

ZOOMD TECHNOLOGIES LTD

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020**

ZOOMD TECHNOLOGIES LTD

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Financial Statements:	
Statements of financial position	2
Statements of Income	3
Statements of Changes in Equity	4-6
Statements of Cash Flows	7-8
Notes to the Financial Statements	9-12

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION **(USD in thousands)**

	September 30,		December 31,
	2020	2019	2019
Assets			
Current assets			
Cash and cash equivalents	2,972	5,918	5,890
Trade receivables	4,619	4,436	4,628
Other receivables and prepaid expenses	564	950	961
	8,155	11,304	11,479
Non-current assets			
Pledged long term deposit	173	166	159
Fixed assets, net	92	95	99
Rights to use assets	1,485	1,908	1,739
Intangible assets	11,197	12,997	12,547
	12,947	15,166	14,544
Total assets	21,102	26,470	26,023
Equity and liabilities			
Current liabilities			
Trade payables	2,249	2,798	3,186
Other payables and accrued expenses	4,218	2,697	3,260
	6,467	5,495	6,446
Non-current liabilities			
IIA liability	433	562	433
Lease liability	783	1,382	1,105
Reserve for employee benefits	170	166	168
	1,386	2,110	1,706
Shareholders' equity			
Share capital and premium	39,035	39,044	39,035
Reserve from share-based payment transactions and other reserves	4,930	4,737	4,790
Accumulated deficit	(30,716)	(24,916)	(25,954)
	13,249	18,865	17,871
Total equity and liabilities	21,102	26,470	26,023

The financial statements were approved by the board of directors of the company on _____, 2020.

"Amit Bohensky"

Amit Bohensky
Chairmen of the board

"Ofer Eitan"

Ofer Eitan
CEO

"Tsvika Adler"

Tsvika Adler
CFO

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(USD in thousands)

	For the nine months ended September 30,		For the three months ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
Revenue	18,814	19,508	6,625	5,904	27,052
Cost of sales and services	13,060	13,780	4,589	4,002	19,105
Gross profit	5,754	5,728	2,036	1,902	7,947
Operating costs and expenses					
Research and development expenses	4,764	3,510	1,644	1,282	4,916
Selling, administrative and general expenses	5,432	4,495	1,880	1,679	6,439
	10,196	8,005	3,524	2,961	11,355
Operating Loss	(4,442)	(2,277)	(1,488)	(1,059)	(3,408)
Listing expenses	-	(1,519)	-	(1,519)	(1,519)
Finance Income	8	-	-	-	6
Finance expense	(328)	(1,462)	(35)	(121)	(1,375)
Finance expense, net	(320)	(1,462)	(35)	(121)	(1,369)
Net and comprehensive Loss	(4,762)	(5,258)	(1,523)	(2,699)	(6,296)
Net loss per share:					
Basic and diluted	0.05	0.06	0.02	0.02	0.07
Shares used in calculation of net loss per share:					
Basic	100,393,464	83,376,872	100,681,073	97,497,199	87,524,949
Diluted	100,393,464	83,376,872	100,681,073	97,497,199	87,524,949

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (USD in thousands)

	Share capital	Share capital and premium	Reserve for share-based payment transactions and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2020	93,265,918	39,035	4,790	(25,954)	17,871
Share-based compensation	-	-	140	-	140
Exercise of options	1,120,300	(*)-	-	-	-
Loss for the period	-	-	-	(4,762)	(4,762)
Balance - September 30, 2020 (Unaudited)	<u>94,386,218</u>	<u>39,035</u>	<u>4,930</u>	<u>(30,716)</u>	<u>13,249</u>

	Note	Number of ordinary shares	Share capital and premium	Reserve for share-based payment transactions and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2019		73,758,097	27,898	4,170	(19,658)	12,410
Loss for the period			-	-	(5,258)	(5,258)
Share-based compensation			-	567	-	567
Conversion of convertible loans	1	5,970,069	3,672	-	-	3,672
Exercise of warrants	1	1,927,053	1,485	-	-	1,485
Issuance of shares (net of issuance expenses)	1	<u>11,574,990</u>	<u>4,470</u>	<u>1,519</u>	<u>-</u>	<u>5,989</u>
Balance - September 30, 2019 (Unaudited)		<u>93,230,209</u>	<u>37,525</u>	<u>6,256</u>	<u>(24,916)</u>	<u>18,865</u>

(*) Less than 1 thousand dollars.

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (USD in thousands)

	Share capital	Share capital and premium	Reserve for share-based payment transactions and other reserves	Accumulated deficit	Total shareholders' equity
Balance - July 1, 2020	93,365,993	39,035	4,905	(29,193)	14,747
Share-based compensation	-	-	25	-	25
Exercise of options	1,020,225	(*)-	-	-	-
Loss for the period				(1,523)	(1,523)
Balance - September 30, 2020 (Unaudited)	<u>94,386,218</u>	<u>39,035</u>	<u>4,930</u>	<u>(30,716)</u>	<u>13,249</u>

	Note	Number of shares	Share capital and premium	Reserve for share-based payment transactions and other reserves	Accumulated deficit	Total shareholders' equity
Balance - July 1, 2019		79,728,166	31,570	4,632	(22,217)	13,985
Loss for the period		-	-	-	(2,699)	(2,699)
Share-based compensation		-	-	105	-	105
Conversion of convertible loan		-	-	-	-	-
Exercise of warrants	1	1,927,053	1,485	-	-	1,485
Issuance of shares (net of issuance expenses)	1	11,574,990	4,470	1,519	-	5,989
Balance - September 30, 2019 (Unaudited)		<u>93,230,209</u>	<u>37,525</u>	<u>6,256</u>	<u>(24,916)</u>	<u>18,865</u>

(*) Less than 1 thousand dollars.

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY **(USD in thousands)**

	Share capital	Share capital and premium	Reserve for share-based payment transactions and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2019	73,758,097	27,898	4,170	(19,658)	12,410
Conversion of convertible loan	5,970,069	3,672	-	-	3,672
Exercise of warrants	1,927,053	1,485	-	-	1,485
Share-based compensation	-	-	620	-	620
Exercise of options	35,709	(*) -	-	-	-
Issuance of shares (net of issuance expenses)	11,574,990	5,980	-	-	5,980
Loss for the year	-	-	-	(6,296)	(6,296)
Balance - December 31, 2019	93,265,918	39,035	4,790	(25,954)	17,871

(*) Less than 1 thousand dollars.

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS **(USD in thousands)**

	<u>For the nine months ended September 30,</u>		<u>For the three months ended September 30,</u>		<u>Year ended December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
<u>Cash flows - operating activities</u>					
Loss from operations	(4,762)	(5,258)	(1,523)	(2,699)	(6,296)
Adjustments to reconcile net loss to net cash from operating activities (Appendix A)	2,545	3,055	532	1,732	4,075
Net cash used in operating activities	(2,217)	(2,203)	(991)	(967)	(2,221)
<u>Cash flows - investing activities</u>					
Investment in bank deposits	(14)	(97)	(4)	(7)	(89)
Purchase of property, plant, and equipment	(21)	(83)	(6)	(22)	(96)
Net cash used in investing activities	(35)	(180)	(10)	(29)	(185)
<u>Cash flows - financing activities</u>					
Lease liabilities	(495)	(152)	(193)	(114)	(147)
Exercise of options	(*)-		(*)-		(*)-
Issuance of shares	-	4,792	-	4,792	4,782
Exercise of warrants	-	57	-	57	57
Net cash generated from (used in) financing activities	(495)	4,697	(193)	4,735	4,692
Increase (Decrease) in cash and cash equivalents	(2,747)	2,314	(1,194)	3,739	2,286
Cash and cash equivalents at the beginning of the financial year	5,890	3,604	4,203	2,179	3,604
Erosion of cash and cash equivalents	(171)	-	(37)	-	-
Cash and cash equivalents at the end of the financial year	2,972	5,918	2,972	5,918	5,890

(*) Less than 1 thousand dollars.

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED APPENDICES TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD in thousands)

	For the nine months ended September 30,		For the three months ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				
Cash flows from operating activities:					
A. Adjustments to reconcile net profit to net cash from operating activities					
Depreciation and amortization	1,845	1,588	613	574	2,162
Change in employee benefit liabilities, net	2	12	3	4	14
Cost of share-based payment	140	567	25	105	620
Listing expenses	-	1,519	-	1,519	1,519
Convertible loans and warrants revaluation	-	1,118	-	(1)	1,118
Finance expenses, net	98	(41)	23	(25)	(129)
Changes in assets and liabilities:					
Decrease (increase) in trade receivables and other receivables	406	(1,762)	(180)	(814)	(1,965)
Increase (decrease) in trade and other payables, and other current and non-current liabilities	(29)	(56)	(5)	280	751
Changes in IIA liabilities	-	83	-	63	(46)
	2,462	3,028	479	1,705	4,044
Interest Payments	83	27	53	27	31
Total	2,545	3,055	532	1,732	4,075
B. Significant non-cash transactions:					
Conversion of Convertible loans	-	3,672	-	3,672	3,672

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

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(USD in thousands)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

Description of Business:

Zoomd Technologies Ltd. (formerly DataMiners Capital Corp.) (the "**Company**") was incorporated under the *Business Corporations Act* (Alberta) on October 1, 2013 and completed its initial public offering on May 29, 2014. The Company was designated as a Capital Pool Company as such term is defined by Policy 2.4 ("**Policy 2.4**") of the TSX Venture Exchange (the "**TSXV**") with no commercial operations or assets other than cash and its only business being the identification and evaluation of assets or businesses with a view to completing a "Qualifying Transaction" as such term is defined by Policy 2.4.

On May 28, 2019, the Company, Zoomd Ltd. ("**Zoomd**") and Dotima 2019 Ltd. ("**Subco**"), a wholly-owned Israeli subsidiary of the Company, entered into an agreement and plan of merger (the "**Business Combination Agreement**") pursuant to which the Company and Zoomd agreed to effect the combination of their respective businesses and assets by way of a "three-cornered amalgamation" which upon completion, would result in a reverse takeover of the Company by the shareholders of Zoomd (the "**Transaction**"). The Transaction, which was completed on August 28, 2019, constituted the Company's Qualifying Transaction under Policy 2.4. Pursuant to the terms of the Business Combination Agreement, the Company acquired all the issued and outstanding shares of Zoomd by way of an amalgamation between Zoomd and Subco, with the amalgamated entity becoming a direct, wholly-owned subsidiary of the Company.

Concurrently with the Qualifying Transaction, Zoomd raised CAD\$9,265,990 (approximately US\$7 million) pursuant to a private placement (the "**Concurrent Financing**") by issuing 8,385,990 subscription receipts and 880,000 common shares of Zoomd FinanceCo Ltd. each of which, upon completion of the Qualifying Transaction, was exchanged for one common share of the Company.

Upon the completion of the Qualifying Transaction the Company issued an aggregate amount of 90,921,209 common shares to the shareholders of Zoomd (including those holding common shares of Zoomd FinanceCo Ltd. as a result of the Concurrent Financing) in exchange for all the issued and outstanding shares of Zoomd.

Prior to the consummation of the Transaction Zoomd was required to make a share split (the "**Share Split**") 1:9.674629454 adjustment to its share capital (the "**Ratio**"), so that immediately prior to the closing of the Transaction (i) Zoomd issued to each of its shareholders, with respect to each ordinary share of Zoomd held, an additional of 8.674629454 ordinary shares (rounded to the nearest whole number) (keeping the ratio of 1:9.674629454) (the "**Bonus Shares**"); and (ii) the number of ordinary shares or rights convertible into, exercisable or exchangeable into, or entitling the holder thereof to receive directly or indirectly, additional ordinary shares of Zoomd under any option or warrant to purchase ordinary shares currently outstanding or otherwise granted by Zoomd (the "**Outstanding Options**") was adjusted as per the Ratio so that each one ordinary share issuable under such Outstanding Option shall be increased by and additional amount of 8.674629454 ordinary shares (rounded to the nearest whole number).

From accounting perspectives, since the Company's operations did not constitute a business, the acquisition is not within the scope of IFRS 3 but, nevertheless, resulted in consolidated financial statements that are similar to those produced under reverse acquisition accounting, except that no goodwill arises, with the difference between the fair value of the shares issued by the accounting acquirer and the fair value of the accounting acquiree's identifiable net assets represents a service of listing for its shares under IFRS 2 Share-based Payments and recognized as an expense in the statement of income and comprehensive income.

As the acquirer for accounting purposes, Zoomd's net assets are included in the consolidated statements of financial position at their carrying amounts.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation:

The condensed consolidated interim financial statements of the Company are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with Zoomd annual consolidated financial statements for the year ended December 31, 2019 and accompanying notes, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. As explained above, Zoomd is considered the accounting acquirer and this interim report is a direct continuation of the financial statements of Zoomd.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies.

B. Risks and uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which continues to spread around the world. COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates.

The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including but not limited to the duration and severity of the pandemic and the extent and severity of the impact on the Company's customers, all of which are uncertain and cannot be predicted. The management of the Company is closely evaluating the impact of COVID-19 on the Company's business. The Company took a number of steps to mitigate the impact of the pandemic on its operations for 2020, including decreasing all employees' salaries by 25% for April and May 2020 and reducing some of its service providers' expenses. As of July 2020, the Company decreased all of its employees' salaries and some of its service providers costs by 10%. Further steps will be taken according to the Company's financial situation.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands)

NOTE 3 - SHARE CAPITAL AND OTHER EQUITY:

A. Share based payment:

The Company established a stock option plan (the “Plan”) for its key employees, officers and directors, and certain consultants. The Plan is administered by the Board of Directors of the Company. The Board may from time to time grant options to purchase ordinary shares of the Company and the exercise price per share. Options under the Plan expire ten years after the grant date and vest either immediately or over periods up to three years and are equity-settled.

The following table provides the activity of stock option grants for the periods ended September 30, 2020, and December 31, 2019 and January 1, 2019 and for options outstanding, and exercisable as of September 30, 2020, the weighted average exercise price, and the weighted average remaining contractual life.

	Options outstanding		
	Number	Weighted average exercise price	Weighted average remaining contractual life (in years)
Outstanding January 1, 2019	8,447,087	-	8.21
Expired	-	-	
Forfeited / Cancelled	50,105	-	
Exercised	35,709	-	
Granted	-	-	
Outstanding December 31, 2019	8,361,273	-	7.21
Expired	-	-	
Forfeited / Cancelled	81,096	-	
Exercised	1,120,300	-	
Granted	2,376,295	0.40	1.53
Outstanding September 30, 2020	9,536,172	0.10	5.20
Options exercisable	8,135,107		

The fair value at the date of grant of the options granted during the periods ended December 31, 2019 and January 1, 2019 equal the share price of \$0.41 as the exercise price was set to nil, hence no other parameter affected the grant date fair value.

The following table summarizes information about the assumptions for measuring the fair value of the options under the Black-Scholes option pricing model for the periods ended September 30, 2020, is as follows:

	2020
Dividend yield (%)	0
Expected volatility of the share prices (%)	100%
Risk-free interest rate (%)	0.16%-0.17%
Expected life of share options (years)	1-3.5

ZOOMD TECHNOLOGIES Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands)

NOTE 3 - SHARE CAPITAL AND OTHER EQUITY: (Cont.)

A. Share based payment: (Cont.)

The Company recognized total expense of \$140 and \$620 related to above equity settled share-based payment transactions for the period ended September 30, 2020 and December 31, 2019, respectively.