

ZOOMD TECHNOLOGIES LTD

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022

ZOOMD TECHNOLOGIES LTD

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022

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ZOOMD TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(USD in thousands)

	<u>June 30,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
<u>Assets</u>			
Current assets			
Cash and cash equivalents	5,122	2,193	5,238
Trade receivables	8,457	8,607	8,478
Other receivables and prepaid expenses	725	232	417
	<u>14,304</u>	<u>11,032</u>	<u>14,133</u>
Non-current assets			
Long-term deposit	40	298	296
Fixed assets, net	179	70	80
Rights to use assets	114	1,027	734
Intangible assets	12,253	11,376	11,332
	<u>12,586</u>	<u>12,771</u>	<u>12,442</u>
Total assets	<u>26,890</u>	<u>23,803</u>	<u>26,575</u>
<u>Equity and liabilities</u>			
Current liabilities			
Trade payables	4,849	3,856	3,202
Short term bank credit	1,001	2,004	2,003
Contingent liabilities	125	-	125
Other payables and accrued expenses	3,948	4,751	5,687
	<u>9,923</u>	<u>10,611</u>	<u>11,017</u>
Non-current liabilities			
Provisions	280	294	280
Lease liability	-	399	96
Reserve for employee benefits	166	175	191
	<u>446</u>	<u>868</u>	<u>567</u>
Shareholders' equity			
Share capital and premium	39,499	39,043	39,045
Other reserves	5,355	5,067	5,107
Accumulated deficit	(28,333)	(31,786)	(29,161)
	<u>16,521</u>	<u>12,324</u>	<u>14,991</u>
Total equity and liabilities	<u>26,890</u>	<u>23,803</u>	<u>26,575</u>

The financial statements were approved by the board of directors of the company.

Amit Bohensky
Chairmen of the board

Ofer Eitan
CEO

Tsvika Adler
CFO

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

ZOOMD TECHNOLOGIES LTD.

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) **(USD in thousands, except for per share and shares data)**

	For the six months ended June 30,		For the three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
Revenue	32,467	17,933	16,217	11,157	52,585
Cost of sales and services	22,968	11,898	11,517	7,500	36,294
Gross profit	9,499	6,035	4,700	3,657	16,291
Operating costs and expenses					
Research and development expenses	2,775	2,057	1,541	1,006	4,221
Selling, administrative and general expenses	5,712	3,995	3,079	2,030	9,066
	8,487	6,052	4,620	3,036	13,287
Operating Income (Loss)	1,012	(17)	80	621	3,004
Finance Income	1	-	-	-	6
Finance expense	(185)	(110)	(73)	(82)	(512)
Finance expense, net	(184)	(110)	(73)	(82)	(506)
Net Income (Loss) and Comprehensive Income (Loss)	828	(127)	7	539	2,498
Net Income (loss) per share:					
Basic and diluted	0.01	(0.00)	0.00	0.01	0.02
Shares used in calculation of net income (loss) per share:					
Basic	101,793,457	100,978,310	101,772,751	100,992,045	100,988,841
Diluted	102,645,861	100,978,310	106,697,438	101,771,931	101,998,347

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

ZOOM TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands, except of share data)

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2022	95,595,617	39,045	5,107	(29,161)	14,991
Share-based compensation (See notes 1C and 3A)	-	-	248	-	248
Exercise of options	223,865	5	-	-	5
Common stocks issued and to be issued due to business combination (See notes 1B and 1C)	606,719	449	-	-	449
Income for the period	-	-	-	828	828
Balance - June 30, 2022 (Unaudited)	<u>96,426,201</u>	<u>39,499</u>	<u>5,355</u>	<u>(28,333)</u>	<u>16,521</u>

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2021	94,811,681	39,035	4,965	(31,659)	12,341
Share-based compensation	-	-	102	-	102
Exercise of options	334,793	8	-	-	8
Loss for the period	-	-	-	(127)	(127)
Balance - June 30, 2021 (Unaudited)	<u>95,146,474</u>	<u>39,043</u>	<u>5,067</u>	<u>(31,786)</u>	<u>12,324</u>

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

ZOOM TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(USD in thousands, except of share data)

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - April 1, 2022	95,630,692	39,374	5,177	(28,340)	16,211
Share-based compensation (See notes 1C and 3A)	-	-	178	-	178
Exercise of options	188,790	(*)	-	-	(*)
Common stocks issued and to be issued due to business combination (See note 1B and 1C)	606,719	125	-	-	125
Income for the period	-	-	-	7	7
Balance - June 30, 2022 (Unaudited)	<u>96,426,201</u>	<u>39,499</u>	<u>5,355</u>	<u>(28,393)</u>	<u>16,521</u>

(*) Less than 1 thousand dollars.

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - April 1, 2021	94,917,172	39,035	5,023	(32,325)	11,733
Share-based compensation	-	-	44	-	44
Exercise of options	229,302	8	-	-	8
Income for the period	-	-	-	539	539
Balance - June 30, 2021 (Unaudited)	<u>95,146,474</u>	<u>39,043</u>	<u>5,067</u>	<u>(31,786)</u>	<u>12,324</u>

	Number of Share capital	Share capital and premium	Reserve for share-based compensation and other reserves	Accumulated deficit	Total shareholders' equity
Balance - January 1, 2021	94,811,681	39,035	4,965	(31,659)	12,341
Share-based compensation	-	-	142	-	142
Exercise of options	783,936	10	-	-	10
Income for the year	-	-	-	2,498	2,498
Balance - December 31, 2021	<u>95,595,617</u>	<u>39,045</u>	<u>5,107</u>	<u>(29,161)</u>	<u>14,991</u>

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

ZOOMD TECHNOLOGIES Ltd.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD in thousands)

	For the six months ended June 30,		For the three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				
Cash flows - operating activities					
Net Income /(Loss) from operations	828	(127)	7	539	2,498
Adjustments to reconcile net income (loss) to net cash from operating activities (Appendix A)	1,914	(412)	1,061	(921)	1,404
	<u>2,742</u>	<u>(539)</u>	<u>1,068</u>	<u>(382)</u>	<u>3,902</u>
Interest Payments	(13)	(44)	(2)	(22)	(77)
Net cash generated from (used in) operating activities	<u>2,729</u>	<u>(583)</u>	<u>1,066</u>	<u>(404)</u>	<u>3,825</u>
Cash flows - investing activities					
Investment in bank deposits	256	(251)	256	(251)	(250)
Capitalized software development costs	(1,439)	(875)	(718)	(411)	(1,846)
Cash used in business combination (See note 1C)	(125)	(350)	(125)	-	(350)
Purchase of property, plant, and equipment	(120)	(5)	(120)	-	(31)
Net cash used in investing activities	<u>(1,428)</u>	<u>(1,481)</u>	<u>(707)</u>	<u>(662)</u>	<u>(2,477)</u>
Cash flows - financing activities					
Lease liabilities	(422)	(322)	(231)	(148)	(691)
Short-term bank credit	(1,000)	2,000	-	2,000	2,000
Exercise of options	5	8	(*)	8	10
Net cash generated from (used in) financing activities	<u>(1,417)</u>	<u>1,686</u>	<u>(231)</u>	<u>1,860</u>	<u>1,319</u>
Increase (Decrease) in cash and cash equivalents	(116)	(378)	128	794	2,667
Cash and cash equivalents at the beginning of the financial year	5,238	2,571	4,994	1,399	2,571
Cash and cash equivalents at the end of the financial year	<u>5,122</u>	<u>2,193</u>	<u>5,122</u>	<u>2,193</u>	<u>5,238</u>

(*) 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)**

Appendix A - Adjustments to reconcile net gain (loss) to net cash from operating activities

	For the six months ended June 30,		For the three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				
<u>Cash flows from operating activities</u>					
A. Adjustments to reconcile net profit to net cash from operating activities					
Depreciation and amortization	1,481	1,297	744	653	2,643
Change in fair value of contingent liabilities	-	-	-	-	125
Change in employee benefit liabilities, net	(25)	(2)	(17)	4	14
Cost of share-based payment	248	102	178	44	120
Finance expenses, net	335	61	225	36	171
Changes in assets and liabilities:					
Decrease (increase) in trade receivables and other receivables	(287)	(4,559)	(1,399)	(3,506)	(4,615)
Increase (decrease) in trade payables	1,647	1,822	1,238	388	1,168
Increase (decrease) in other current and non-current liabilities	(1,485)	867	92	1,460	1,792
Changes in IIA liabilities	-	-	-	-	(14)
Total	1,914	(412)	1,061	(921)	1,404

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

ZOOMD TECHNOLOGIES Ltd.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD in thousands)

Appendix A - Adjustments to reconcile net income (loss) to net cash from operating activities (Cont.)

	For the six months ended June 30,		For the three months ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited				

B. Non-cash investing and financing activities

(1) Business combination (See note 1C)

Goodwill from business combination	575	-	-	-	-
Trade payables	-	-	-	-	-
Contingent liability from business combination	(125)	-	-	-	-
Share capital and premium balance	(325)	-	-	-	-
Total	125	-	-	-	-

(2) Purchase of property, plant, and equipment, included in accounts payables

Purchase of property, plant, and equipment,	2	-	2	-	-
Total	2	-	2	-	-

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

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL

Description of Business:

- A. 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 developed a proprietary patented technology and targets the needs of many segments of the digital marketing industry. It focuses on efficient user acquisition for companies and products aimed at mobile users. The Company leverages onsite search providing increased monetization and engagement for publishers as well as more efficient management of digital advertising budgets for media agencies and advertisers, targeting usually mobile app user acquisition. The Company was designated as a Capital Pool Company as such term is defined by Policy 2.4 of the TSX (“**Policy 2.4**”) 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\$9.3 million (approximately US\$7 million) pursuant to a private placement (the “Concurrent Financing”).

- B. On February 9, 2021 the Company acquired all of Performance Revenues' Ltd.'s tangible and intangible assets, in consideration for USD\$350 in cash and an earn-out that is based on the annual results of Performance Revenues for 2021, capped at maximum of USD1,023, payable in Zoomd's shares, using a price per share that is the higher of (i) the fair market value on the day of payment and (ii) \$0.75 USD per share. When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. As of the purchase date the fair value of the earnout was immaterial based on actual results and forecasts. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The acquisition qualifies as a business combination and was accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*.

In June 2022, the Company issued 231,719 shares to Optimistico Ltd. formerly Performance Revenues Ltd, against a closing of a liability for the amount of USD\$125.

The consideration for the transaction was allocated as follows, an amount of USD\$336 has been allocated to goodwill and an amount of USD\$14 has been allocated to customer relationships.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND GENERAL(Cont.)

- C. On March 27, 2022, the Company acquired all of Albert Technologies' Ltd and Albert Technologies' Inc tangible and intangible assets, in consideration of up to USD\$1 million – at closing, a one-time payment of USD\$125 in cash and USD\$375 in shares transaction, using a price per share of USD\$1. And a second payment of up to USD\$125 in cash and USD\$375 in shares transaction, using a price per share that is the higher of (i) the fair market value on the day of payment and (ii) USD\$1 per share, based on client's performance and product's full implementation in Zoomd's Systems. When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The contingent consideration of \$125 in cash was classified as a liability and the USD\$375 in shares transaction was classified as a capital instrument according to the fair value.

The acquisition qualifies as a business combination and was accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

As of the reporting date, the entire consideration has been allocated to goodwill, on a provisional basis based on management's estimates. The Company is in the process of making a final determination of adjustments to the consideration and its allocation for changes and other consequential movements in the fair value of assets and liabilities. Finalization of the purchase allocation may result in certain adjustments to the above allocation.

Additionally, Albert's employees, which have joined Zoomd, and also Albert's shareholders will be entitled to retention bonus payments of up to USD\$2M, USD\$1.8M in cash and USD\$0.2M in shares, using a price per share that is the fair market value on the day of issuance.

The retention payments are only payable if the employees remain employed, and Albert's shareholders will provide services, during a specified period and certain performance metrics are reached.

For the period ended June 30, 2022 the Company recognized total expense of \$66 related to above equity settled share-based payment transactions.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

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, 2021 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:

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. Since then, several measures have been implemented worldwide in response to the increased impact from COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to certain business sectors globally, resulting in economic and other difficulties in many regions worldwide.

The Company took several 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. From July 2020, the Company decreased most of its employees' salaries and some of its service providers costs by 10%. As of May 2021, all salary reductions are terminated for all employees and service providers. Further steps may be taken based on the Company's financial situation and after considering the Company's revenue growth.

The COVID-19 pandemic did not have a material effect on the Company's working capital, debt covenants, planned growth or funding of future development activities and capital expenditures.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

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 for the period ended June 30, 2022, and December 31, 2021 for options outstanding, and exercisable. 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, 2021	10,322,951	0.11	4.76
Expired	1,864,604	-	
Forfeitures	256,025	-	
Exercised	783,936	-	
Granted	1,385,000	0.3	3.4
Outstanding December 31, 2021	8,803,386	0.18	3.71
Expired	-	-	
Forfeitures	289,970	-	
Exercised	223,865	-	
Granted	44,413	0.34	1.5
Outstanding June 30, 2022	8,333,964	0.2	3.7
Options exercisable	6,738,336		

The following table summarizes information about the assumptions for measuring the fair value of the options granted under the Black-Scholes option pricing model for the year ended December 31, 2021, is as follows:

	2021
Dividend yield (%)	0%
Expected volatility of the share prices (%)	100%
Risk-free interest rate (%)	0.2%
Expected life of share options (years)	3.4

The Company recognized total expense of \$182 and \$143 related to above equity settled share-based payment transactions for the period ended June 30, 2022 and December 31, 2021, respectively.

ZOOMD TECHNOLOGIES Ltd.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (USD in thousands, except of share data)

NOTE 4 - SUBSEQUENT EVENTS

On May 8, 2022, the Company entered into a lease agreement to lease 1,400 square meters of new office facility in Herzliya. The new lease has an initial term of 42 months and is expected to commence on August 1, 2022. The Company has the option to terminate the agreement on January 31, 2025. The monthly rent under the new agreement is NIS147 thousands (approximately \$39) linked to the June 2022 consumer price index. The Company has an option to extend the term of the lease for an additional two-year period with an increase of 5% in the monthly lease payments.

The lease is subject to charges for property management for a monthly amount of NIS33.6 thousands (approximately \$10).

On August 1, 2022, the Company recognized a right-of-use asset and corresponding lease liability with respect to this lease arrangements for an approximate amount of USD\$3 millions.