and current maturities of long-term loans		150	144
Trade payables		3,450	4,655
Other accounts payable	10	1,774	2,031
Convertible securities	6	-	737
Derivative liabilities at fair value – warrants	6	1,739	618
Loan from major shareholder at fair value		-	765
Current maturities of lease liability		227	163
Total current liabilities		7,340	9,113
Long term loans		44	53
Long term lease liability		539	230
Total non-current liabilities		583	283
Shareholder's Equity (Deficit)	5		
Ordinary shares (\$0.0001 par value 100,000,000 shares authorized and 9,456,263 shares issued and outstanding as of June 30, 2023. As of December 31, 2022, \$3.15 par value 100,000,000 shares authorized and 1,532,794 shares issued and outstanding)		13	4,835
Other reserve		1,500	1,500
Translation reserve		2	2
Additional paid in capital		116,544	101,694
Treasury shares		(121)	(121)
Accumulated deficit		(121,279)	(115,263)
Shareholders' Deficit		(3,341)	(7,353)
Non-controlling interest		2,715	2,782
Total shareholders' deficit		(626)	(4,571)
Total Liabilities and Shareholders' Deficit		7,297	4,825

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

G Medical Innovations Holdings Ltd.

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

(In thousands of USD, except per share amounts)

	Note	For the six months period ended June 30,	
		2023	2022*
Revenue:			
Services		3,051	1,863
Products		18	-
Total revenue		3,069	1,863
Cost of revenue			
Cost of services		2,197	931
Cost of sales of products		113	728
Total cost of revenue		2,310	1,659
Gross profit		759	204
Operating expenses:			
Research and development expenses		972	1,189
Selling, general and administrative expenses		8,202	12,091
Operating loss		8,415	13,076
Finance income		2,923	11,924
Finance expenses		412	4,409
Financial income, net		2,511	7,515
Loss before tax		5,904	5,561
Tax expenses		16	13
Loss for the period from continuing operations		5,920	5,574
Loss for the period from discontinued operations		163	7,713
Total Loss for the period		6,083	13,287
Comprehensive loss from continuing operations attributable to non-controlling interests		41	42
Comprehensive loss from discontinued operations attributable to non-controlling interests		26	224
Comprehensive loss attributed to non-controlling interests		67	266
Comprehensive loss attributed to shareholders of the Company:			
Comprehensive loss from continuing operations		5,879	5,532
Comprehensive loss from discontinued operations		137	7,489
Net loss		6,016	13,021
Loss per share attributed to shareholders of the Company:			
Basic and diluted loss per share from continuing operations		(1.10)	(**)(10.75)
Basic and diluted loss per share from discontinued operations		(0.03)	(**)(14.56)
Basic and diluted loss per share		(1.13)	(**)(25.31)
Weighted average ordinary shares outstanding:		5,344,293	514,455

(*) Reclassified due to discontinued operations

(**) After giving effect to the reverse stock split in 2022

G Medical Innovations Holdings Ltd.

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

G Medical Innovations Holdings Ltd.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit (In thousands of USD)

For the six months period ended June 30, 2023:

	Share capital	Other reserve	Translation reserve	Additional paid in capital	Accumulated deficit	Treasury shares	Total	Non-controlling Interest	Total Shareholders' deficit
Balance at January 1, 2023	4,835	1,500	2	101,694	(115,263)	(121)	(7,353)	2,782	(4,571)
Changes during the period:									
Capital reduction	(4,834)			4,834					
Issuance of ordinary shares net of issuance costs of \$441	12			6,453			6,465		6,465
Exercise of pre funded warrants into share capital	*			1,240			1,240		1,240
Share-based compensation	*			2,323			2,323		2,323
Comprehensive loss for the period:									
Loss for the period					(6,016)		(6,016)	(67)	(6,083)
Balance at June 30, 2023	<u>13</u>	<u>1,500</u>	<u>2</u>	<u>116,544</u>	<u>(121,279)</u>	<u>(121)</u>	<u>(3,341)</u>	<u>2,715</u>	<u>(626)</u>

For the six months period ended June 30, 2022:

	Share capital	Other reserve	Translation reserve	Additional paid in capital	Accumulated deficit	Treasury shares	Total	Non-controlling Interest	Total Shareholders' deficit
Balance at January 1, 2022	1,222	1,500	2	81,879	(90,634)	-	(6,031)	3,219	(2,812)
Changes during the period:									
Issuance of ordinary shares net of issuance costs of \$267	338	-	-	3,122			3,460		3,460
Exercise of pre funded warrants into share capital	360			2,905			3,265		3,265
Share-based compensation	275	-	-	7,980			8,255		8,255
Treasury shares	-	-	-	-		(121)	(121)		(121)
Comprehensive loss for the period:									
Loss for the period	-	-	-	-	(13,021)		(13,021)	(266)	(13,287)
Balance at June 30, 2022	<u>2,195</u>	<u>1,500</u>	<u>2</u>	<u>95,886</u>	<u>(103,655)</u>	<u>(121)</u>	<u>(4,193)</u>	<u>2,953</u>	<u>(1,240)</u>

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

*Less than \$1

G Medical Innovations Holdings Ltd.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

(In thousands of USD)

	Six months period ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
Cash flow from operating activities:		
Loss before tax for the period	(6,067)	(13,275)
<u>Adjustments:</u>		
Depreciation and amortization	701	618
Share based compensation	2,323	8,255
Inventory write off	86	1,399
Accrued interest of long-term loans	25	(2)
Interest on loan from major shareholder, at fair value	287	-
Change in fair value of derivative liabilities	(2,856)	(10,581)
Change in fair value of convertible debenture and financial liability	-	(1,277)
Increase in trade receivable	(239)	(59)
Decrease in other accounts receivable	141	18
Increase in loan to major shareholder, net	(152)	
Decrease in inventory	-	(3,382)
Increase (decrease) in trade payables	(1,205)	1,123
Increase (decrease) in other accounts payable	(257)	746
	(1,146)	(1,554)
<u>Cash used for operating activities:</u>		
Interest paid	(25)	(4)
Tax paid	(16)	(13)
Net cash used in operating activities	(7,254)	(16,424)
Cash flow from investing activities		
Purchase of property, plant and equipment	(856)	(1,791)
Investment in restricted deposit	25	
Withdrawal from restricted deposit		(8)
Net cash used in / provided by investing activities	(831)	(1,799)
Cash flow from financing activities		
Issuance of ordinary shares, net	6,465	3,460
repayment of controlling shareholder Loan	(1,000)	-
Purchase of Treasury shares		(121)
Principal paid on lease liabilities	(143)	(168)
Repayment of loans	(3)	(14)
Repayment of convertible securities	(737)	-
Repayment of convertible debenture		(5,921)
Issuance of derivative liabilities	5,217	16,467
Net cash provided by financing activities	9,799	13,703
Increase (decrease) in cash and cash equivalents	1,714	(4,525)
Cash and cash equivalents at beginning of the period	295	6,034
Effects of exchange rate changes on cash and cash equivalents		
Cash and cash equivalents at the end of the period	2,009	1,509

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

G Medical Innovations Holdings Ltd.

Unaudited Interim Condensed Consolidated Statements of Cash Flow

(In thousands of USD)

APPENDIX B – NON-CASH ACTIVITIES:

	Six months period ended June 30,	
	2023	2022
Convertible securities - classification into convertible financial liability	-	692
Recognition of right of use assets and lease liabilities	491	1,117
Purchase of property, plant and equipment	856	5
Exercise of pre funded warrants into share capital	1,240	3,265

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

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 1 - DESCRIPTION OF BUSINESS:

a. Overview

G Medical Innovations Holdings Ltd. ("G Medical" together with its subsidiaries, the "Company") was incorporated in October 2014 under the laws of the Cayman Islands.

The ordinary shares and warrants of the Company began trading on the Nasdaq Capital Market on June 25, 2021, under the symbol "GMVDF". After the suspension of the Company's shares and warrants from Nasdaq on August 24, 2023 (see Note 12A) these securities are being traded under the symbol GMVWF on the over-the-counter (OTC).

The Company is an early commercial stage healthcare company engaged in the development of next generation mobile health (or mHealth) and telemedicine solutions, and monitoring service platforms. The Company believes that it is at the forefront of the digital health revolution in developing the next generation of mobile technologies and services that are designed to empower consumers, patients and providers to better monitor, manage and improve clinical and personal health outcomes, especially for those who suffer from cardiovascular disease ("CVD"), pulmonary disease and diabetes. In addition, in December 2021 the Company started a new business activity of COVID-19 testing, in California, USA, providing four kinds of diagnostic tests – Rapid Antigen, A/B Flu, PCR and Antibody tests. During the second half of 2022 the Company took a strategic decision to discontinue its COVID-19 related business activities (see also Note 9).

In July 2022, the Company introduced a new Direct-To-Customer health testing kits, which identifies health issues ranging from food sensitivity, Indoor/Outdoor allergies, HPV, thyroid functioning, testosterone levels, and the hemoglobin A1C test, with results going directly to the user within days. As of the date of authorizing for issuance of these financial statements there are still no sales in this segment of operations.

b. Going Concern

The Company incurred a net loss of \$ 6,083 and \$13,287 for the periods ended June 30, 2023, and June 30, 2022, respectively, and has \$121,279 and \$ 115,263 of accumulated deficit since inception to June 30, 2023, and December 31, 2022, respectively. The Company has incurred negative cash from operations amounting to \$7,254 and \$16,424 for the current six months period ended June 30, 2023 and June 30, 2022, respectively. The Company funded its operations through public and private equity financings and loans, including related parties. The Company expects operating losses and negative cash flows to continue at significant levels in the future as it continues its operations.

As of June 30, 2023, the Company had approximately \$2,000 in cash and cash equivalents, and had approximately \$25, as of the date of authorizing for issuance of these financial statements. The Company has limited available cash resources and believes that its current resources will not be sufficient to continue the Company's operations for at least 12 months from the date of authorizing for issuance of the financial statements. Also, the Company had deferred payments to its suppliers, among others, and certain employees starting approximately four months ago, and negotiating additional deferrals for other current obligations.

During October and November 2023, the Company had a reduction in workforce in which the employment of approximately 20% of the Company's employees was terminated, mainly in research and development division. The Company does not expect that this reduction in workforce will affect any of the Company's major development efforts. Following the reduction in workforce, the Company had 80 employees.

Management and the Board has evaluated different strategies to obtain the required funding for future operations, including through public or private debt and equity financings, but despite its efforts, the Company has been unsuccessful, other than the September 29, 2023 Private Placement of \$500 and a credit line of \$1,000 by the Company's CEO, where the Company utilized a sum of \$800 (see Note 12F), in securing additional capital to fund operations and otherwise satisfy creditor obligations. Obtaining additional funding is essential to provide sufficient cash flow to meet current operating requirements. There can be no assurances that such financing will become available to the Company on satisfactory terms, or at all further than the end of August 2024, the date until which the Company's CEO, Dr. Yacov Geva committed to finance the Company (see Note 5). In addition, the Company is evaluating additional reductions in costs, including additional reductions in workforce expenses. Those factors raise significant doubt about the Company's ability to continue as a going concern.

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 1 - DESCRIPTION OF BUSINESS (CONT.):

The unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Therefore, the unaudited condensed consolidated financial statements for the six months ended June 30, 2023, do not include any adjustments to reflect the material uncertainty related to events or conditions which cast significant doubt on the entity's ability to continue as a going concern, such that it might be unable to realize its assets and discharge its liabilities in the normal course of business.

c. Approve of the financial statement

The date of the authorizing of the financial statements by the Board of Directors is January 9, 2024.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

Basis of preparation

- A. These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (the "IAS") 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual consolidated financial statements. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair statement of the results for the interim period presented. The Company has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2022 annual consolidated financial statements.

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these unaudited condensed interim consolidated financial statements, critical judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those referred to in Note 2 of the consolidated financial statements for the year ended December 31, 2022.

B. Recently Issued Accounting Pronouncements

1. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

2. Amendment to IAS 12 Income Taxes

In May 2021, the IASB issued an amendment to IAS 12, “Income Taxes” (“IAS 12”), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 (“the Amendment”). According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the “initial recognition exception”. The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception. The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date. The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

NOTE 3 – MAJOR CUSTOMERS:

The Company has a single customer which constitutes more than 10% from the total trade receivables as of June 2023 and December 31, 2022.

NOTE 4 – INVENTORY:

	June 30, 2023	December 31, 2022
Raw materials	6	32
Finished goods	200	260
Total	\$ 206	\$ 292

The Company recorded an inventory write off in the amount of \$86 and \$1,399 during the six months period ended June 30, 2023, and 2022, respectively. According to the Company’s policy, the Company recognizes inventory write-offs according to the age and usability of the inventory as of each cut-off date.

NOTE 5 – RELATED PARTIES AND SHAREHOLDERS:

In March 2023 the Company’s CEO, Dr. Yacov Geva, committed to finance the Company’s activities until the end of August 2024 provided and as long as the Company’s CEO continues to be a controlling shareholder and/or the Company cannot be financed externally from any other sources and/or until a sum of \$10 million be received by the Company for its operations this year, whichever is earlier(see also Note 1 “Going Concern”).

On December 29, 2022, the Company approved a loan agreement between the Company and Dr. Yacov Geva, the Company’s Chief Executive Officer and a major shareholder (the “Major Shareholder”). Under the terms of the Loan Agreement, the total amount of the loan provided by the Lender to the Company is \$1,000 which is linked to NIS, with an annual interest rate of 12%. The maturity of the Loan is December 2023. The Company allocated the debt and equity instruments based the fair value of the debt with residual value for the equity. As of December 31, 2022 the total value of the loan was \$765. In April 2023, the loan was fully repaid.

During 2022 the Major Shareholder has drawn advances towards future due amounts. The Company recorded these amounts with an accrued interest rate of 12% similar to the interest rate which is applied to the loans from the Major Shareholder. As of June 30, 2023, this was recorded in the amount of \$330.

In April 2023, the Company completed a public offering (see also Note 6D). As part of the Public Offering the Company’s CEO, Dr. Yacov Geva purchased 1,250,000 shares for the amount of \$1,000.

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 6 – SHAREHOLDERS’ DEFICIT:

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

	Number of shares			
	June 30, 2023		December 31, 2022	
	Authorized	Issued and outstanding*	Authorized	Issued and outstanding*
Ordinary shares of \$0.0001 par value as of June 30, 2023 and \$3.15 par value as of December 31, 2022*	100,000,000	9,457,263	100,000,000	1,532,794
Warrants**	98,698	98,698	98,698	98,698

(*) In April 2023 the Company performed a share capital reduction (see Paragraph A below). The presented amounts already reflect its impact

(**) the Warrants will be exercisable at a price equal to \$218.75 per share and for a period of five years, starting from June 2021

A. Share capital reduction

At the Extraordinary General Meeting of Shareholders of the Company that was held on February 16, 2023, the Company approved reducing the issued nominal share capital of the Company by the cancellation of \$3.1499 paid up capital on each issued share so that each issued share shall be treated as one fully paid-up share of \$0.0001 each in the capital of the Company (the “Capital Reduction”). In March 2023, the Company filed application to seek an order of the Grand Court of the Cayman Islands for confirmation and approval of the Capital Reduction. The application was approved by the Grand Court of the Cayman Islands in that month, with no conditions attached. Thereafter the Company filed capital reduction documents with the Registrar of the Companies of the Cayman Islands and the registration occurred also on that month. The new par value of each ordinary share of the Company was reduced as a result to \$0.0001.

B. At-The-Market offering (“ATM”):

In September 2022 the Company entered into a sales agreement with its sales agent pursuant to which the Company may offer and sell, from time to time, to or through the Sales Agent as agent or principal, ordinary shares, par value \$0.0001 per share in sales deemed to be “at the market” (“ATM”) offerings, having an aggregate offering price of up to \$3,000.

In January 2023 the Company has sold additional 413,600 of its Ordinary shares through the ATM for a net consideration of \$2,528.

C. Share grant to certain employees

In January 2023, the Company granted 30,869 shares to certain employees. The total fair value of the shares amounted to \$110 and the Company recorded this amount as an expense through profit and loss in the six months period ended June 30, 2023.

D. Public offering

On April 3, 2023 the Company completed a public offering of 5,470,000 ordinary shares at a price of \$0.8 per share and 6,530,000 pre-funded warrants (the “Pre-Funded Warrants”) at a price of \$0.799 per pre funded warrant for gross proceeds of approximately \$9,600 (net proceeds were approximately \$8,600, where a total of \$3,937 were received for ordinary shares and \$4,663 received for pre-funded warrants), before deducting underwriting discounts and offering expenses. In addition, the Company has granted the underwriters a 45-day option to purchase up to an additional 1,800,000 shares and/or Pre-Funded Warrants to cover over-allotments at the public offering price, less the underwriting discount. This option expired without further purchases.

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 6 – SHAREHOLDERS’ DEFICIT (CONT.):

As part of the Public Offering the Company’s CEO, Dr. Yacov Geva purchased 1,250,000 shares for the amount of \$1,000 (see also Note 5).

During the six months period ended June 30, 2023 2,010,251 Pre-Funded Warrants have been exercised to ordinary shares.

The public offering expenses totaled to \$968 thousands, a total of \$441 were deducted from additional paid in capital and \$527 were recognized as expenses in the comprehensive loss statement.

E. Share option grant to directors, officers and certain employees

In June 2023, the Company granted 3,650,000 share option units to directors, officers and certain employees of the Company at an exercise price of \$0.382 per share that will vest after one quarter and shall be exercisable over 1 year term, commencing on the grant date. The total fair value of the share options, as measured on issuance date, amounted to \$1,072 and the Company recorded an expense of \$12 through comprehensive loss statement in the six months period ended June 30, 2023.

Below are the assumptions for calculating the fair value of these options as at the approval date of the grant:

	June 30, 2023
Risk free interest	3.98%
Expected volatility	100%
Dividend yield	0%
Expected lifetime	5 years

F. Issuance of ordinary shares during the 6 months period ended June 30, 2023.

During the period the six months period ended June 30, 2023 the Company issued 7,924,469 ordinary shares related to: public offering, At-The-Market offering, payment made to employees and exercise of pre-funded warrants.

NOTE 7 - FAIR VALUE MEASUREMENT:

The following table sets out the Company’s liabilities that are measured at fair value in the financial statements:

	Fair value measurements using input type			
	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Derivative liability - warrants	-	-	(1,739)	(1,739)
	Fair value measurements using input type			
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Derivative liability - warrants	-	-	(618)	(618)
Convertible debenture	-	-	(737)	(737)
Total			(1,355)	(1,355)

As of June 30, 2023, the fair value measurement of the warrant’s securities in the table above, was estimated using Black & Scholes model and the fair value of the convertible debenture was estimated using a Monte Carlo simulation analysis. The key inputs that were used in the valuation were:

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 7 - FAIR VALUE MEASUREMENT (CONT.):

	Key inputs used in Derivative liability warrants	
	June 30, 2023	December 31, 2022
Risk free interest	4.1-5.4%	4-4.7%
Expected volatility	100%	100%
Dividend yield	0%	0%
Expected lifetime	0.3-5 years	0.8-5.3 years

This convertible debenture was fully repaid in April 2023 at the sum of \$759.

The carrying values for cash and cash equivalents, other accounts receivables, accounts payable and other accounts payables, approximate their fair value due to their short-term maturities. The carrying value of the Company's financial instruments, consisting of accounts payable, accrued expense, and notes payable approximate their fair value due to the short-term maturity of such instruments.

The following tables describes the change in the Company's liabilities that are measured at level 3 in the financial statements:

Derivative liability:

	June 30, 2023	December 31, 2022
Derivative liability - warrants as of December 31	(618)	(1,261)
Issuance of financial instruments	(5,217)	(14,851)
Exercise of pre-funded warrants	1,240	5,262
Change in fair value	2,856	10,232
Derivative liability - warrants as of	<u>(1,739)</u>	<u>(618)</u>

Convertible debenture:

	June 30, 2023	December 31, 2022
Convertible debenture as of December 31	(737)	(648)
Gain due to change in fair value of convertible debenture		(57)
Accrued Interest	(22)	(32)
Payments of convertible securities	759	
Convertible debenture as of	<u>-</u>	<u>(737)</u>

NOTE 8 - SEGMENT REPORTING:

The Company identified the Company's CEO as its chief operating decision maker ("CODM").

As the Company's CODM, the CEO receives information on a segregated basis (for review on a regularly basis) of each business unit services, products and kits. The consolidated financial statements present the operating loss from each segment on a standalone basis - i.e., there are no transactions between segments. The information as presented in the consolidated financial statements is essentially the same information provided to the CODM and the same information regarding decisions about allocating resources. The Company accounts for its segment information in accordance with IFRS 8 "Segment Reporting" which establishes annual and interim reporting standards for operating segments of a Company based on the Company's internal accounting methods. Operating segments are based upon the Company's internal organization structure, the manner in which its operations are managed and the availability of separate financial information.

In 2022, the Company operated through three operating segments: products segment, Patient services segment, Kits and Covid -19 testing services segment, as follows:

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 8 – SEGMENT REPORTING (CONT.):

Products: Development, manufacture and marketing of wireless diagnostic equipment for the medical industry and consumer market.

Patient Services: Cardiac monitoring services of MCT, Event, Holter, Extended Holter and Pacemaker

Covid -19 testing: three kinds of diagnostic tests – (i) Rapid Antigen + A/B Flu Combo test, (ii) PCR test and (iii) Antibody test.

Kits – direct-To-Customer health testing kits health issues ranging from food sensitivity, indoor/outdoor allergies, HPV, thyroid functioning, testosterone levels, and the hemoglobin A1C test, with results going directly to the user within days.

During the second half of the year 2022 the Company took two strategic decisions:

- 1) The Company decided to discontinue the Covid-19 activity and this segment is reported as a discontinued operation in the financial statements for the year 2022.
- 2) The Company decided to divert to more comprehensive home testing solutions as an expansion of its patient services and as part of its vision to move towards a home-based health care system.
In 2023 the Company has three operating segments: (i) products segment; (ii) Kits and (iii) patient services segment.

Summarized financial information by segment, based on the Company's internal financial reporting system utilized by the Company's CODM, is below:

For the six-months period ended June 30, 2023:

	Products	Kits	Patient Services	Total
Revenues from external customers	18	-	3,051	3,069
Segment loss	2,260	519	1,150	3,929
Unallocated general and administrative expenses				4,486
Finance Income, net				2,511
Loss before taxes on income				5,904

In the discontinued operation the loss was \$163

For the six-months period ended June 30, 2022:

	Products	Kits	Patient Services	Total
Revenues from external customers			1,863	1,863
Segment loss	2,398	-	2,906	5,304
Unallocated general and administrative expenses				7,687
Finance Income, net				7,515
Loss before taxes on income				5,476

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 9 – DISCONTINUED OPERATION

During the first half of 2022, the Company operated six locations performing point-of-care tests in communities in Southern and Northern California. The volume of COVID-19 testing has decreased significantly since April 2022. Given the decrease in COVID-19 cases, in the second half of fiscal year 2022 the Company took a strategic decision to discontinue its COVID-19 related business activities. The consolidated statements of comprehensive loss included a net loss from discontinued operations in the amount of \$163 and \$7,713 for the six months ended June 30, 2023 and June 30, 2022, respectively.

Below are the results of the discontinued segment's activity for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
Revenue	-	361
Cost of revenue	-	5,483
Gross loss	-	5,122
Selling, general and administrative expenses	163	2,591
Other expense	-	-
Loss for the period	163	7,713

Below are the cash flow amounts relating to the discontinued segment for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
Loss for the period	163	7,713
Operating activities	(4)	1,003
Investment activities	-	(785)
Financing activities	-	-
Net cash provided by (used in) discontinued operations	(4)	218

NOTE 10 - OTHER ACCOUNTS PAYABLE:

	June 30, 2023	December 31, 2022
Employees and authorities	868	1,050
Contingent liability	695	695
Others	211	286
Total	1,774	2,031

NOTE 11 – COMMITMENTS AND CONTINGENCIES:

- A. The Company's financial statements include a provision for a previous transaction with a related party relating to the issuance of additional financial instruments in connection with the conversion of a loan from the related party. The amount of the provision was calculated according to Management and its legal consult's estimation.
- B. The Company's financial statements include a provision for additional amounts received from Health Resource and Services Administration (henceforth "HRSA"), a federal agency, for reimbursement in relation to COVID-19 tests the Company performed.

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONT.):

- C. The Company is a party to legal proceedings with one of its suppliers. Management, based on the legal counsel, estimates that the expected loss from this legal proceeding at the sum of \$155.

NOTE 12 – SUBSEQUENT EVENTS:

A. Nasdaq Notice of Delisting:

On May 15, 2023 we received a written notice from the Staff indicating that we were no longer in compliance with the minimum bid price requirement for continued listing set forth in Nasdaq Listing Rule 5550(a)(2), which requires listed securities to maintain a minimum bid price of \$1.00 per share. Under Nasdaq Listing Rule 5810(c)(3)(A), we have been granted a period of 180 calendar days, which can be extended by Nasdaq under certain conditions, to regain compliance with the minimum bid price requirement.

On August 22, 2023, we received a letter (the "Letter") from the Staff notifying the Company that the Nasdaq Hearings Panel (the "Panel") has determined to delist the Company's ordinary shares from the Exchange, based on the Company's failure to comply with the minimum \$2,500,000 stockholders' equity requirement under Nasdaq Listing Rule 5550(b). Trading in the Company's ordinary shares on the Exchange were suspended at the opening of trading on August 24, 2023 and are being traded from that date on the over-the-counter (OTC) Pink.

B. Exercise of ordinary shares Pre-Funded Warrants

In July and August 2023 814,131, 2,205,618 respectively Pre-Funded Warrants (see note 6) have been exercised to ordinary shares.

C. Grant of 12,000,000 ordinary shares to the Chief Executive Officer and major shareholder

On August 14, 2023, the Board has approved to issued 12,000,000 ordinary shares, par value \$0.0001 per share, of the Company to the Company's Chief Executive Officer and major shareholder, Dr. Yacov Geva, as partial compensation for extending the commitments made by Dr. Geva from time to time to finance the Company for an aggregate period of six years from 2018 through July 2024 to support the Company, if needed, by an amount of up to \$10,000. Since 2018, Dr. Geva has provided on an annual basis a commitment to finance the Company in the event that third party financing would not be available. The Company believes that such a commitment from its Chief Executive Officer and major shareholder has been on more favorable terms to the Company than a stand alone by financing commitment would be from any other third party. As previously disclosed by the Company, the Company has partially compensated Dr. Geva for the above-mentioned commitments by grant of shares and warrants in April 2022 and in October 2022.

G Medical Innovations Holdings Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(In thousands of USD, except per share amounts)

NOTE 12 – SUBSEQUENT EVENTS (CONT.):

D. Private Placement and issuance of shares

On September 29, 2023, the Company and Jonathan B. Rubini (“the Purchaser”) entered into a Securities Purchase Agreement (the “2023 SPA”) in connection with a private placement investment and issuance of a total of 9,009,009 Ordinary Shares (the “First Closing Shares”) with a price of \$0.0555 per share for an aggregate consideration of \$500 (the “First Closing”). Pursuant to the 2023 SPA, the Company will issue additional 9,009,009 Ordinary Shares (the “Second Closing Shares”) with a price of \$0.0555 per share for an additional aggregate consideration of \$500 subject to achievement of certain milestone (the “Milestone”) and other terms and conditions set forth in the 2023 SPA (the “Second Closing”) and, if the Milestone and Second Closing shall not occur until January 30, 2024 (the “Second Closing Deadline”), the Purchaser may (but is not obligated) purchase the Second Closing Shares by sending a notice to the Company within six months following the Second Closing Deadline. In connection with the 2023 SPA, the Company’s Chief Executive Officer (the “CEO”) made a commitment that he would remit to the Purchaser a portion of any payments made to the CEO by the Company or any subsidiary that are in excess of a monthly base salary threshold (the “CEO Letter”). On October 15, 2023, the transaction was completed, the company received \$500 and issued 9,009,009 Ordinary Shares.

E. Allegation regarding the existence of a manned call center

In November 2023 the Company received allegation regarding the existence of a manned call center during operation hours in one of the Company call centers. As of the date of authorizing for issuance of these financial statements, the Company believes that the allegation will be dismissed in early 2024, and it has no impact on these financial statements.

F. Credit Line provided by the Company’s CEO

On November 1, 2023, Company’s CEO, Dr. Yacov Geva provided a credit line of \$1,000 which will bear interest of 24% per annum. This credit line should be repaid by one year. As of the date of the authorized for issuance of these financial statements, the Company utilized \$800 of this credit line.

G. Conditions in Israel due to the October 2023 war between Israel and Hamas terrorist organization

As of the date of this report the Company does not believe the October 2023 terrorist attack and the subsequent declaration of war by the Israeli government against the Hamas terrorist organization will have any material impact on its ongoing operations in Israel or in any location.